

ANALYSIS OF THE EFFECT OF PROFITABILITY, LEVERAGE, FINANCIAL DISTRESS, AND FIRM SIZE ON EARNINGS MANAGEMENT WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE IN FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE DURING THE PERIOD 2019-2023

ANALISIS PENGARUH PROFITABILITAS, LEVERAGE, FINANCIAL DISTRESS, FIRM SIZE PADA MANAJEMEN LABA DENGAN KEPEMILIKAN INSTITUSIONAL SEBAGAI VARIABEL MODERATING PADA PERUSAHAAN FOOD AND BEVERAGE YANG TERDAFTAR DI BURSA EFEK INDONESIA PADA PERIODE 2019-2023

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ABSTRACT

This study examines the effect of profitability, leverage, financial distress, and firm size on earnings management with institutional ownership as a moderating variable. The focus of the study is on food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023, including the Covid-19 pandemic period. Using a descriptive quantitative approach and purposive sampling, 16 companies were selected from a population of 30, resulting in 80 observations. The results show that these variables individually do not have a significant effect on earnings management. However, institutional ownership was found to significantly moderate the relationship between firm size and earnings management, while the other variables did not show a moderating effect.

Keywords: Profitability, Leverage, Financial Distress, Firm Size, Earnings Management

ABSTRAK

Penelitian ini mengkaji pengaruh profitabilitas, leverage, financial distress, firm size terhadap manajemen laba dengan kepemilikan institusional sebagai variabel moderasi. Fokus penelitian adalah perusahaan makanan dan minuman yang terdaftar di BEI pada periode 2019–2023, termasuk masa pandemi Covid-19. Dengan pendekatan kuantitatif deskriptif dan purposive sampling, 16 perusahaan dipilih dari 30 populasi, menghasilkan 80 observasi. Hasil penelitian menunjukkan bahwa variabel tersebut secara individu tidak berpengaruh signifikan terhadap manajemen laba. Namun, kepemilikan institusional terbukti signifikan memoderasi hubungan antara ukuran perusahaan dan manajemen laba, sementara variabel lain tidak menunjukkan efek moderasi.

Kata Kunci: Profitabilitas, Leverage, Financial Distress, Firm Size, Manajemen Laba

INTRODUCTION

In the competitive digital economy era, companies are required to improve efficiency and profitability. Since the COVID-19 pandemic, economic uncertainty has encouraged profit manipulation practices to improve financial image. Income statements are important in assessing company conditions, but are often misused to cover up weaknesses (Jumingan, 2019). Factors such as profitability, leverage, financial difficulties, and company size

influence earnings management. Low profitability triggers manipulation (Paramitha & Idayati, 2020), leverage reflects financial risk (Sutra & Mais, 2019), and financial difficulties signal the threat of bankruptcy (Hutabarat, 2021). Large companies tend to avoid manipulation in order to maintain their reputation (Susilowati, 2021), while institutional ownership plays a role in monitoring financial performance. This study uses data from food and beverage

companies on the IDX from 2019 to 2023.

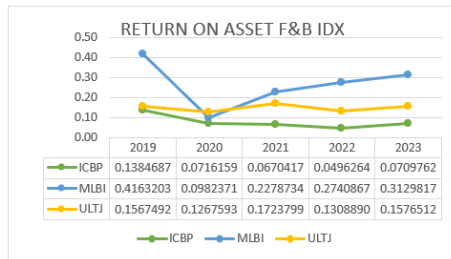


Figure 1. Return on Assets within the Food and Beverages Sector

The graph shows the ROA trends for ICBP, MLBI, and UL TJ from 2019 to 2023 with complete values in the table. MLBI's ROA fell sharply from 0.4163 in 2019 to 0.0982 in 2020, indicating signs of financial difficulties that support the view of Widyani, Sukadana, and Suarjana (2022) that high profitability reduces the risk of financial difficulties.

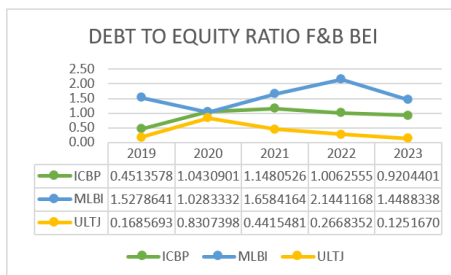


Figure 2. Debt to Equity Ratio of Food and Beverages Companies

MLBI's Debt-to-Equity Ratio increased from 1.66 in 2021 to 2.14 in 2022, which could trigger earnings management. This finding supports Christilla and Susanti's (2023) view that investors prefer companies with low debt as a sign of prudent financial management. This study confirms the role of institutional ownership in limiting earnings manipulation in food and beverage companies listed on the IDX during the 2019–2023 post-COVID-19 period.

LITERATURE REVIEW

The Effect of Profitability on Earnings Management

Profitability reflects a company's ability to generate income from its assets and operations (Brigham & Houston, 2019). Astriah et al. (2021) state that high profitability encourages profit management to increase profits. However, Hidayatullah and Arif (2023) argue that ROA has minimal effect because investors pay less attention to it, thereby reducing the incentive for profit manipulation (H1).

The Effect of Leverage on Earnings Management

Leverage indicates the proportion of a company's assets financed by debt (Sari & Khafid, 2020) and has been found to have a negative effect on earnings management. Joe and Ginting (2022) report no significant relationship, indicating that earnings management can occur without being related to debt levels. However, Anisya et al. (2023) find that high leverage increases the likelihood of earnings manipulation (H2).

The Effect of Financial Distress on Earnings Management

Management often feels pressured to show strong financial results (Octisari, Asih, and Priyatama, 2022). Hetami and Wahyudi (2021) found that financial difficulties have a negative impact on earnings management due to limited manipulation capabilities. However, Mellenia and Khomsiyah (2023) reported a positive effect, where earnings management increased to obtain funding during financial difficulties (H3).

The Influence of Firm Size on Profit Management

The relationship between company size and earnings management has not been consistent. Chowanda and Nariman (2023) found a positive

relationship, stating that large companies tend to manage earnings to meet investor expectations. Conversely, Adyastuti and Khafid (2022) reported a negative impact because large companies are more transparent and monitored by investors, thereby reducing manipulation (H4).

The Effect of Institutional Ownership on Earnings Management

The effect of institutional ownership on earnings management varies. A.D., Novitasari, and Dewi (2022) as well as Agustin and Widiatmoko (2022) found an ineffective or negative effect in limiting earnings management. Friyanto and Santoso (2023) reported a positive but insignificant effect, indicating that misaligned objectives can limit oversight (H5).

The Effect of Profitability, Leverage, Financial Distress, and Firm Size on Earnings Management with Institutional Ownership as a Moderating Variable

Although profitability often increases earnings management, Richard and Nugroho (2023) did not find a moderating effect of institutional ownership. However, other studies report this moderating role, such as Angelica and Atiningsih (2020) on leverage, Winarsih et al. (2023) on firm size, and Sari and Hermi (2023) on financial distress and leverage (H6).

RESEARCH METHODS

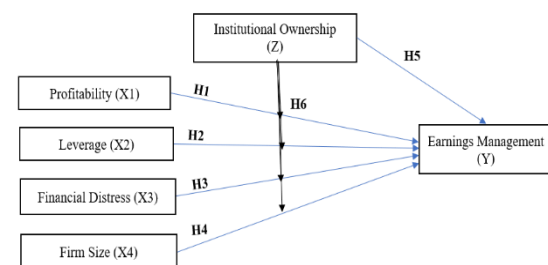
This study examines 16 food and beverage companies on the Indonesia Stock Exchange for the period 2019-2023 using purposive sampling. The focus is on the financial impact of COVID-19 on the sector, including changes in the supply chain, consumers, and policies, with an analysis of 80

panel data before, during, and after the pandemic.

Table 1. Sample Selection Criteria

No	Criteria	Sample
1	Food and Beverage sector companies listed on the Indonesia Stock Exchange (IDX) from 2019-2023	30
2	Food and Beverage companies whose financial statements were not audited during the 2019–2023 period	0
3	Food and Beverage sector companies with incomplete financial statement data for any of the years analyzed in the research	0
4	Food and Beverage industries that did not record financial profit during the 2019-2023 period	(12)
5	List of Food and Beverage companies that lacked Institutional Ownership records for any period investigated in this study	(2)
Overall Research Sample		16
Overall Dataset for Research (16 companies x 5 periods)		80

RESEARCH HYPOTHESES



The operational definitions for each variable are presented in the following table.

Table 2. Operational Definition of Variables

Variable	Variable Interpretation	Indicator	Scale
Profitability (X1)	This method measures how effectively a company uses its resources to generate profits. (Sudana, 2019)	Return On Assets (ROA) = $\frac{Net\ Income}{Total\ Asset}$ (Kasmir, 2019)	Ratio
Leverage (X2)	External sources of company funding other than stock sales on the capital market. (Maslihah, 2019)	Debt to Equity Ratio (DER) = $\frac{Total\ liabilities}{Equity}$ (Brigham and Houston, 2019: p.116)	Ratio
Financial Distress (X3)	The company is experiencing severe financial problems that potentially threaten the existence of its operational activities. (Sunanto et al., 2023)	Financial Distress = $Z = (6.56 * X1) + (3.26 * X2) + (6.72 * X3) + (1.05 * X4)$ The Modified Altman Z-Score Method in Leony et al., (2019)	Ratio
Firm Size (X4)	Company size is the scale of a company based on its total assets, sales, market value, and capital. (Muchlisin Riadi, 2020)	Firm Size = $Ln (Total\ Asset)$ (Sudarno, 2022)	Ratio
Profit Management (Y)	Earnings management is an effort by management to manipulate reported earnings in the short term through accounting choices and transaction timing. (Yahaya et al., 2020)	$DAit = (\frac{TACit}{Ait-1}) - NDAit$ (Kusumawardhani & Windyastuti, 2020)	Ratio
Institutional Ownership (Z)	Institutional ownership refers to shares owned by institutions such as the government, financial institutions, foreign investors, and trust funds. (Dewi & Subardjo, 2020)	Institutional Ownership (INST) = $\frac{\sum share\ held\ by\ institutional}{\sum shares\ outstanding}$ (Yovianti & Dermawan, 2020)	Ratio

RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
Profitability	80	.00	.42	.1110	.07185
Leverage	80	.11	2.14	.6743	.42103
Financial Distress	80	1.42	17.98	6.67	4.11648
Company Size	80	13.62	30.80	23.4777	6.13591
Earnings Management	80	-1.31	4.17	.2626	1.10285
Institutional Ownership	80	.13	.93	.6991	.19701
Valid N (listwise)	80				

* The data for this research were processed using SPSS 20.0.

Profitability ranged from 0.00 (PT. Sekar Bumi Tbk, 2019) to 0.42 (PT. Multi Bintang Indonesia Tbk, 2019) with an average of 0.1110.

Leverage varied from 0.11 (PT. Wilmar Cahaya Indonesia Tbk, 2022) to 2.14 (PT. Multi Bintang Indonesia Tbk, 2022), with an average of 0.6743.

Financial difficulties ranged from 1.42 (PT. Budi Starch and Sweetener Tbk, 2019) to 17.98 (PT. Wilmar Cahaya Indonesia Tbk, 2022), with an average of 6.6700. Company size ranges from 13.62 (PT. Akasha Wira International Tbk, 2019) to 30.80 (PT. Mayora Indah Tbk, 2023), with an average of 23.4777. Profit management ranges from -1.31 (PT. Multi Bintang Indonesia Tbk,

2022) to 4.17 (PT. Sariguna Primatirta Tbk, 2019) with an average of 0.2626. Institutional ownership ranged from 0.13 (PT. Mulia Boga Raya Tbk, 2019) to 0.93 (PT. Sekar Laut Tbk, 2019 & 2020), with an average of 0.6991.

Classical Assumption Test Results Normality Test

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		80
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	.86254294
Most Extreme Differences	Absolute	.104
	Positive	.104
	Negative	-.062
Kolmogorov-Smirnov Z		.926
Asymp. Sig. (2-tailed)		.358
a. Test distribution is Normal.		
b. Calculated from data.		

The results of the Kolmogorov-Smirnov normality test show an Asymp. Sig. (2-tailed) value of 0.358, which is

greater than 0.05, indicating that the data is normally distributed.

Multicollinearity Test

Table 5. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Profitability	.596	1.679
Leverage	.290	3.453
Financial Distress	.249	4.010
Firm Size	.829	1.207
Institutional Ownership	.948	1.055

Dependent Variable: Y

*** The data for this research was processed using SPSS 20.0.**

Table 5 shows the tolerance and VIF values for profitability (0.596; 1.679), leverage (0.290; 3.453), financial distress (0.249; 4.010), company size (0.829; 1.207), and

institutional ownership (0.948; 1.055). These values indicate that there is no multicollinearity between variables.

Autocorrelation Test**Table 6. Autocorrelation Test Results**

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.623 ^a	.388	.347	.89121	.556

a. Predictors: (Constant), Z, X4, X3, X1, X2

b. Dependent Variable: Y

* The data for this research were processed using SPSS 20.0.

Table 6 shows a Durbin-Watson value of 0.556, which is below the critical value of 1.5070 and outside the range of 1.5070–2.2284, indicating the presence of autocorrelation in the data.

Table 7. Results of the Cochrane-Orcutt Method

Model	R	R Square	Adjusted R-Square	Standard Error of the Estimate	Durbin-Watson
1	.664 ^a	.441	.403	.56673	1.858

a. Predictors: (Constant), LAG_Z, LAG_X4, LAG_X3, LAG_X1, LAG_X2

b. Dependent Variable: LAG_Y

* The data for this research were processed using SPSS 20.0.

To address autocorrelation, the Cochrane-Orcutt run test was used. After data transformation, Table 7 shows a Durbin-Watson value of 1.858, which is between the lower limit (1.5070) and 4 minus the upper limit (2.2284), indicating no autocorrelation.

Heteroscedasticity Test**Table 8. Heteroscedasticity Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.847	.474		3.900	.000
Profitability	1,825	1,004	.239	1,818	.073
Leverage	-1,048	.246	-.803	-4,265	.000
Financial Distress	-.120	.027	-.900	-4,434	.000
Company Size	.005	.010	.051	.455	.650
Institutional Ownership	.018	.290	.006	.060	.952

Dependent Variable: ABS_RES

* The data for this research were processed using SPSS 20.0.

Table 8 shows that variables X1, X4, and Z have p values > 0.05, indicating no heteroscedasticity. Conversely, X2 and X3 have p = 0.000, indicating a problem with heteroscedasticity. To overcome this, a run test and the Weighted Least Squares (WLS) method will be performed on X2 and X3.

Table 9. Results of the Weighted Least Square Method

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.002	.001		1.710	.091
TRANSFORM_X1	-.105	.643	-.036	-.163	.871
TRANSFORM_X2	-.067	.139	-.130	-.481	.632
TRANSFORM_X3	-.039	.020	-.522	-1.919	.059
TRANSFORM_X4	-7.631E-007	.000	-.211	-.699	.487

TRANSFORM_Z	.262	.172	.308	1,522	.132
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a. Dependent Variable: ABS_RES

** The data for this research were processed using SPSS 20.0.*

After using the Weighted Least Squares (WLS) method with data transformation (Table 9), the heteroscedasticity test showed that all variables (X1, X2, X3, X4, and Z) had significance values above 0.05, indicating that the heteroscedasticity problem had been resolved.

Multiple Linear Regression Analysis**Table 10. Moderated Multiple Linear Regression Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.637	3.878		.680	.499
	X1	-19,665	13,114	-1,281	-1,500	.138
	X2	.697	2,468	.266	.283	.778
	X3	.236	.232	.882	1,018	.312
	X4	-.089	.061	-.494	-1.455	.150
	Z	-3,866	4,909	-.691	-.787	.434
	X1M	30,876	16,557	1,782	1,865	.066
	X2M	-3,236	3,007	-0.966	-1,076	.286
	X3M	-.592	.292	-1.845	-2.025	.047
	X4M	.266	.090	1,510	2,944	.004

Dependent Variable: Y

** The data for this research were processed using SPSS 20.0.*

Profit Management = 2.637 – 19.665 Profitability + 0.697 Leverage + 0.236 Financial Distress - 0.089 Firm Size – 3.866 Institutional Ownership + E (Equation 1)

Profit Management = 2.637- 19.665X1Z1 + 0.697X2Z2 + 0.236X3Z3- 0.089X4Z4 + E (Equation 2)

The regression model shows a positive constant of 2.637. Profitability

and firm size have a negative effect on firm value, while leverage and financial distress have a positive effect. Institutional ownership significantly moderates this relationship by strengthening the positive impact of profitability and firm size and weakening the effect of leverage and financial distress on firm value.

Hypothesis Determination Coefficient (Adjusted R² Square)**Table 11. Results of Adjusted R² Square**

Model	R	R Square	Adjusted Square	R Standard Error of the Estimate
1	.623 ^a	.388	.347	.89121

a. Predictors: (Constant), Z, X4, X3, X1, X2

** The data for this research were processed using SPSS 20.0.*

The Adjusted R-squared value of 0.347 indicates that the model can explain 34.7% of the variation in earnings

management based on profitability, leverage, financial distress, and company size, while the remaining

65.3% of the variation is influenced by other factors not examined.

Simultaneous Hypothesis Test (F-test)

Table 12. Simultaneous Hypothesis Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.389	9	5,265	7,569	.000 ^b
	Residual	48,697	70	.696		
	Total	96,086	79			

a. Dependent Variable: Y

Predictors: (Constant), X4M, X2M, X1, X4, X3, X3M, Z, X2, X1M

** The data for this research were processed using SPSS 20.0.*

The F test results show that the variables of profitability, leverage, financial distress, company size, and institutional ownership collectively have a significant effect on earnings management with an F value of 7.569 (greater than 2.34) and a p value of 0.000.

The t-test shows that profitability, leverage, financial distress, company size, and institutional ownership individually do not have a significant effect on earnings management ($t < 1.99254$, $p > 0.05$), nor do the interactions between profitability and institutional ownership and leverage and institutional ownership.

Partial Hypothesis Testing (T-test)

Table 13. Partial Hypothesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	2.637	3.878			.680	.499
	X1	-19,665	13,114	-.1,281		-1,500	.138
	X2	.697	2,468	.266		.283	.778
	X3	.236	.232	.882		1,018	.312
	X4	-.089	.061	-.494		-1.455	.150
	Z	-3,866	4,909	-.691		-.787	.434
	X1M	30,876	16,557	1,782		1,865	.066
	X2M	-3,236	3,007	-0.966		-1,076	.286
	X3M	-.592	.292	-1.845		-2.025	.047
	X4M	.266	.090	1,510		2,944	.004

Dependent Variable: Y

** The data for this research were processed using SPSS 20.0.*

Two interactions showed a significant effect. First, financial distress with institutional ownership significantly reduced earnings management ($t = -2.025$; $p = 0.047$). Second, institutional ownership strengthened the positive effect of

company size on earnings management ($t = 2.944$; $p = 0.004$).

DISCUSISION

The Effect of Profitability on Earnings Management

Profitability does not significantly affect earnings management in IDX

companies, so the hypothesis is rejected. The COVID-19 crisis caused a decline in profitability, especially ROA, due to the economic slowdown and decline in purchasing power (Syafitri & Khalifaturofi'ah, 2023). Hidayatullah et al. (2023) also found that during the crisis, companies were more focused on survival than on maximizing profits, thereby weakening the relationship between profitability and earnings management.

The Effect of Leverage on Earnings Management

Research from 2019-2023 shows that leverage does not have a significant effect on earnings management (significance 0.778; $t = 0.283$), rejecting the second hypothesis. Joe et al. (2022) state that earnings manipulation can occur without being influenced by debt levels. During the COVID-19 pandemic, management was more focused on maintaining the company's continuity than complying with debt provisions, thereby reducing the effect of leverage on earnings management.

The Effect of Financial Distress on Earnings Management

From 2019 to 2023, financial distress did not have a significant impact on earnings management (significance 0.312; $t = 1.018$), thus rejecting the third hypothesis. Hetami et al. (2021) also found a weak relationship between financial distress and earnings manipulation. During the COVID-19 pandemic, companies prioritized operations and cash flow, with managers reporting honestly to maintain investor confidence amid uncertainty.

The Effect of Firm Size on Earnings Management

From 2019 to 2023, company size did not have a significant effect on earnings management (significance 0.15; $t = -1.455$), thus rejecting the fourth hypothesis. This is in line with Adyastuti et al. (2022), who found a negative relationship between company size and earnings manipulation. During the COVID-19 pandemic, large companies were subject to strict supervision from regulators and investor, which limited opportunities for earnings manipulation. Strong corporate governance also encouraged transparent reporting to maintain credibility during the crisis.

The Influence of Institutional Ownership on Earnings Management

The results for 2019-2023 show that institutional ownership does not have a significant effect on earnings management (significance 0.434; $t = -0.787$), thus rejecting hypothesis five. This is in line with the findings of A.D et al. (2022) and Agustin et al. (2022), which state that large institutional ownership does not necessarily prevent earnings manipulation. During the COVID-19 pandemic, investors were more focused on maintaining company stability than closely monitoring financial reports, thereby reducing pressure on management to manipulate earnings.

The Influence of Profitability, Leverage, Financial Distress, and Firm Size on Earnings Management with Institutional Ownership as a Moderating Variable

The findings indicate that institutional ownership does not significantly moderate the influence of profitability, leverage, and financial distress on earnings management, suggesting that its role in preventing manipulation related to these factors is

limited. However, institutional ownership strengthens the relationship between company size and earnings management. During the COVID-19 pandemic, large companies were under greater pressure to demonstrate stability, so management tended to manipulate earnings to meet institutional investor expectations and maintain market confidence amid economic uncertainty.

CONCLUSION AND SUGGESTION

This study found a limited significant effect of profitability, leverage, financial distress, and company size on earnings management, thus requiring further study with a broader sample. Although institutional ownership has no direct impact, its role as a moderating variable along with audit quality and corporate governance needs to be examined further. These findings reveal a gap between theory and practice in indonesia's food and beverage sector, highlighting the importance of analyzing factor interactions. This study provides an important foundation and opens up opportunities for further research to identify the main factors of earnings manipulation in this industry.

This study is limited to food and beverage companies in indonesia, so the results may not be generalizable to other sectors or regions. The secondary financial data used may affect the accuracy and timeliness of the findings. The focus of the study on financial factors and ownership structure without considering external influences such as regulations and economic conditions is also a limitation. The quantitative approach used may not capture the underlying motivations behind profit manipulation. These limitations are important to consider when interpreting the study results.

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