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Analysis of Factors Affecting Earnings Management in Manufacturing Companies in Indonesia

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Abstract - This study aims to examine and analyze profitability, firm growth, leverage, and independent commissioners on earnings management with firm value as an intervening variable. This study uses the financial statements of companies listed on the Indonesia Stock Exchange. The population in this study is manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The sampling method used purposive sampling, namely based on existing criteria so that a sample of 75 companies was obtained. The analytical method used in this study uses the Eviews 9.0 program, the data analysis technique starts from descriptive statistical tests, then continues with the classical assumption test, after that multiple linear regression analysis of panel data and path analysis. That profitability and leverage partially have a significant effect on firm value. While firm growth and independent commissioners have no effect onfirm value. Profitability, firm growth, leverage, and independent commissioners together have a significant effect on firm value. Profitability, firm growth, leverage, and independent commissioners, and firm value have a significant effect on earnings management. Profitability, firm growth, leverage, independent commissioners, and firm value together have a significant effect on firm value. Firm value is a mediator of the influence of profitability and leverage on earnings management, while firm value is not a mediator of the influence of firm growth and independent commissioners on earnings management.

Keywords - Profitability, Firm Growth, Leverage, Independent Commissioner, Firm Value, Earnings Management

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INTRODUCTION

In the business world, manufacturing companies are a company sector that has experienced a very significant decline since the Covid-19 pandemic in Indonesia at the end of 2019. Manufacturing companies are a sector that requires a lot of human resources and high mobility, but with this pandemic it has become limited and lead to a decrease in company performance. The news (CNBC Indonesia, 2020) revealed that before the pandemic the average utility of the Indonesian manufacturing sector reached around 76.29%, while after the pandemic it fell to 30-40%. The purchasing ability of the public continues to decline, while prices that cannot be lowered due to the company's ongoing operating expenses result in less than optimal company profits, which can trigger management to practice earnings management by increasing profits. The pattern of increasing profits is nothing but for its own sake so that its performance still looks good, judged by investors. The additional capital from these investors is expected to maintain the company's performance in the future (Pasaribu&Sulasmiyati, 2016).

Earnings management is the manager's action to choose accounting policies or actions that affect earnings in order to achieve certain goals. In the agency theory, stakeholders as principals and managers as agents have different goals, principals want high returns, while managers provide bonuses for performance results (Rahmawati&Wujarso,

2021). According to Scoot in (Dewi&Wirawati, 2019) some of the motivations for managers to do earnings management are bonus motivation, contractual, political, CEO transfer, capital market, taxation, and Initial Public Offering. Supported by managers who have more information about the actual state of the company to increase or decrease profits according to the desired conditions so that earnings management occurs.

Earnings management practices produce biased financial statement information, so that users of financial statements such as potential investors, creditors and other parties can make wrong financial decisions. This can be detrimental to various parties, as happened in the case of a manufacturing company in the food and beverage sector, namely PT TigaPilar Sejahtera Food Tbk (AISA) which was led under Article 107 of Law 8/1995 on the Capital Market because it fulfilled the elements of deceiving and hiding information. PT TigaPiliar Sejahtera Food Tbk in its 2017 financial report overstates the amount of receivables to impress the company's sales increase. Overstatement on sales account worth 662 billion rupiah and EBITDA on food division worth 329 billion rupiah. In addition, it is suspected that there was a flow of funds reaching 1.78 trillion to parties affiliated with the company's directors. One of the minority shareholders in six companies affiliated with TigaPilar feels disadvantaged because the actual value of the receivables is not as high as disclosed in the financial statements (Investor.Id, 2021).

In practice, managers are influenced by several factors in carrying out earnings management actions as revealed by previous research, one of which is profitability, which is the ability of management to generate profits by utilizing assets used in operational activities (Ningsih, 2019). Research conducted (Tala&Karamoy, 2017) (Ningsih, 2019), (Kusumawati, 2019), and (Sundari&Hariyanto, 2021) shows that profitability can affect earnings management. The assessment of the management's ability raises the motivation of the bonus plan hypothesis, management will get a bonus if the company achieves the profits expected by stakeholders (Ningsih, 2019). Managers can take advantage of the accounting model, which is a decision of related parties to influence the results of the accounting system. This is a financial report that is prepared in accordance with generally accepted principles of operational policy changes so that financial transactions are carried out in real terms, but to achieve the profit desired by company managers, this is in line with accounting theory. positive.

Firm growth is a growth ratio that reflects the company's ability to maintain its economic position in the midst of economic growth and its business sector (Suastini, Purbawangsa, &Rahyuda, 2016). In the research conducted (Rahmawati&Wujarso, 2021), (Purbandari&Immanuela, 2018), and (Annisa&Hapsoro, 2017) the company's growth has a positive effect on earnings management. The company's growth is expected to increase followed by the company's ability to generate profits. In relation to agency theory, it reveals the interests between the agent and the principal where the investor as the principal wants a high return on his investment while the agent must make decisions that can achieve the principal's expectations. This can pressure managers to carry out earnings management practices to show companies that are able to process assets have the potential to increase profits.

According to (Ramadhani&Sulistyowati, 2021), (Pasaribu, Kowanda, &Widyastuty, 2016), and (Kusumawati, 2019) leverage has a positive effect on earnings management. Increased leverage can potentially motivate managers to carry out earnings management to increase company profits. Trade-off theory of debt can be a tax savings but debt that is too high can lead to the risk of bankruptcy costs or default (failure to pay off debt). One of the motivations of managers to carry out earnings management is contractual motivation or the debt covenant hypothesis. Managers in avoiding violations of debt agreements choose procedures to transfer profits generated from future periods to current periods so that the company avoids defaults caused by high debt owned by the company. The higher the leverage will make the company tend to do earnings management. Another thing revealed by (Sundari&Hariyanto, 2021), (Wijayanti&Triani, 2020), Sera (Annisa&Hapsoro, 2017) in their research, namely leverage has a negative effect on earnings management. The amount of debt will make the supervision carried out by creditors even more stringent. The existence of strict supervision reduces the flexibility to carry out earnings management.

Another factor that influences earnings management is the independent board of commissioners. In research (Kencana&Rahayu, 2021), revealed that the independent board of commissioners has a positive effect on earnings

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management. This is because the board of commissioners from outside the company causes problems in coordination which causes a decrease in supervision which can interfere with independent commissioners in making decisions. The high ineffectiveness of supervision in a company will provide opportunities for management to take earnings management actions. The opposite result was expressed by (Kusumawati, 2019) and (Purbandari&Immanuela, 2018) that independent commissioners have no influence on earnings management. The number of independent commissioners does not guarantee that independent commissioners are free from various interests. Regulations and policies made by the majority shareholder can limit the supervisory performance of the independent board of commissioners in disclosing earnings management practices. So the large and small number of independent commissioners cannot reduce earnings management practices.

Information on the value of profitability, firm growth, leverage and independent commissioners are things that are often considered by investors in making economic decisions. (Wibowo&Andayani, 2021) revealed that profitability has an effect on firm value and supports the signaling theory which states that the profitability ratio is a picture of the company's performance in generating profits and is a positive signal for investors to invest in the company. Likewise, the company's growth can provide a positive signal to shareholders so that it can attract potential investors to invest their capital which will later be used to fund the company's operational activities (Kelana&Amanah, 2020). According to the investor's point of view, companies that have good growth will produce a good rate of return from their investments in the company. The higher the company's ability to earn profits, the greater the return expected by investors. Therefore, companies that have high growth will be interested in their shares by investors. Meanwhile, leverage tends to reduce investor confidence because of concerns about the risk of default and bankruptcy if the company has too high leverage (Rahayu& Sari, 2018) resulting in leverage having a negative effect on firm value. Independent commissioners are considered to be able to increase the firm value. Independent commissioners are one form of realizing corporate governance. With a large number of independent commissioners, it is expected to increase the effectiveness of supervisors and improve the quality of financial reports. Properly supervised financial statements can increase confidence to invest in the company, so that the company's stock price will be higher and the value of the company will increase according to (Suri &Setiyowati, 2020).

The view of investors in assessing a company can also influence managers in making decisions to carry out earnings management. Based on the results of research (Pasaribu, Kowanda, &Widyastuty, 2016) , (Putri, 2019), and (Saputri, Auliyah, & Yuliana, 2017) revealed that the firm value has a positive effect on earnings management because the company's high value in the capital market must be maintained so that not lose the trust of shareholders by maintaining the company's stability to generate profits. Firm value that is influenced by factors that influence managers to take earnings management actions shows the potential for firm value to increase or decrease this effect.

This study aims to empirically test and analyze the effect of Profitability, Firm Growth, Leverage, Independent Commissioner, and Firm Value on Earnings Management and to test whether Firm Value can mediate the effect of Profitability, Firm Growth, Leverage and Independent Commissioner on Earnings Management in the company manufacturers listed on the Indonesia Stock Exchange for the period 2016-2020.

LITERATURE REVIEW

Agency Theory

According to (Jensen &Meckling, 1976) in, agency theory describes an agency relationship in which one principal party (shareholder) delegates work and decision-making authority to the agent (management) who then completes the work by taking into account the interests of shareholders, namely acting in the best way. for shareholders so that a principal and agent agency relationship contract is formed (Ramadhani&Sulistyowati, 2021). Shareholders who have invested a number of funds to be used by the company as capital and provide management flexibility in making decisions in carrying out their business activities in the hope that the company can generate large profits so that shareholders get high returns as well. On the other hand, management who has the authority to make decisions has a

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personal desire to improve their own welfare. This agency problem encourages and provides flexibility for management to carry out earnings management. Earnings management can be done by choosing and applying accounting methods that do not deviate from the applicable Financial Accounting Standards (SAK) but can maximize profits (Annisa&Hapsoro, 2017).

Signaling Theory

Signal theory developed in (Ros, 1997) reveals that company executives who are directly involved in the company's operational activities must have more complete information about the actual state of the company. This information when disclosed can be a positive signal for potential investors to estimate the company's prospects in the future. So ideally, a grouping of companies with positive signals will be formed and companies whose financial performance cannot be trusted by the market (Gallagher & Andrew, 2007). However, the information provided by management in the financial statements can be in the form of information that has been engineered or not entirely correct to realize the owner's desire for the company to have a better image than other companies so as to produce a positive signal. It can be concluded that signal theory is related to the assumption that the information received by each party is not the same because of information asymmetry (Febrilyantri, 2020).

Positive Accounting Theory

Normative accounting theory reveals how accounting should work, but in practice this theory often experiences normative failure. Positive accounting theory is a form of further study of normative accounting theory in explaining practical phenomena in real terms based on the results of empirical tests of researchers. Research by Watts and Zimmerman in 1978 and Fields in 2001 revealed that in the process of financial reporting, the determination of methods, and the application of accounting standards used by a company are directly related and influenced by management decisions. The management's decision is inseparable from the various possible interests in it. With positive accounting theory, policy makers can predict the economic consequences of various accounting policies and practices. (Hery, Accounting Theory Conceptual Approach and Analysis, 2017). Earnings management is a form of practice by managers to manage companies to maximize or reduce profits generated by the company by taking advantage of gaps or opportunities from applicable accounting standards.

Trade Off Theory

Trade off theory was first introduced (Modigliani & Miller, 1963) in an American Economic Review article 53 with the title Corporate Income Taxes on the cost of capital: Correction. This theory explains how much the company's debt and how much company equity so that there is a balance between costs incurred and profits. This trade off theory explains that there are two types of companies, namely companies whose capital structure only comes from their own capital and the other type of company, namely companies that get additional capital from debt in their capital structure. Through the tread off theory, the company must pay attention to the benefits and expenses or sacrifices that have been issued by the company to obtain debt. Companies must find a balance point between benefits and sacrifices that must be made, which is what is called the trade-off theory (Sansoethan&Suryono, 2016). This theory can describe the debt owned by the company is maximized to improve company performance so that the firm value in the eyes of potential investors will improve. And the risk of default or the risk of bankruptcy can be one of the triggers for managers to take earnings management actions by recognizing future profits to the present.

Pecking Order Theory

Pecking order theory is a consequence of information asymmetry (Myers, 1984; Myres and Majluf, 1984). The pecking order theory shows a preference for companies in choosing the cheapest source of funding and the minimum risk. This theory states that there is a hierarchy of funding carried out by the company starting with internal funding originating from retained earnings or excess current assets. If internal funding is not optimal, the company continues to use external funding, namely debt or the issuance of preferred stock. However, the company

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prefers to use debt first because it is considered safer, such as bond issuance. In addition, the cost of debt issuance is lower than stocks and the consideration of tax savings due to interest costs on the debt issued can benefit the company more (Irfani, 2020). Thus the pecking order theory, to find out which preferences are used by manufacturing companies in choosing their funding sources to realize an optimal capital structure.

Earnings Management

Management in carrying out the operations of a company must have targets that must be achieved each period. In achieving this target, management often applies several types of methods, one of which is manipulating financial information to achieve profit targets which is called earnings management (Belkaouni, 2011) in (Wijayanti&Triani, 2020). Manipulating financial statement information can have an impact on stakeholders, because they obtain biased information about the actual situation experienced by the company. Meanwhile (Rahmawati&Wujarso, 2021) revealed different things, he defined earnings management in his research as a planned and designed procedure by utilizing freedom in accounting choices but still in General Accepted Accounting Principles (GAAP) to generate profits at expected level. Management can use policies in financial statements to reduce and increase profits according to their interests without violating accounting principles (Ramadhani&Sulistyowati, 2021)

There is a difference of opinion with the understanding of earnings management which gives rise to disputes in explaining it between practitioners and academics who differ on the meaning of earnings management, so that (Sulistyanto, 2014) concludes that earnings management is management action in achieving a profit target with several choices of methods, namely by changing directly amount of profit or choose to hide profit or withhold financial information.

Earnings management motivation According to Scoot in (Dewi&Wirawati, 2019) mentions several motivations for company managers to take earnings management actions including; Bonus Motivation, Contractual Motivation, Political Motivation or Taxation, Transfer or Change of Directors, Capital Market Motivation, and Initial Public Offering (IPO).

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Firm Value

Firm value is an investor's understanding of the company's level of achievement which is closely related to stock prices (Desiana, 2018). Firm value is the present value of a series of cash flows that the company will generate in the future. The firm value for companies that have gone public is reflected in the market price of their shares, while the firm value that have not gone public is assessed if the company is sold (Rahayu& Sari, 2018). An understanding of the company's success is seen by investors, one of which is the company's stock market price. So that the stock price can be a measuring tool in assessing the company's existence on the stock exchange. Companies that have an existence in the stock market are companies that have good performance (Pasaribu, Kowanda, &Widyastuty, 2016).

Profitability

According to (Susanto, 2014) in (Siregar, 2021) defines profitability as the company's ability to generate profits by comparing or utilizing sales proceeds, the number of assets owned by the company and its own capital. On the other hand, profitability can be a measuring tool for evaluating the success of the company's financial policies and operational decisions that have been designed by management to maximize company profits. Profitability is often used to assess the success of the company with the level of profit that can be generated by the company (Brigham & Houston, 2012)

Firm Growth

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Firm growth occurs when there is an additional quantity of a component that makes up a company. In this case, the components can be in the form of assets, sales volume, additional branch offices, expansion, increased profits and additional company wealth. According to (Machfoedz, 2007), growth is every increase in one quantity that shows how far a company places itself in a broad economic system but in a similar industrial group.

Leverage

The leverage ratio is an important consideration for internal parties and external parties in assessing the effectiveness of the company's debt use. According to (Kasmir, 2017) the solvency ratio or leverage ratio is the ratio used to measure the extent to which the company's activities are financed with debt. The leverage ratio compares the total amount of debt the company has with the company's equity or assets. So it can be concluded that leverage can be used to measure two things, namely the proportion of debt in the capital structure and the company's ability to pay debts. The leverage ratio is one of the management solutions for making financial decisions for the survival of the company regarding rescheduling for debt payments or considering the issuance of new common shares (Mardiyanto, 2009).

Independent Commissioner

Independent commissioners are members of the board of commissioners who are not affiliated or have no relationship with the company's management, members of the company's board of commissioners or with the controlling shareholder. Independent commissioners must also be free from business relationships or other relationships that can affect their freedom in making decisions and carrying out their duties in order to remain independent or solely for the benefit of the company's National Governance Policy Committee (Susandy and Anggraeni, 2018). (Kusumawati, 2019) revealed that the number of independent commissioners greatly influences the credibility of financial statements. Because the existence of an independent board of commissioners creates neutral supervision without being influenced by various pressures and other goals. The more independent board of commissioners in the company, the more effective the supervision of the company's activities. The number of independent commissioners in the company is at least 30% of the total number of commissioners in accordance with OJK No.33/POJK/04/2014.

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Relationship between Profitability and Firm Value

The company's ability to generate profits is one of the things that investors, creditors, and shareholders consider most often when it comes to channeling their funds to a company. A positive response is also in the form of investment in the company. The higher the percentage of a company's profitability ratio indicates the better the company's performance so that it has the potential to generate wealth for investors along with good prospects for the company's survival in the future, thus pushing the company's share price up (Sahara, Hartini, &Jayanti, 2020)

Relationship between Firm Growth and Firm Value

Firm growth is the growth opportunity of a company in the future. The high growth of the company can give a positive signal to shareholders so that it can attract potential investors to invest their capital which will later be used to fund the company's operational activities (Kelana&Amanah, 2020). A company experiencing business development or not can be seen from the growth of the company. From the perspective of external parties, companies that have growth in the form of additional assets or sales from the previous year have the potential to provide a better rate of return in the future. Therefore, companies that have a better growth than the previous period will be more interested in their shares by investors than companies that experience a decline in wealth. Thus growth can affect the value of the company (Gustian, 2017).

Leverage Relationship with Firm Value

(Wibowo&Andayani, 2021) revealed that based on the pecking order theory, a company hierarchy that uses external funds in the form of loans or debt can save tax costs. Because interest payments on loans can be used as tax deductions. If a company has a high level of leverage, it can increase the level of risk that will be faced by the company itself. And based on the theory of trade off the use of debt accompanied by the risk of bad economic conditions will cause a company with a high level of leverage to experience greater losses. So investors believe that if you have a high debt ratio, it can provide good prospects for the company in the future in the form of greater dividends due to tax savings.

Independent Commissioner's Relationship with Firm Value

Independent commissioners are expected to improve the quality of information in financial statements. Investors can have a sense of security with the presence of an adequate number of independent commissioners, thus reflecting good supervision. Thus, the quality of financial reports is undoubtedly accurate by external parties and causes potential investors to believe in investing in the company, so that in general the company's share price has increased, accompanied by an increasing firm value. (Sahara, Hartini, &Jayanti, 2020).

Relationship between Profitability and Earnings Management

Associated with the ability to generate profits can not be separated from the role of company management and company shareholders. So that profitability has a relationship with agency theory, management as the one who is tasked with managing the company as well as possible to achieve shareholder goals, namely profits in the form of returns that are the expectations of shareholders. So that the purpose of the Bonus Plan Hypothesis can arise in the midst of management in carrying out their duties because management who successfully demonstrates good profitability will receive a bonus as an appreciation. This hypothesis explains that management can carry out earnings management to achieve the profit target specified in order to obtain the bonus. In addition, the analysis of company profitability from year to year will become a financial target that can influence managers in carrying out company operations by conducting earnings management to avoid negative responses to management performance due to failure to achieve these financial targets (Kencana&Rahayu, 2021).

Relationship between Firm Growth and Earnings Management

The wealth of the company's assets must be followed by the ability of these assets to generate good returns for the company, which is the main purpose of adding these assets. However, in practice the addition of assets does not always provide economic benefits at the same time or takes time. Meanwhile, shareholders are present to get a return from the invested capital. Management as an agent whose job is to run the company in order to realize the expectations of the principals must manage stable and effective finances. Management must try to show optimal asset utilization, so management tends to do earnings management. Either in the form of profit distribution, or recognizes the profit that is actually generated in the future but is recognized in the period when the asset is added. So that investors view companies with stable growth as having the opportunity to generate high profits (Rahmawati&Wujarso, 2021).

Leverage Relationship with Earning Management

The relationship between leverage ratios and earnings management is inseparable from the trade off theory which explains that companies whose capital structure consists of debt and capital have the advantage of tax savings but at the point where debt is too high it will trigger the risk of bankruptcy or default. The possibility of default is one that motivates management to carry out earnings management which is often referred to as contractual motivation or the debt covenant hypothesis. In the previous explanation, managers tend to choose to withdraw profits that have the potential to be generated in the future to the current period so that the current year's profit earned by the company is greater. So that the higher leverage will make the company tend to carry out earnings management (Ramadhani&Sulistyowati, 2021).

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Independent Commissioner's Relationship with Earnings Management

The possibility of a dysfunctional independent board of commissioners is very likely to occur if the board of commissioners has limitations in supervision or does occur because of personal independence in carrying out their duties. Such an independent board of commissioners makes the placement or addition of members of the independent board of commissioners only to fulfill the requirements of a public company formality on the other hand the majority shareholder still has important power or authority so that the performance of the board is not effective and even tends to decline (Kencana&Rahayu, 2021). Monitoring conditions Ineffective monitoring due to the company's weak internal control system is called infective monitoring. Infective monitoring by an independent board of commissioners provides an opportunity for managers or operational executives to implement earnings management.

Relationship between Firm Value and Earnings Management

Companies with high corporate values will tend to practice earnings management because the already high value in the capital market must be maintained so as not to lose the trust of shareholders. Thus, the management of companies whose companies have good firm value will make decisions to carry out earnings management to maintain the company's market value. Earnings management actions increase the opportunity to attract the flow of external sources of funds into the company. Potential investors also tend to be more interested in investing their shares in companies that have good profit-generating performance (Haniftian&Dillak, 2020).

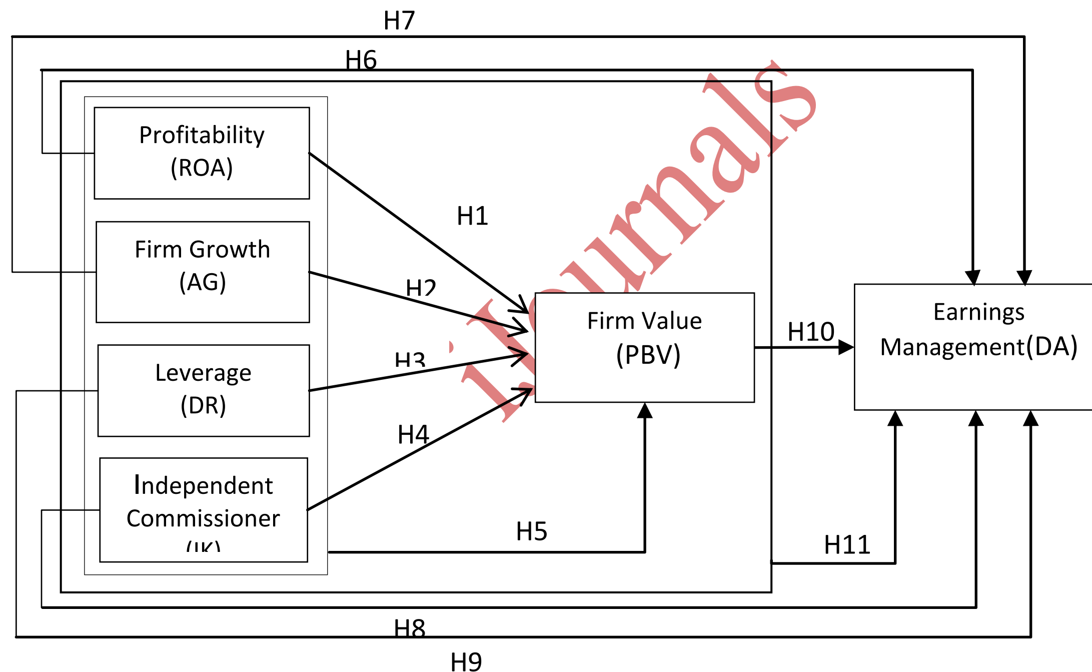

Figure 1 Direct Relationship Thinking Framework

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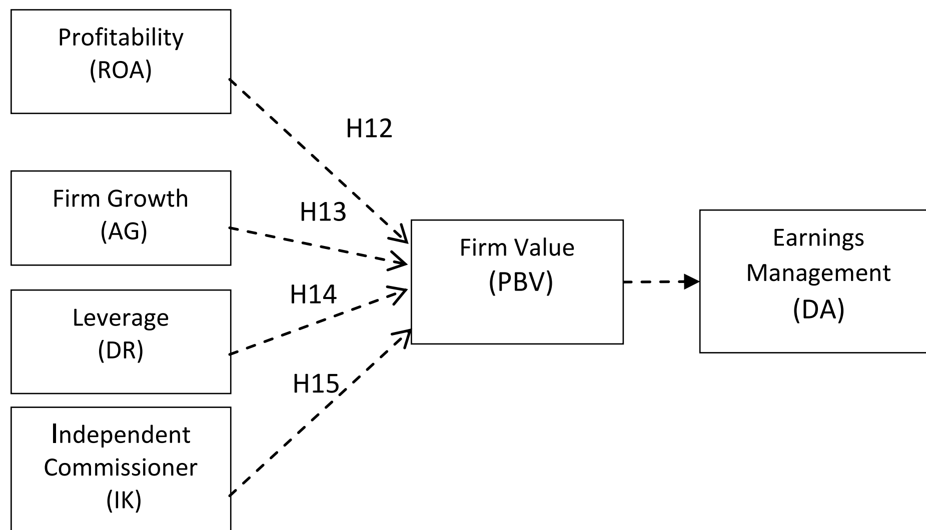

Figure 2 Indirect Relationship Thinking Framework

Referring to the framework above, the hypothesis from research on manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2021 period is as follows:

H1 : There is an effect of Profitability on Firm Value

H2 : There is an effect of Firm Growth on Firm Value

H3 : There is an influence of Leverage on Firm Value

H4 : There is an influence of Independent Commissioner on Firm Value

H5 : There is a joint influence of Profitability, Asset Growth, Leverage, and Independent Commissioner on Firm Value

H6 : There is an effect of Profitability on Earnings Management

H7 : There is an effect of Firm Growth on Earnings Management

H8: There is an influence of Leverage on Earnings Management

H9 : There is an influence of the Independent Commissioner on Earnings Management

H10 : There is an effect of firm value on earnings management

H11: There is an effect of Profitability, Firm Growth, Leverage, Independent Commissioner, with Firm Value as an intervening variable jointly on Earnings Management

H12: There is an effect of Profitability on Earnings Management with Firm Value as an intervening variable

H13 : There is an effect of Firm Growth on Earnings Management with Firm Value as the intervening variable

H14: There is an influence of Leverage on Earnings Management with Firm Value as the intervening variable

H15 : There is an influence of the Independent Commissioner on Earnings Management with Firm Value as the intervening variable

RESEARCH METHODS

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Variable Operation

Earnings management

In this study, Earnings Management in this study is proxied through the modified Jones model, such as research conducted by several previous researchers, one of which is (Ramadhani&Sulistyowati, 2021). The calculation steps to get the company's discretionary accruals (DA) are as follows:

a)Calculating Total Accruals (TAC)

$$TAC = NI_{it} - CFO_{it}$$

Furthermore, total accruals (TA) are estimated using Ordinary Least Square as follows:

$$\frac{TA_{it}}{A_{it-1}} = \beta\left[\frac{1}{A_{it-1}}\right] + \beta_2\left[\frac{\Delta REV_{it}}{A_{it-1}}\right] + \beta_a\left[\frac{PPE_{it}}{A_{it-1}}\right] + \varepsilon$$

b) With the regression coefficient as in the above formula, nondiscretionary accruals (NDA) are determined by the following formula:

$$NDA_{it} = \beta\left[\frac{1}{A_{it-1}}\right] + \beta_2\left[\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right] + \beta_a\left[\frac{PPE_{it}}{A_{it-1}}\right]$$

c) Finally, discretionary accruals (DA) as a measure of earnings management is determined by the following formula:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Information :

DA_{it} : Disretionary Accruals of company i in year period t
NDA_{it} : Nondiscretionary Accruals of company i in year period t
TA_{it} : Total accruals of company i in year period t
NI_{it} : Net profit of company i in year period t
CFO_{it} : Cash flow from operating activities of company i in year period t
A_{it-1} : Total Assets of company i in year period t-1
ΔREV_{it} :The income of company i in year t is reduced by the income of company i in year t-1
PPE_{it} : Property, plant and equipment of company i in year period t
ΔREC_{it} : Accounts receivable of company i in year t minus receivables of company i in year t-1
ε : *error*

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The value of the company
Firm value is measured by using the Price to Book Value (PBV) ratio which compares the stock price according to the market with the book value per share. A company can be said to be running well if it has a Price Book Value of above one, which illustrates that the stock market value is greater than its book value with the following formula (Sahara, Hartini, &Jayanti, 2020):

$$ROA = \frac{Net\ Income}{Total\ Asset}$$

Firm Growth

This study uses asset growth as an indicator of firm growth by comparing the difference between the total assets obtained in the current period and the total assets of the previous period with the total assets of the current period with the following formula (Suastini, Purbawangsa, &Rahyuda, 2016):

$$Assets\ Growth = \frac{Total\ Aset_t - Total\ Aset_{t-1}}{Total\ Aset_t}$$

Leverage

This study uses a leverage ratio which is also known as the debt to asset ratio by comparing the amount of debt owned by the company with the total number of assets owned by the company in the same period (Kasmir, 2017). This leverage ratio can be formulated as follows:

$$LEV = \frac{Total\ Hutang}{Total\ Aset}$$

Independent Commissioner

Independent commissioners are proxied by the composition of the board of commissioners who are neutral and come from outside the company compared to the total number of commissioners owned by the company can be formulated as follows (Susandy and Anggraeni, 2018). :

$$KI = \frac{Jumlah\ dewan\ komisaris\ independen}{Total\ dewan\ komisaris}$$

Population and Sample

Based on the problem studied, the type of research used is quantitative. In this study, the data needed is secondary data in the form of annual financial statements of companies listed on the Indonesia Stock Exchange (IDX). This study uses a statistical test using Eviews with the Eviews 9 program. This research selects a population, namely manufacturing companies listed on the Indonesia Stock Exchange (IDX) that consistently issue financial reports in the 2016-2020 period. In selecting the research sample, the researcher used a purposive sampling method with the following criteria: (1) Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period; (2) Companies that present annual reports consecutively during the research year; (3) The data related to the research variables are available completely; (4) Companies that present financial statements in Rupiah. Based on these criteria, there are 75 manufacturing companies that meet the requirements as a sample.

Descriptive Statistical Analysis

Descriptive statistics can be one of the considerations in analyzing the relationship between variables from the distribution of the data. Researchers can find out the state of the average value, median, highest and lowest values, foreign exchange standards and even the range of each variable that reflects the company's presence in the population picture represented by the research sample (Sugiyono, 2014).

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Model Selection

There are three test procedures used to determine the panel data regression model, among others: (1) Chow test, the data is regressed using the fixed effect model or the common effect model first, then hypotheses are made to be tested. The guideline that will be used is if the probability value of F Prob> 0.05, then the Common Effect Model. Meanwhile, if the probability value of F prob< 0.05, then Fixed Effect Model, followed by (2) Hausman test. This test was conducted to test whether the analyzed data used the Fixed Effect Model or the Random Effect Model. If the probability value of Chi-Square> 0.05, then the Random Effect Model. If the probability value of Chi-Square <0.05, then the Fixed Effect Model. And the last test (3) Lagrange multiplier test, test to find out whether the Random Effect Model or Common Effect Model is the most appropriate to use. If the Breush-Pagan Cross Section Probability (BP) < 0.05, it means that the correct model is the Random Effects Model, whereas if the Breush-Pagan Cross Section Probability (BP) > 0.05 then the correct model is the Common Effects Model.

Classic Assumption

Normality test

Normality test to check whether the residual value that has been standardized in the regression model is normally distributed or not. Normality can be detected using the Jarque-Berra test (JB test). If the Jarque-Berra value > 0.05 then the data is not normally distributed, while on the contrary the Jarque-Berra value < 0.05 then the data is normally distributed (Ghozali, 2018)

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Multicollinearity Test

The multicollinearity test was analyzed to check whether the independent variables in this research model had a correlation or a relationship. If the correlation coefficient (R^2) > 0.80, it is called multicollinearity. And conversely the correlation coefficient (R2) < 0.80, it is called multicollinearity (Ghozali, 2018).

Heteroscedasticity Test

A research regression model that does not experience a different variance from the residuals of another observation is called homoscedasticity. A good research model that does not experience heteroscedasticity. To detect the presence or absence of heteroscedasticity, the Glejser Test is carried out (Glejser Test). If the probability value is > 0.05, it means that there is a heteroscedasticity problem. If the probability value is < 0.05, it means that there is no heteroscedasticity problem (Ghozali, 2018).

Research Hypothesis Test

Hypothesis testing is carried out after the selected model has passed the classical assumption test. In this study, there are 2 research substructures. The first substructure examines the effect on firm value and the second substructure examines the effect on earnings management.

Equation For Structure 1

$$PBV = \alpha + \beta_1 ROA + \beta_2 AG + \beta_3 DR + \beta_4 KI + \varepsilon_{it}$$

Equation For Structure 2

$$DA = \alpha + \beta_1 PBV + \beta_2 ROA + \beta_3 AG + \beta_4 DR + \beta_5 KI + \varepsilon_{it}$$

Keterangan :

DA : Earnings Management
α : Constant
β : Coefficient
PBV : Firm Value
ROA : Profitability
AG : Firm Growth
DR : Leverage
KI : Independent Commissioner
εit : Error company i in time t

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T test (Partial Test)

(Ghozali, 2018) explains that the t test performs a test to get the effect of the independent variable and the dependent variable but independently or individually if in the study there is more than one independent variable. The effect of the independent variable is significant on the dependent variable in this study if the significance criterion is less than 0.05, so the research hypothesis is accepted. On the other hand, if the significance is more than 0.05, so the research hypothesis is rejected.

F Test (Simultaneous)

The F test or simultaneous test was carried out by researchers to determine the effect of all independent variables in one research equation together on the research dependent variable (Ferdinan, 2013). Not only to see if there is an effect if all the independent variables are united but also the F test to see the feasibility of the model being studied by the researcher, to answer whether this model can explain the phenomenon being analyzed. If the probability is less than 0.05, it means that the research model is feasible, whereas if the opposite is greater than 0.05, the model is considered unfeasible.

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Coefficient of Determination

To find out from the equation or model of this research, how big is the contribution of the influence of all the independent variables of the study in giving an impact to the dependent variable. The coefficient of determination is from zero to one or 100 percent. Thus, getting closer to 100 percent of the coefficient of determination can show that all independent variables in this research model can almost show elemental information that can cause the dependent variable to occur. In the analysis of the coefficient of determination, it still has a drawback, namely the possibility of a bias from the number of independent variables studied in the model (Ghozali, 2018).

Path Analysis

Path analysis is a technique developed from multiple linear regression. Based on Robert D. Retherford (1993) in (Narimawati, Sarwono, Affandi, &Priadana, 2020) revealed that in a research scheme there are variables that can affect the relationship between the independent variable and the dependent variable. The existence of a variable in the middle of this relationship can trigger an indirect relationship to the dependent variable.

FINDINGS AND DISCUSSION

Descriptive statistics

Table 1 Descriptive Statistical Test Results

	ROA	AG	DR	KI	PBV	DA
Mean	525.0160	520.0453	4425.216	3882.883	33612.87	9.664000
Median	424.0000	539.0000	4097.000	3333.000	13237.00	9.000000
Maximum	5267.000	8360.000	20558.00	6667.000	824444.0	309.0000
Minimum	-5485.000	-16080.00	493.0000	1667.000	-12204.00	-306.0000
Std. Dev.	1021.657	1684.627	2553.673	1015.174	79559.15	62.69128
Sum	196881.0	195017.0	1659456.	1456081.	12604826	3624.000
Sum Sq. Dev.	3.900008	1.066609	2.444409	3.855508	2.377712	1469894.
Observations	375	375	375	375	375	375

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The results of descriptive statistical tests as shown in table 1 show that the number of observational data in this study is 375 data, and it is known that the average value (mean) of the Profitability variable (ROA) is 525.0160, the highest value is 5267.00, and the lowest value is -5485.00. Firm Growth (AG) shows the average value of growth of manufacturing companies in the sample group of this study is 520,0453, the highest value is 8360,000, while the lowest value is -16080.00. Meanwhile, Leverage (DR) has an average value of 4425,216, the highest value is 20558.00 and the lowest value is 493.00. The Independent Commissioner (KI) shows an average value (mean) of 3882,883, this is more than 30% so that on average the sample companies meet the provisions of OJK No.33/POJK/04/2014. The highest value is 6667,000, while the lowest data is 1667,000. Firm Value (PBV) as an intervening variable in this study shows an average value (mean) of 33612.87 describing the value of manufacturing companies in this study. In this data group the highest value is 824444.0, while the lowest data is -12204.00 Earnings Management (DA) as the dependent variable in this study shows an average value of 9.664000 which means that the average company in this sample group performs earnings management by increasing profits. . The highest value of discretionary actual is 309,000, while the lowest value is -306,000.

Model Selection

Substructure 1 (Firm Value)

From the three test procedures for selecting the panel data regression model in structure 1, the following results are obtained:

Table 2 Results of Model Selection and Testing of Substructure Panel Data Regression Model 1

Selection Test Method	Model Test Results	Models Used
Chow Test	F Prob = 0.0000 < α 0,05	*Fixed Effect Model*
Lagrange Multiplier (LM-Test)	*Cross section Breusch Pagan* = 0,00000<significantα 0,05	*Random Effectt Model*
Hausman Test	Prob. 1,0000 > α 0,05	*Random Effect Model*

Based on table 2, it can be concluded that by conducting a model selection test, the Random Effect Model (REM) is better than the other two panel data regression models.

Substructure 2 (Earnings Management)

Table 3 Results of Model Selection and Testing of Substructure Panel Data Regression Model 2

Selection Test Method	Model Test Results	Models Used
Chow Test	F Prob = 0.0001 < α 0,05	*Fixed Effect Model*
Lagrange Multiplier (LM-Test)	*Cross section Breusch pagan*= 0,8557>α 0,05	*Common Effect Model*
Hausman Test	Prob. 1,0000 > α 0,05	*Random Effect Model*

Based on table 3, the results of paired testing using the Chow test, LM test, and Hausman test on the three panel data regression methods, it can be concluded that it has not been able to decide which model is the most appropriate from the panel data regression method used because the three models are in fact the same. equally dominant. further to estimate and analyze by looking at R squared (R^2).

Table 4 Recapitulation of Panel Data Regression Estimates for the Three Models

Model	R-Square	Adjusted R-Square
Common Effect	0,163738	0,152406
Fixed Effect	**0,475290**	**0,334774**
Random Effect	0,163933	0,152605

Based on table 4, it can be concluded that the fixed effect model (FEM) is the best model for structure 2, because it has a coefficient of determination R^2 and the highest adjusted coefficient of determination R^2 is the fixed effect model (FEM).

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Classic Assumption

Normality test

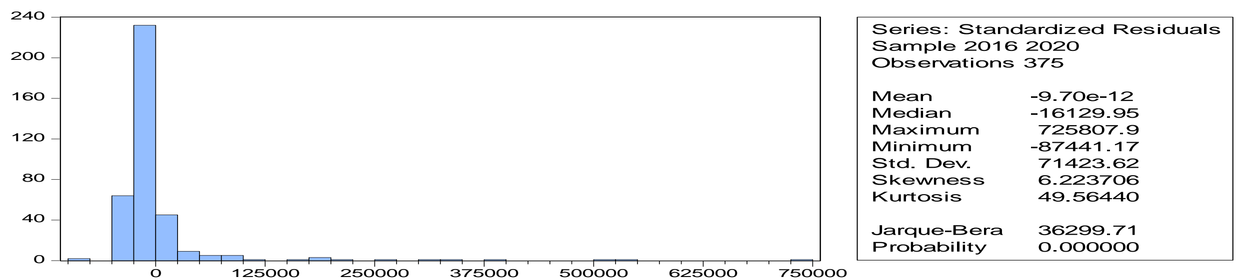

Figure 3 Histogram Normality Test Diagram / Normality Structure 1

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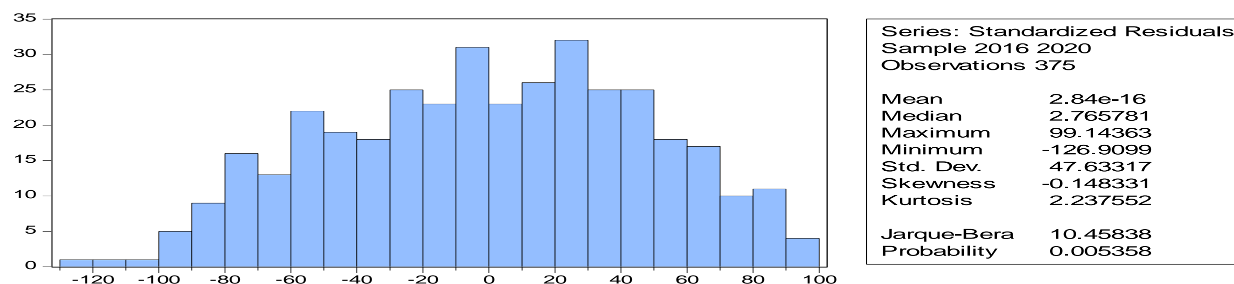

Figure 4 Histogram Normality Test Diagram / Normality Structure 2

Based on the results of the normality test of structure 1, shown in Figure 3, it is known that the jarque fallow value is 36299.71 with a probability value of 0.000 which is smaller than 0.05. So it can be concluded that the residual data is not normally distributed. As for structure 2, based on Figure 4, it is known that the jarque fallow value is 10,45838 with a probability value of 0.005358 which is smaller than 0.05. So it can be concluded that the residual data is not normally distributed.

Multicoloniarity Test

The results of the multicoloniarity test are as follows:

Table 5 Results of Data Corellation or Multicollinearity Structure 1

	ROA	AG	DR	KI	PBV
ROA	1.000000	0.247505	-0.173929	-0.053673	0.490870
AG	0.247505	1.000000	-0.201824	-0.098989	0.047658
DR	-0.173929	-0.201824	1.000000	0.032127	0.106086
KI	-0.053673	-0.098989	0.032127	1.000000	-0.199774
PBV	0.490870	0.047658	0.106086	-0.199774	1.000000

Table 6 Results of Data Correlation or Multicollinearity Structure 2

	ROA	AG	DR	KI	PBV	DA
ROA	1.000000	0.247505	-0.173929	-0.053673	0.490870	0.250816
AG	0.247505	1.000000	-0.201824	-0.098989	0.047658	0.341729
DR	-0.173929	-0.201824	1.000000	0.032127	0.106086	0.032110
KI	-0.053673	-0.098989	0.032127	1.000000	-0.199774	-0.005687
PBV	0.490870	0.047658	0.106086	-0.199774	1.000000	0.135468
DA	0.250816	0.341729	0.032110	-0.005687	0.135468	1.000000

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From table 5 and table 6 the output which is the result of the multicollinearity test for both structure 1 and structure 2 above uses the partial correlation method between independent variables. Which shows that there is no correlation between the independent variables which is high above 0.90. So it can be concluded that there is no multicollinearity between independent variables because the resulting test value is less than 0.90.

Heteroscedasticity Test

The results of the heteroscedasticity test are as follows:

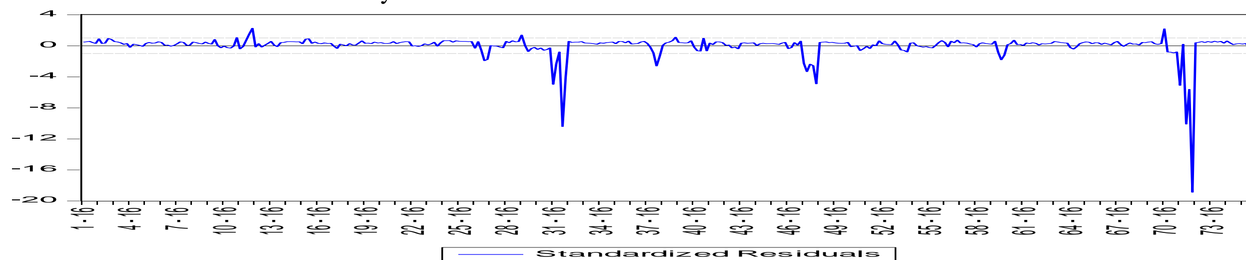

Figure 5 Results of Heteroscedasticity Testing of Structure 1

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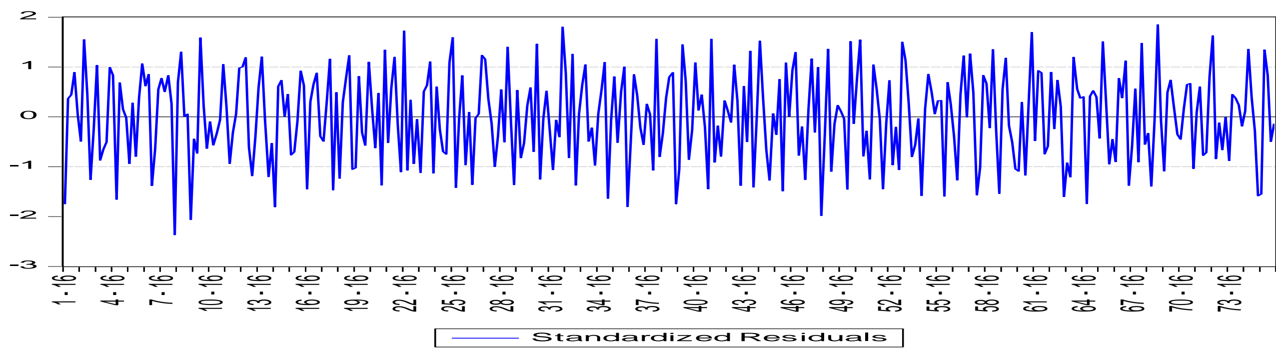

Figure 6 Results of 2 . Structure Heteroscedasticity Testing

Figure 5 shows the results of the structural heteroscedasticity test of model 1 and figure 6 the results for structure 2 used in this study are panel data containing cross section data, and heteroscedasticity is suspected, therefore the model is treated using white heteroscedasticity consistent standard error. & variance to constant the residuals, so that the model is free from heteroscedasticity.

Hypothesis testing

Table 8 Hypothesis Test Results

Influence on Firm Value (PBV)					
Hypothesis	**Variable**	***Coeffcient***	***t-Statistic***	**Prob**	**Significance**
H1	ROA	17.26791	3.48328	0.0006	S
H2	AG	-0.377242	-0.311153	0.7559	TS
H3	DR	1.614032	2.344462	0.0196	S
H4	KI	-3.061603	-1.151842	0.2501	TS
H5	Simultan		F=5.929488	0.000124	S
R-squared 0.660241					
Influence on Earnings Management (DA)					
Hypothesis	**Variable**	***Coeffcient***	***t-Statistic***	**Prob**	**Significance**
H6	ROA	0.018580	3.721602	0.0002	S
H7	AG	0.009326	21.63936	0.0000	S
H8	DR	0.005889	5.871291	0.0000	S
H9	KI	0.003059	3.096683	0.0021	S
H10	PBV	9.388805	4.677098	0.0000	S
H11	Simultan		F=3.382466	0.000000	S
R-squared 0.475290					

S : Significant ; TS : Not significant

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Based on table 8, the results of the estimation of the factors that affect firm value, namely Profitability (ROA), Firm Growth (AG), Leverage (DR), and Independent Commissioner (KI) using a random effect model can be written in the following equation:

$$PBV = 29488.53 + 17.26791.ROA - 0.377242.AG + 1.614032.DR - 3.061603\ KI$$

While the estimation of the factors that influence Earnings Management (DA), namely Profitability (ROA), Firm Growth (AG), Leverage (DR), Independent Commissioner (KI), Firm Value (PBV) using a random effect model so that it can be written in the form the following equation:

$$DA = -46.02965 + 9.388805.PBV + 0.018580.ROA + 0.009326.AG + 0.005889.DR + 0.003059\ KI$$

Path Analysis

Path analysis serves to determine the effect of the independent variables, namely Profitability (ROA), Firm Growth (AG), Leverage (DR), and Independent Commissioners (KI) on the dependent variable, namely Earnings Management (DA) and compares with the influence of the independent variable, namely Profitability (ROA), Firm Growth (AG), Leverage (DR), and Independent Commissioner (KI) on the dependent variable, namely Earnings Management (DA) through the intervening variable, namely Firm Value (PBV).

Table 9 Analysis of Direct Effects and Indirect Effects

Variable	Direct Influence to				Indirect Influence to	
	PBV	Significance	DA	Significance	DA	Significance
ROA	17.267	S	0.0185	S	162.125	S
AG	-0.3772	TS	0.0093	S		
DR	1.6140	S	0.0058	S	15.1538	S
KI	-3.0616	TS	0.0030	S		
PBV			9.3888	S		

S : Significant ; TS : Not significant

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DISCUSSION

The Effect of Profitability on Firm Value

Profitability (ROA) has a positive and significant effect on Firm Value (PBV), thus H1 is accepted. This is in line with the signal theory, namely the company tries to give a positive signal to external parties by expecting feedback in the form of a positive response in the form of investment in the company. The higher the profitability of a company, the better the company's performance so that it has the potential to generate wealth for investors along with good prospects for the company's survival in the future. An increase in stock prices can increase the value of the company in the eyes of investors. These results are in line with those expressed by (Ayu&Suarjaya, 2017), (Suwardika&Mustanda, 2017), and (Wibowo&Andayani, 2021) which state that profitability has a positive effect on firm value and contradicts the results of research (Suri &Setiyowati, 2007). 2020), and (Rahayu& Sari, 2018) which shows that profitability has no effect on firm value.

The Effect of Firm Growth on Firm Value

Firm growth (AG) has a negative and insignificant effect on firm value (PBV), thus H2 is rejected. This shows that the increase or decrease in firm growth as measured by asset growth does not have a significant effect on firm value. This is because the majority of manufacturing companies have factories or plants that have very high total assets so that the prospect of producing optimal economic benefits takes a long time so that it gives a negative signal for investors who expect a quick return. So that the growth of the company is not considered by investors in determining the value of the company. This is in line with the results of research (Suwardika&Mustanda, 2017), but

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contradicts the results of research (Gustian, 2017) and (Suastini, Purbawangsa, &Rahyuda, 2016) which reveal firm growth has a positive and significant effect on firm value.

The Effect of Leverage on Firm Value

Leverage (DR) has a positive and significant effect on Firm Value (PBV), thus H3 is accepted. This result is unique because high leverage does not make a negative signal for investors, but vice versa. This is in line with the pecking order theory which suggests that companies in their external funding prioritize debt over issuing new preferred shares. High leverage indicates tax savings due to interest costs so that the opportunity to get dividends will be greater which is a positive signal to investors which results in an increase in firm value which in this study is indicated by stock prices. The company believes that if it has a high debt ratio, it can provide good prospects for the company in the future. This is in line with the results of research (Utama& Dana, 2019) and (Wibowo&Andayani, 2021) and contradicts research results (Rahayu&Sari , 2018) which shows that leverage has a negative effect on firm value.

The Influence of Independent Commissioners on Firm Value

Independent Commissioner (KI) has a negative and insignificant effect on Firm Value (PBV), thus H4 is rejected. This shows that the increase or decrease in the ratio of independent commissioners does not have a significant effect on firm value. The number of independent commissioners does not guarantee that the board of commissioners is free from various interests. Regulations and policies made by the majority shareholder may limit the supervisory performance of the independent board of commissioners in carrying out their functions. This is in line with research by (Sahara, Hartini, &Jayanti, 2020) and contradicts the results of research (Suri &Setiyowati, 2020) and (Dewi&Nugrahanti, 2017) which show that independent commissioners can increase firm value.

The Effect of Profitability, Firm Growth, Leverage, Independent Commissioners together on Firm Value

Profitability, Firm Growth, Leverage, and Independent Commissioners together have a significant effect on Firm Value with a model feasibility of 66.02 percent. While 33.98 percent is influenced by other factors that are not included in this research model. This view is influenced by several things until it reaches the decision to invest its shares in a company. In this research model, which jointly affects the views of investors, consists of the company's fundamental ratios derived from financial statements, namely profitability, leverage, and firm growth. Meanwhile, the independent commissioner as a component of internal control is expected to monitor effectiveness. This is in line with the results of research (Suwardika&Mustanda, 2017) and (Suri &Setiyowati, 2020).

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The Effect of Profitability on Earnings Management

Profitability has a positive and significant influence on Earnings Management, thus H6 is accepted. This is in line with agency theory which shows that there are differences in interests between principal and agent. High profitability is what the principal expects to get high returns, as well as managers in running the company's operations expect high profitability with the aim of getting bonuses. The existence of the bonus plan hypothesis of management in carrying out their duties explains that management can carry out earnings management to achieve the profit target that is determined to obtain the bonus. And in line with positive accounting theory, managers to realize the goal of obtaining bonuses on profits achieved can take advantage of gaps from the generally accepted accounting principles model and make changes to operational policies so that financial transactions are carried out in real terms but to achieve the desired profit managers. This is in line with the results of research (Tala&Karamoy, 2017) (Ningsih, 2019), (Kusumawati, 2019), and (Sundari&Hariyanto, 2021) but different from the results (Haniftian&Dillak, 2020) showing that profitability results have no effect on earnings management,

The Effect of Firm Growth on Earnings Management

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Firm growth (AG) has a positive and significant effect on Earnings Management (DA), thus H7 is accepted. Considering that the object of this research is manufacturing companies, the majority of which have factories or plants that have very high total assets. In line with that, fixed assets are indeed of great value and long-lived but in order to generate economic benefits it requires time and proper utilization, so management tends to nail down earnings management for every increase in the amount of profit to show that the company can generate significant profits. So that it is a positive signal for investors to view companies with stable growth as having the opportunity to generate high profits. This is in line with the results of research (Rahmawati&Wujarso, 2021), (Purbandari&Immanuela, 2018), (Annisa&Hapsoro, 2017) and contrary to (Wijayanti&Triani, 2020) which states that firm growth has a negative effect on earnings management.

Effect of Leverage on Earnings Management

Leverage (DR) has a positive and significant effect on Earnings Management (DA), thus H8 is accepted. This is in line with the trade off theory which shows that companies whose funding comes from debt in addition to obtaining tax savings also pose a risk of bankruptcy. To prevent bankruptcy or default, management will be motivated to do earnings management, this motivation is called contractual motivation or debt covenant hypothesis. The higher the leverage will make the company tend to do earnings management. Management may make a decision to choose to withdraw the profit that has the potential to be generated in the future to the current period so that the current year's profit earned by the company is greater. This is in line with the results of research conducted (Ramadhani&Sulistyowati, 2021), (Pasaribu, Kowanda, &Widyastuty, 2016), and (Kusumawati, 2019) which show that leverage has a positive effect on earnings management. And contrary to the results (Sundari&Hariyanto, 2021), (Wijayanti&Triani, 2020), sera (Annisa&Hapsoro, 2017).

Influence of Independent Commissioners on Earnings Management

Independent Commissioner (KI) has a positive and significant influence on Earnings Management (DA), thus H9 is accepted. Ineffective monitoring conditions due to the company's weak internal control system is called infective monitoring. Infective monitoring by an independent board of commissioners provides an opportunity for managers or operational executives to implement earnings management. This is in line with the research results (Kencana&Rahayu, 2021) and contradicts the results disclosed (Kusumawati, 2019) and (Purbandari&Immanuela, 2018) that the independent board of commissioners has no influence on earnings management.

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The Influence of Firm Value on Earnings Management

Firm Value (PBV) has a positive and significant effect on Earnings Management (DA), thus H10 is accepted. Companies that have high corporate values will tend to practice earnings management because the already high value in the capital market must be maintained so as not to lose the trust of shareholders. Maintaining a stable firm value will also increase the opportunity for additional resource flows to enter the company's capital. With good company performance, the company will be viewed favorably by external parties using financial statements. This is in line with (Haniftian&Dillak, 2020) and contrary to what has been done (Ramadhani&Sulistyowati, 2021) (Rahmawati&Wujarso, 2021) saying that the value of the company has no effect on earnings management.

Effect of Profitability, Firm Growth, Leverage, Independent Commissioner and Firm Value together on Earnings Management

Profitability, Firm Growth, Leverage, Independent Commissioner, and Firm Value together have a significant effect on Earnings Management with a feasibility model of 47.52 while 52.47 percent is influenced by other factors not included in this research model. The results of this study are in line with (Ramadhani&Sulistyowati, 2021), and (Pasaribu&Sulasmiyati, 2016) show that there is a significant influence between profitability, firm growth, leverage, independent commissioners and firm value together on Earnings Management.

Firm Value as a mediator of the influence of Profitability on Earnings Management

Firm Value is a mediator of the influence of Profitability (ROA) on Earnings Management, then H12 is accepted. This is because profitability, which is the ratio between profit and the number of sources of company assets, can reflect the company's ability to generate profits. Profitability is considered by investors in assessing a company. So managers can carry out earnings management by making company operational regulations with the aim of achieving the desired profit and attracting investor confidence to invest so that the value of the company goes up.

Firm Value as a mediator of the influence of Firm Growth on Earnings Management

Firm Value is not a mediator of the influence of Firm Growth on Earnings Management, because the figures obtained are not significant, then H13 is rejected. This happens, because the company's growth as proxied by asset growth triggers managers to carry out earnings management, to show that the increase in existing asset resources can be maximized to generate company profits. However, the increase in asset growth is not considered by investors in assessing a company in this research.

Firm Value as a mediator of the influence of Leverage on Earnings Management

Firm Value is a mediator of the influence of Leverage on Earnings Management, then H14 is accepted. High leverage followed by an increase in stock prices can be an indication of earnings management in a company. Due to leverage as a ratio to measure the company's ability to meet its obligations, if it increases it can increase the risk of default. This will trigger managers to increase profits so that the high debt owned by the company looks optimal in generating company profits. So that market confidence can increase because they see high leverage not as a negative signal but as an optimal use of external funding sources.

Firm Value as a mediator of the influence of the Independent Commissioner on Earnings Management

Firm Value is not a mediator of the influence of the Independent Commissioner on Earnings Management, because the figures obtained are not significant, then H15 is rejected. This happens, the larger the members of the board of commissioners come from outside the company causing problems in coordination which causes a decrease in supervision which can interfere with independent commissioners in making decisions so that it becomes an opportunity for managers to carry out earnings management. Thus, the proportion of the number of boards of commissioners who come from outside and are free from affiliated relationships has increased, this does not guarantee effective supervision because of the fact that independent commissioners are appointed by the controlling shareholders so that there can still be a sense of having to fulfill their wishes, not fully to carry out supervision and control. important role so that it is not considered by investors in capitalizing a company.

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CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of testing and analysis in the previous discussion about the effect of Profitability, Firm Growth, Leverage and Independent Commissioners on Earnings Management with Firm Value as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period, conclusions are obtained for structure 1 which examines the effect of The independent variable on firm value shows only profitability and leverage that affect firm value, while firm growth and independent commissioners have no significant effect. This shows that investors' assessment of manufacturing companies in the 2016-2020 period considers the company's ability to generate profits which can be seen with profitability ratios that are in line with signal theory. And the higher the value of the company's leverage, the higher the assessment of investors and other external parties towards manufacturing companies in that period. This is in line with the pecking order theory because of the potential for tax savings due to the emergence of interest, so that the value of dividends that investors may receive will be even greater. Meanwhile, the growth of companies and independent commissioners is not a consideration for investors in assessing a company, because in this study growth is calculated by asset growth which is known to be a manufacturing company that must have a fairly high asset value and usually takes a long time to

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generate profits from these assets. Meanwhile, independent commissioners in carrying out their duties cannot be directly identified by investors, so that they are not considered in assessing the company. However, in the simultaneous influence of structure 1 shows significant results and has a coefficient of determination of 66.02 percent contribution in the model of profitability, firm growth, leverage and independent commissioners to firm value.

As for the direct effect on earnings management, all independent variables show significant results. This shows that profitability as a reference to generate profits in the future becomes the impetus for management to carry out earnings management in order to achieve the target in line with bonus motivation. While the growth of the company can trigger earnings management because the increase in company wealth must be balanced with the economic benefits that can be generated. While the effect of leverage is in line with the theory of trade off and contractual motivation, it shows that earnings management is carried out by attracting future profits to the present to prevent defaults. Independent commissioners in this study show the ineffectiveness of control because managers can be an opportunity for managers to carry out earnings management. Likewise, companies that have high firm values will tend to practice earnings management because the already high value in the capital market must be maintained so as not to lose the trust of shareholders.However, in the simultaneous influence of structure 2 shows significant results and has a coefficient of determination of 47.52 percent contribution in profitability model, firm growth, leverage, independent commissioner, firm value to earnings management.
In this study, it was also found based on the combined implication that firm value in this research mediates the effect of profitability and leverage on earnings management. This is because the company's ability to generate profits is considered by investors in investing profits so as to encourage management to carry out earnings management. Meanwhile, high leverage to remain attractive in the capital market must be accompanied by the ability to generate profits so that it becomes a consideration for earnings management.

Suggestion
From the results of this research, researchers suggest for companies to maximize profits and prosper the owners of the company or shareholders and maintain the viability of the company. However, companies should adhere to professional ethics in disclosing financial statements that are free from biased information and produce quality financial reports that describe the actual situation. As well as for investors in investing not only pay attention to stock prices and company profits as considerations. Instead, investors should pay attention to other financial statement fundamentals such as profitability, firm growth, leverage, and independent commissioners as components of the company's internal control. Companies with high levels of profitability, growth, leverage will have a lot of pressure and a company image that must be maintained properly, accompanied by opportunities due to the ineffective supervision of independent commissioners, so companies can report profits in such a way.

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