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THE EFFECT OF PROFITABILITY, LEVERAGE, COMPANY SIZE, AND GOOD CORPORATE GOVERNANCE ON PROFIT MANAGEMENT IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2020-2023

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ABSTRACT

The problems raised in this study are whether profitability (X1) affects earnings management (Y) in manufacturing companies listed on the IDX in 2020-2023, whether leverage (X2) affects earnings management (Y) in manufacturing companies listed on the IDX in 2020-2023, whether independent boards of commissioners (X5) affect earnings management (Y) in manufacturing companies listed on the IDX in 2020-2023. The population in this study was 267 companies. The sample in this study was determined using a purposive sampling method, with a final sample size of 240 over four years of observation. The data analysis techniques used were descriptive analysis, classical assumption tests, multiple linear regression analysis, model feasibility tests (F tests), hypothesis tests (t tests), and coefficient of determination tests (R2). The results of the analysis showed a regression model of Y = 0.010 + 0.212X1 + 0.201X2 + 0.202X3 + 0.196X4 + 0.186X5 + e. The conclusions obtained were: (1) profitability has a positive effect on earnings management, (2) leverage has a positive effect on earnings management, (3) company size has a positive effect on earnings management, (4) good corporate governance, proxied by managerial ownership and an independent board of commissioners, has a positive effect on earnings management.

Keywords: profitability, leverage, company size, good corporate governance, earnings management

I. INTRODUCTION

Fraud Opportunistic actions are actions taken by companies in choosing accounting policies that are profitable and maximize satisfaction of the company. The freedom to choose one of the procedural alternatives available for a particular purpose can lead to profit management practices. Yahaya et al. (2020) in Setiowati, et al. (2023) describe profit management as a management effort to influence or manipulate reported profits by using certain accounting methods, accelerating expenses or income, or using other methods intended to affect short-term profits. The manager does this by considering aspects in the financial statements and the drafting of transactions to change the reported profit value.

Profit management cases that have occurred in Indonesia involve several large companies. Several cases or fraud scandals related to profit management practices, namely in manufacturing companies that occurred at PT Tiga Pilar Sejahtera Food Tbk (AISA), it is suspected that there has been an inflated accounting post worth Rp 4 trillion by the old management in the company's financial statements in 2017. The results of the investigation of the financial statements stated that there were findings of alleged inflating in accounting posts worth Rp 4 trillion as well as several other allegations and alleged inflating in the accounts receivable, inventory, and fixed assets of the AISA Group. The financial statements of PT Tiga Pilar Sejahtera Food Tbk for the financial year 2017 were re-presented in 2020, including the 2018 and 2019 financial statements which had not been reported at that time. The company posted a net loss of Rp 5.23 trillion throughout 2017, in the restated financial statements. This amount is greater by IDR 4.68 trillion than the previous version of the financial statement, which only lost IDR 551.9 billion. This confirms the allegations of PT Ernst & Young Indonesia and proves that there is a profit management practice carried out by the company's old management, namely by increasing the profit (lowering loss) reported from the actual profit (loss) so that the losses experienced by the company look smaller. The company's profit management aims to maintain the company's value so that it does not fall in the eyes of stakeholders, but what actually happens in this case is that the company experiences a significant decline in company value. The IDX suspended AISA shares at a price of Rp 168 on July 6, 2018 to protect investors from larger losses. (www.cnbcindonesia.com).

The state-owned state-owned state-owned airline, PT. Garuda Indonesia Tbk (GIAA) was also involved in a case of manipulating financial statements in 2019. In the financial report for the 2018 financial year, Garuda Indonesia Group posted a net profit of 809.85 thousand US Dollars. This figure increased sharply compared to 2017 which suffered a loss of 216.5 million US Dollars. This irregularity was known by two commissioners of Garuda Indonesia who were reluctant to sign the 2018 financial statements because they considered the 2018 financial statements not in accordance with the Financial Accounting Standard Statement (PSAK), they objected to the recognition of revenue on the transaction of the cooperation agreement for the provision of connectivity services between PT. Mahata Aero Teknologi and PT. Citilink Indonesia. Garuda Indonesia's management admitted that Manata's income amounted to 239.94 million US Dollars, even though the money was still in the form of receivables but admitted that the company was included in the income so that PT Garuda Indonesia Tbk was considered not transparent in making financial statements for the 2018 financial year and was considered to have made financial statements that were not in accordance with the applicable PSAK because PT Garuda Indonesia Tbk recorded receivables as income. As a result, the total fine sanctions that Garuda management had to receive at that time reached Rp 1.25 billion and the fine sanctions were not only received by Garuda Indonesia as a corporate entity, but also by the company's management, both directors and commissioners. (www.cnbcindonesia.com).

According to several studies and experts such as Astriah et al (2021), Susilowati et al., (2018) in Arista et al. (2023), Al-Faraby et al (2023) and Indracahya and Faisol (2017) stated that there are several factors that affect profit management, including profitability, leverage, company size and good corporate governance. Astriah et al. (2021) stated that profitability is a ratio used to measure a company's ability to generate profits with the resources it has, such as capital, assets, or sales. The higher the profitability, the company's performance and ability to generate profits will also increase. Profitability is the ability of a company to generate profits from its business activities, which consists of the number of sales, assets, and share capital owned by the company, which can be used to determine how large or small the value of the shares owned by the company is (Sarah et al., 2023). High profitability indicates good performance, while low profitability indicates poor performance. Low profitability will force managers to implement profit management to make better financial statements, which will benefit investors and managers (Sari et al., 2023).

Another factor that can influence managers to take profit management actions is the laverage. Susilowati et al, (2018) in Arista et al. (2023) explained that leverage is a ratio to test the extent to which a company uses borrowed debt. The higher the leverage, the higher the creditors' supervision of high-risk companies. This reduces the flexibility of profit management. Sari et al, (2023) also explained that leverage is an asset obtained from loans to external parties, namely in the form of debt. The amount of debt a business has can be used to determine how good or bad the business is doing. This shows the extent to which the company is financed by debt. The larger the company's debt, the greater the risk faced. The owner will ask for an increasingly higher level of profit to keep the company from liquidation. If this happens, the management will take profit management actions so that the company's performance appears good in the eyes of shareholders and the public.

Furthermore, there is another factor that affects the profit management actions carried out by the manager, namely the size of the company. Al-Faraby et al (2023) stated that larger companies tend to have more profit management practices than smaller ones. The size of a company can be seen from the large and small classification of a company. Wulansari (2019) in Sari & Andriyanto, (2024), mentions large firms, medium-sized companies, and small firms as the three most common categories of company size. The way to know how big or small a company is can be seen through the total number of assets and sales of a company. The bigger the company, the better because it will be easier to find financial resources to finance investments in earning profits. Large companies will also find it easier to source capital through the capital markets than small companies because they are considered to have higher profit rates, thus attracting investors to invest in them. However, large assets require large capital. In this case, large companies may have to implement profit management practices (Arista et al., 2023).

Good Corporate Governance ("GCG") can be a factor that can affect profit management actions. Indracahya and Faisol (2017), explained that Good Corporate Governance (GCG) is a form of good corporate management, which includes a form of protection for shareholders (public) as company owners and creditors as external funders. The implementation of good corporate governance in the company is one way to monitor contract issues and reduce opportunistic management behavior. Good corporate governance is a company's effort to create a pattern of good relationships between stakeholders in the company. The good performance of a company is the key to increasing the value of the company. Corporate governance is closely related to the company's financial value and performance. This is because, based on applicable laws and standards, they will provide added value for shareholders while taking into account the interests of other stakeholders. Investors must be confident that good company management meets personal interests with an investment model, implementing good corporate leadership can also increase employee productivity, which has a positive impact on the company's overall performance (Azhura & Serly, 2024).

The implementation of Good Corporate Governance (GCG) is one of the important components in maintaining company integrity, transparency, and accountability. Good Corporate Governance is considered to minimize conflicts of interest between management and shareholders and encourage responsible decision-making. In this study, GCG is proxied through two internal mechanisms, namely managerial ownership and an independent board of commissioners. Managerial ownership describes the number of shares a manager owns in a company, which can affect the relationship of interest between management and shareholders. On the other hand, the independent board of commissioners acts as an objective supervisor in carrying out the control function of management policies. These two indicators were chosen because they are considered to have a significant impact on the quality of governance and company performance.

Based on the above background description, the main problems in this study are:

1) Does profitability affect profit management in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023?
2) Does leverage affect profit management in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023?
3) Does company size affect profit management in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023?
4) Does managerial ownership affect profit management in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023?
5) Does the independent board of commissioners affect profit management in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023?

II. LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling (1976), agency theory is a theory that explains the existence of a contract between an agent (management) and principal (shareholders) where the agent receives the mandate to manage the company from the principal. Jensen and Meckling (1976) in Azhura and Serly (2024) explain that in agency theory, agents tend to act for self-interest.

Profit Management

Nassir Zadeh et al. (2023) in Maryuni (2024), define profit management as the deliberate selection of accounting rules by a company to achieve certain management goals. Furthermore, profit management is the deliberate manipulation of financial results to achieve a certain trend or level of profit. Wilamsari (2022) in Azhura & Serly (2024) states that, profit management can be said to be the art of changing numbers in financial statements with the intention of improving financial performance, but ultimately does not reflect the actual business situation.

Profitability

Indracahya & Faisol (2017), explained that profitability is an assessment of a company's performance on the process of the company's ability to generate profits or returns on assets owned and controlled by the company. Benazir (2019), explained that profitability is the profitability ratio, also referred to as profitability, which describes a company's ability to generate profits through all its capabilities and sources, such as sales activities, cash, capital, number of employees, branches, and others.

H1: Profitability affects profit management.

Leverage

Leverage is debt used by a company to finance its assets in order to carry out its operational activities (Gunawan et al 2015 in Setiowati, et al. 2023). Leverage indicates the amount of use of financing in the form of debt in a company's capital structure. To know how well the funds are handled, the financial leverage must be analyzed. The mix of short-term and long-term funds obtained from outside must be in accordance with the company's goals and policies. In this study, leverage was measured because they were unable to meet their debt obligations on time. Companies with high leverage ratios tend to use profit management practices (Benazir, 2019).

H2: Leverage affects profit management

Good Corporate Governance

According to the International Finance Corporation (IFC) (2018) in Zubaedah & Sparta, (2023), Good Corporate Governance is a structure and process used to determine the company's goals and supervision. Taking into account the interests of intuition, country, tradition, and authors, the definition of GCG is quite broad. From several studies, it can be concluded that good corporate governance is a system that exists in a company that aims to achieve the best performance of the company in a way that does not harm the Company's stakeholders. Watts & Zimmerman in Mayasari et al., (2019) explain that one way to monitor contract issues and reduce opportunistic management behavior is to implement good corporate governance within the company. Good corporate governance in this study is proxied by managerial ownership and an independent board of commissioners (Zubaedah & Sparta, 2023).

H3: Company size affects profit management

Managerial Ownership

The management of the company as well as its subsidiaries and affiliates own shares known as managerial ownership. Dimarcia & Krisnadewi, (2016) in Zubaedah & Sparta, (2023), explained that managerial ownership is the ownership of shares owned by parties in the company, such as managers, directors and the board of commissioners who play a direct role in the Company's decision-making. Septiyani (2023) also explained that managerial ownership is an important internal supervisory tool for resolving agency disputes between management and shareholders who come from outside the company. Increasing shareholding by management is one of the corporate governance approaches that can be used to reduce agency costs.

H4: Managerial ownership affects profit management

Independent Board of Commissioners

According to Pratiwi (2013) in Arlita et al. (2019), independent commissioners, also known as non-executive directors , can function as mediators in disputes between internal managers, as well as oversee the decisions of the board of directors and provide advice to them. Independent commissioners serve as a separator between management and shareholders, so members do not come from a board of commissioners, board of directors, or powerful shareholders. Independent commissioners play the role of supervising, advising, and safeguarding the interests of shareholders objectively. The board of commissioners is tasked with supervising and directing the board of directors without being directly involved in operations, with all its members having equal positions.

H5: An independent board of commissioners has an influence on profit management

III. RESEARCH METHODS

This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX) because this sector has an important role in the Indonesian economy and contributes significantly to the Gross Domestic Product (GDP). The researcher in this study used two data collection methods, namely documentation and literature study. The research instrument used in this study is secondary data in the form of annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period.

In this study, quantitative data can be in the form of financial statements obtained directly from manufacturing companies listed on the Indonesia Stock Exchange (IDX). In this study, qualitative data is data about manufacturing companies listed on the Indonesia Stock Exchange. The researcher obtained this secondary data from the Indonesia Stock Exchange (www.idx.co.id) website. The population used in this study is all manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period, totaling 267 companies. The sample in this study is a manufacturing company listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period with a purposive sampling method, so the sample in this study is 240 respondents. This study uses quantitative analysis using the help of the SPSS (Statistical Product and Service Solution) program.

IV. RESULTS AND DISCUSSION

Analysis Results

According to Sugiyono (2022), descriptive analysis is used to analyze data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to generality or generalization. The results of the descriptive analysis of the research variables are presented in Table 1. Below:

Table 1. Descriptive statistical results

Variable	N	Minimum	Maximum	Red	Std. Deviation
X1	240	0,00	0,15	0,04	0,03
X2	240	0,03	0,80	0,35	0,17
X3	240	5,01	5,73	5,36	0,14
X4	240	0,51	1,00	0,92	0,13
X5	240	1,12	1,35	1,19	0,05
Y	240	1,41	1,76	1,57	0,06

Source: Data processed (2025)

Based on the test results in Table 1 above, it shows that the minimum value of 0.00 means that of all profitability levels, the profitability level of manufacturing companies listed on the Indonesia Stock Exchange is 0.00. The maximum profitability value is 0.15 which means that of all profitability levels, the profitability level of manufacturing companies listed on the Indonesia Stock Exchange has the highest value of 0.15. Meanwhile, the average profitability value is 0.04 with a standard deviation (data distribution rate) of 0.03. An average value greater than the standard deviation (0.04 > 0.03) indicates that profitability data has a good data distribution rate.

The leverage variable has a minimum value of 0.03 which means that out of all the leverage values, the lowest value is 0.03. The maximum value of leverage is 0.80 which means that of all the value of leverage has the highest value of 0.80. Meanwhile, the mean value of leverage is 0.35 with a standard deviation (data distribution rate) of 0.17. An average value greater than the standard deviation (0.35 > 0.17) indicates that the leveraged data has a good data distribution rate.

The company size variable has a minimum value of 5.01 which means that of all the company size values, the lowest value is 5.01. The maximum value of the company size is 5.73 which means that of all the values of the company size has the highest value of 5.73. Meanwhile, the average value (mean) of the company size is 5.36 with a standard deviation (data distribution rate) of 0.14. An average value greater than the standard deviation (5.36 > 0.14) indicates that the company-size data has a good data distribution rate.

The managerial ownership variable has a minimum value of 0.51 which means that of the total amount of managerial ownership owned in manufacturing companies listed on the IDX, the lowest amount of ownership is 0.51. The maximum value of managerial ownership is 1.00 which means that of the total amount of managerial ownership owned by the company, it has the highest value of 1.00. Meanwhile, the mean value of managerial ownership is 0.92 with a standard deviation (data distribution rate) of 0.13. An average value greater than the standard deviation (0.92 > 0.13) indicates that managerial ownership data has a good data distribution rate.

The variable of the independent board of commissioners has a minimum value of 1.12 which means that of the total number of independent board of commissioners owned by manufacturing companies, it has the lowest value of 1.12. The maximum value of the independent board of commissioners is 1.35 which means that of the total number of independent board of commissioners owned by a manufacturing company, it has the highest value of 1.35. Meanwhile, the average value (mean) of the independent board of commissioners is 1.19 with a standard deviation (data distribution rate) of 0.05. An average value greater than the standard deviation (1.19 > 0.05) indicates that the data of the independent board of commissioners has a good data distribution rate.

The profit management variable has a minimum value of 1.41 which means that of the profit management value carried out by manufacturing companies listed on the IDX, it has the lowest profit management value of 1.41. The maximum value of profit management is 1.76 which means that of all the value of profit management carried out by the company, it has the highest value of 1.76. Meanwhile, the average value (mean) of profit management is 1.57 with a standard deviation (data distribution rate) of 0.06. An average value that is smaller than the standard deviation (1.57 > 0.06) indicates that profit management data has a good data distribution rate.

The results of the Lagrange-Multiplier test showed a value (Chibar2 > prob) of 0.1876 (>0.05) which means that the value (Chibar2 > prob) is greater than the significance level of 0.05 then the Common Effect Model (CEM) model is better than the Random Effect Model (REM). The results of the LM test are presented in Table 2.

Table 2.
Normality Test Results

		Unstandardized Residual
N		240
Normal Parameters, b	Red	0,0000000
	Std. Deviation	0,00332209
Most Extreme Differences	Absolute	0,051
	Positive	0,041
	Negative	-0,051
Test Statistics		0,051
Asymp. Sig. (2-tailed)		0.200c,d

Source: Data processed (2025)

Based on the test results in the table above, it can be seen that the normality test in this study shows that the value of Asymp. Sig. (2-tailed) of 0.200 which is greater than the significance level of 5% or 0.05. This means that the residual variables in the regression model have been distributed normally.

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Table 3.
Multicollinearity Test Results

Variable	Tolerance Value	VIVID	Verdict
Profitability (X1)	0,921	1,085	Multicolnearity does not occur
Leverage (X2)	0,850	1,177	Multicolnearity does not occur
Company Size (X3)	0,796	1,257	Multicolnearity does not occur
Managerial Ownership (X4)	0,922	1,085	Multicolnearity does not occur
Independent Board of Commissioners (X5)	0,910	1,099	Multicolnearity does not occur

Source: Data processed (2025)

Based on the results of the above test, it is shown that the variables of profitability (X1), leverage (X2), company size (X3), managerial ownership (X4) and independent board of commissioners (X5) have a tolerance value above 0.10 and a VIF value below 10 which means that all variables studied in this study do not occur multicollinearity.

Table 4.
Heteroscedasticity Test Results

Variable	Sig	Verdict
Profitability (X1)	0,564	Heteroscedasticity does not occur
Leverage (X2)	0,329	Heteroscedasticity does not occur
Company Size (X3)	0,948	Heteroscedasticity does not occur
Managerial Ownership (X4)	0,795	Heteroscedasticity does not occur
Independent Board of Commissioners (X5)	0,275	Heteroscedasticity does not occur

Source: Data processed (2025)

Based on the results of the above test, it shows that the significance value of each variable is greater than 0.05, so it can be concluded that the regression model in this study is free from heteroscedasticity.

Table 5.
Autocorrelation Test Results

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999a	.997	.997	.00336	1.962

Source: Data processed (2025)

Based on the results of the above test, it shows that the Durbin-Watson value is 1.962 where the DW value is between -2 and +2, so it can be concluded that there is no autocorrelation.

Table 6.
Multiple Linear Regression Results

Models		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.010	.010		1.033	.303
	X1	.212	.008	.095	27.012	.000
	X2	.201	.001	.522	142.608	.000
	X3	.202	.002	.430	113.558	.000
	X4	.196	.002	.406	115.373	.000
	X5	.186	.005	.132	37.268	.000

Source: Data processed (2025)

Based on the table above, from the equation and the table, a conclusion can be made as follows:

The constant value (α) is 0.010 which means that if the variables of profitability, leverage, company size, managerial ownership and independent board of commissioners are declared equal to zero, then profit management is 0.010. A constant value (α) of 0.010 indicates the value of profit management when the variables of profitability, leverage, company size, managerial ownership and an independent board of commissioners are absent (or considered zero). In this context, a positive value (0.010) means that without profitability, leverage, company size, managerial ownership and an independent board of commissioners, profit management is likely to see an increase of that value. In other words, if there is no profitability, leverage, company size, managerial ownership and an independent board of commissioners at all, then profit management will increase (by 0.010). This means that the existence of profitability, leverage, company size, managerial ownership and an independent board of commissioners have an effect on improving profit management.

The regression coefficient (β1) in the profitability variable is 0.212. The regression coefficient with a positive value means that if profitability increases by one unit, it will result in an increase in profit management by 0.212. Profitability is measured in the form of ratios, which means that if an increase of one unit increases, it means that the profitability level will increase by 1 point. This means that the greater the profitability achieved by the company, the greater the likelihood of profit management carried out by the company. In other words, profitability has a positive influence on profit management, which means that the greater the level of profitability that a company achieves, the greater the profit management.

The regression coefficient (β2) on the leverage variable is 0.201. A regression coefficient with a positive value means that if the leverage increases by one unit, it will result in an increase in profit management by 0.201. Leverage is measured using ratios, which means that if there is an increase of one unit, it means that the leverage ratio increases by 1 point. In other words, if the leverage ratio rises by 1 point, then profit management will also increase. In other words, the greater the value of the company's leverage, the greater the profit management.

The regression coefficient (β3) in the company size variable is 0.202. The regression coefficient with a positive value means that if the size of the company is larger by one unit, it will result in an increase in profit management by 0.202. In other words, if the size of the company increases by 1 point, profit management will also increase. In other words, the larger the size of the company, the greater the profit management.

The regression coefficient (β4) in the managerial ownership variable was 0.196. The regression coefficient with a positive value means that if the amount of managerial ownership is increased by one unit, it will result in an increase in profit management by 0.196. In other words, if managerial ownership increases by 1 point, then profit management will also increase. In other words, the more managerial ownership a company has, the greater the profit management.

The regression coefficient (β5) in the variable of the independent board of commissioners was 0.186. The regression coefficient with a positive value means that if the number of independent commissioners owned by the company is increased by one unit, it will result in an increase in profit management by 0.186. In other words, if the independent board of commissioners increases by 1 point, profit management will also increase. In other words, the more independent commissioners a company has, the greater the profit management.

Table 7.
Determination Coefficient Test Results

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999a	.997	.997	.00336

Source: Data processed (2025)

Based on the results of the above test, it can be seen that the R-squared Adj value of the multiple regression analysis is 0.997, meaning that the variables of profitability (X1), leverage (X2), company size (X3), managerial ownership (X4) and independent board of commissioners (X5) are able to explain the variation in profit management (Y) of 99.70%, while the remaining 0.30% is explained by other variables that are not included in this research model.

Table 8.
Hypothesis Test Results

Models		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.986	5	.197	17490.078	.000b
	Residual	.003	234	.000		
	Total	.988	239			

Variable	**B**	**Sig.**	**Verdict**
Profitability (X1)	0,212	0,000	Accepted
Leverage (X2)	0,201	0,000	Accepted
Company Size (X3)	0,202	0,000	Accepted

Managerial Ownership (X4)	0,196	0,000	Accepted
Independent Board of Commissioners (X5)	0,186	0,000	Accepted

Source: Data processed (2025)

Discussion

The Effect of Profitability on Profit Management

This study aims to determine the effect of profitability on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Based on data analysis and hypothesis testing that has been carried out, it is known that profitability has a positive effect on profit management. This can be seen in the value of the regression coefficient, which is 0.212 with a significance level of 0.000, where 0.000 < 0.05 which means that the profitability variable has a positive effect on profit management. The results of this study are in line with the research conducted by Rizqi (2023) and Sari, et al. (2023) which stated that profitability has a positive effect on profit management.

The Effect of Leverage on Profit Management

This study aims to determine the effect of leverage on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Based on data analysis and hypothesis testing, it is known that leverage has a positive effect on profit management. This can be seen in the value of the regression coefficient, which is 0.201 with a significance level of 0.000, where 0.000 < 0.05 which means that the leverage variable has a positive effect on profit management. The results of this study are in line with research conducted by Arista, et al. (2023) and Anisya, et al. (2023) which stated that leverage has a positive effect on profit management.

The Influence of Company Size on Profit Management

This study aims to determine the effect of company size on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Based on data analysis and hypothesis testing, it is known that company size has a positive effect on profit management. This can be seen in the value of the regression coefficient, which is 0.202 with a significance level of 0.000, where 0.000 < 0.05 which means that the company size variable has a positive effect on profit management. Previous research such as those conducted by Tamara, et al. (2022) and Al-Faraby, et al. (2023) showed that there is an influence between company size variables on profit management, but does not provide a clear direction regarding this relationship.

The Influence of Managerial Ownership on Profit Management

This study aims to determine the influence of managerial ownership on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Based on data analysis and hypothesis testing, it is known that managerial ownership has a positive effect on profit management. This can be seen in the value of the regression coefficient, which is 0.196 with a significance level of 0.000, where 0.000 < 0.05 which means that the managerial ownership variable has a positive effect on profit management. These results are in line with research conducted by Nugraheni, et al. (2023) which states that managerial ownership has a positive effect on profit management. However, this study is not in line with the research of Marisha and Haninun (2023) who stated that managerial ownership has a significant negative effect on profit management.

The Influence of the Independent Board of Commissioners on Profit Management

This study aims to determine the influence of independent board of commissioners on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Based on the data analysis and hypothesis testing carried out, it is known that the independent board of commissioners has a positive effect on profit management. This can be seen in the value of the regression coefficient, which is 0.186 with a significance level of 0.000, where 0.000 < 0.05 which means that the variables of the independent board of commissioners have a positive effect on profit management. The results of this study are in line with the research of Ningrat and Dewi (2022) which states that an independent board of commissioners has a positive effect on profit management. However, this research contradicts the research of Sari and Hasnawati (2022) which states that an independent board of commissioners has a negative effect on profit management.

V. CONCLUSIONS AND RECOMMENDATION

Profitability has a positive effect on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. In other words, the greater the level of profitability owned or achieved by the company, the greater the profit management carried out by the company. Leverage has a positive effect on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. In other words, the greater the level of leverage the company has, the greater the profit management carried out by the company. Company size has a positive effect on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. In other words, the larger the size of the company owned, the greater the profit management carried out by the company. Managerial ownership has a positive effect on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. In other words, the greater the amount of managerial ownership owned by the company, the greater the profit management carried out by the company. The independent board of commissioners has a positive effect on profit management in manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. In other words, the larger the number of independent commissioners owned by the company, the greater the profit management carried out by the company.

The company's management is expected to maintain integrity in financial reporting. Although high profitability and governance structures such as independent board of commissioners are considered to reduce profit management practices, the results of this study show that these factors are positively correlated with earnings management practices. Therefore, companies need to increase internal supervision and prioritize the principles of transparency and ethics in financial reporting to maintain the trust of investors and stakeholders. Investors should not rely only on financial indicators such as profitability and company size in making investment decisions. The finding that companies with good financial performance actually tend to do profit management is a warning to be more careful in analyzing the quality of financial statements. It is recommended that investors conduct an in-depth analysis, including accrual ratios and audit quality, to obtain a more accurate picture of the company's financial condition.

This study has limitations in the time period and type of industry studied, which only includes manufacturing companies during the period 2020–2023. Therefore, researchers are further advised to: Increase the observation period in order to be able to see long-term trends and avoid bias due to certain conditions, such as the COVID-19 pandemic. Expand the scope of industry sectors, such as the services or finance sectors, to see if the influence of similar variables is generally applicable in other industries. Add moderation or mediation variables, such as audit quality or managerial compensation, to illustrate the more complex relationship between the company's internal factors and profit management practices

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