SIMBA

7th SEMINAR INOVASI MANAJEMEN BISNIS DAN AKUNTANSI

THE EFFECT OF PROFITABILITY AND *LEVERAGE* ON PROFIT MANAGEMENT

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Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas dan leverage terhadap manajemen laba pada perusahaan Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia (BEI) periode 2019–2024. Metode penelitian yang digunakan adalah pendekatan kuantitatif dengan total sampel sebanyak 42 perusahaan yang dipilih melalui purposive sampling, sehingga menghasilkan 252 data observasi. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh negatif signifikan terhadap manajemen laba, yang menunjukkan bahwa semakin tinggi profitabilitas, semakin rendah kecenderungan perusahaan untuk melakukan praktik manajemen laba. Sebaliknya, leverage memiliki pengaruh positif yang signifikan terhadap manajemen laba, yang menunjukkan bahwa semakin tinggi tingkat utang, semakin besar insentif bagi manajemen untuk melakukan manajemen laba guna menjaga kepercayaan investor dan kreditor.

Kata kunci: *profitabilitas, leverage, manajemen laba.*

Abstract

This study aims to analyze the effect of profitability and leverage on earnings management in Food and Beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2024 period. The research method used is a quantitative approach with a total sample of 42 companies selected through purposive sampling, resulting in 252 observational data. The results show that profitability has a significant negative effect on earnings management, indicating that the higher the profitability, the lower the tendency of companies to engage in earnings management practices. Conversely, leverage has a significant positive effect on earnings management, indicating that the higher the debt level, the greater the incentive for management to engage in earnings management to maintain investor and creditor confidence.

Keywords*: profitability, leverage, earnings management.*

A. INTRODUCTION

Earnings management refers to managerial actions to adjust reported earnings in financial statements with the aim of influencing stakeholders' perceptions of the

company's performance (Fadlila & Muthohar, 2024). For instance, Indofood (INDF) reported a net income of IDR 8.14 trillion in 2023, representing a 28.12% year-on-year increase, but still below market expectations due to an investment loss of IDR 2.43 trillion from Dufil Nigeria caused by naira depreciation. Operating income rose to IDR 19.7 trillion (+5% YoY), mainly driven by ICBP's segment contribution (75.2%). Total assets increased by 3.41% to IDR 186.58 trillion, liabilities declined by 0.79%, equity rose by 7.31%, and cash increased by 10.14% (Tonce, 2023).

One of the key factors influencing earnings management is profitability, defined as a firm's ability to utilize its resources to generate profit. Profitability serves as a primary source of information for investors, as higher profitability reflects stronger company performance, thereby reducing the need for earnings manipulation (Renata & Sakti, 2022). Prior studies show mixed results Subing & Sari (2023) ound that profitability influences earnings management, while Lesmana & Santioso (2024) reported no significant effect.

Another factor is leverage, which reflects the extent of a firm's reliance on debt financing. Higher leverage indicates higher financial obligations and risk exposure, which may pressure managers to manipulate earnings (Harni et al., 2022). Similar to profitability, prior studies also present inconsistent findings Muhthadin et al. (2022) demonstrated that leverage significantly affects earnings management, whereas Astriyanto & Sulestiyono (2024) found no significant relationship.

Given these research gaps, this study aims to re-examine the effect of profitability and leverage on earnings management in Food and Beverage companies listed on the IDX during 2019–2024.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory, introduced by Jensen & Meckling (1976) explains the contractual relationship between principals (owners) and agents (managers) who represent the owners'

interests in running the company. The theory emphasizes how contracts are designed to reduce agency costs that arise from information asymmetry and uncertainty (Muhthadin et al., 2022). Therefore, agency theory underlines the importance of proper monitoring mechanisms and incentives to ensure managers act in alignment with shareholders' interests.

Earnings Management

Earnings management refers to deliberate actions by managers to mislead stakeholders regarding the company's performance, strategy, and governance (Harni et al., 2022). It enables companies to present favorable financial reports to attract stakeholders. Some firms intentionally use earnings management to achieve specific goals (Christian & Addy Sumantri, 2022). Earnings management can typically be detected through three indicators: operating cash flows, production costs, and discretionary expenses.

Effect of Profitability on Earnings Management

Higher profits tend to attract investors since they indicate stronger returns (Abel et al., 2023). The relationship between profitability and earnings management is therefore crucial. When profitability is low, managers may have a greater incentive to engage in earnings management to present better results (Subing & Sari, 2023).

H1 = Profitability significantly affects earnings management.

Effect of Leverage on Earnings Management

According to agency theory, when a firm's leverage increases, the transfer of wealth from creditors to shareholders becomes more efficient (Fadlila & Muthohar, 2024). High leverage indicates higher liabilities, creating pressure for management to shift future

earnings to the present, thereby engaging in earnings management practices (Harni et al., 2022).

H2 = Leverage significantly affects earnings management.

C. METHODOLOGY

Population and Sample

The population consists of Food and Beverage companies listed on the Indonesia Stock Exchange (IDX) during 2019–2024. The sampling technique used is purposive sampling with the following criteria:

Table 1.1 Sampling techniques

No	CRITERIA	Number of Firms
1.	Food & Beverage manufacturing companies listed on IDX (2019–2024)	84
2.	Firms delisted during 2019–2024	(40)
3.	Firms not delisted during 2019–2024	44
4.	Firms reporting financial statements in US dollars	(2)
5.	Firms reporting financial statements in Indonesian rupiah completely during 2019–2024	42
Total Sampel		**42**
Total Observations = 42 x 6 years		**252**

Variable Measurement

Tabel 2.1 Variable Measurement

Variables	Measurement Formula
Earnings Management (Y)	$\frac{TA_t}{A_{t-1}} = \alpha_1\left(\frac{1}{A_{t-1}}\right) + \alpha_2\left(\frac{\Delta Penjualan_t - \Delta Piutang_t}{A_{t-1}}\right) + \alpha_3\left(\frac{PPE_t}{A_{t-1}}\right) + \varepsilon_t$ (Wardana et al., 2024)
Profitability (X1)	$ROA = \frac{Laba\ bersih}{Total\ Aset} \times 100\%$ (Lestari & Wulandari, 2019)
Leverage(X2)	$DAR = \frac{\text{Total Utang}}{\text{Total Aset}}$ (Saraswati & Atiningsih, 2021)

D. RESULTS AND DISCUSSION

1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
profitabilitas	120	-2,4759	1,8848	-0,074237	0,9099819
leverage	120	-2,3644	2,4314	0,000163	1,0158140
manajemen laba	120	-0,5905	0,2038	-0,121200	0,1652947
Valid N (listwise)	120				

Source: Processed data, 2025

Based on the table above, it can be seen that the profitability variable (X1) has the

lowest (minimum) value of -2.4759, the highest (maximum) value of 1.8848, the average (mean) value of -0.074237 and the standard dividend value of 0.9099819. Profitability (X1) means that the mean is heterogeneous. The variable*leverage*(X2) has the lowest (minimum) value of -2.3644, the highest (maximum) value of 2.4314, the average (mean) value of 0.000163 and the standard dividend value of 1.0158140.*Leverage*(X2) means that the mean is heterogeneous. The earnings management variable (Y) has the lowest (minimum) value of -0.5905, the highest (maximum) value of 0.2038, the average (mean) value of -0.121200 and the standard dividend value of 0.165294. Earnings Management (Y) means that the nature of the mean value is heterogeneous.

2. Classical Assumption Test

a. Normality Test

One-Sample Kolmogorov-Smirnov Test

		RES1
N		120
Normal Parameters[a,b]	Mean	0,2642
	Std. Deviation	0,71078
Most Extreme Differences	Absolute	0,059
	Positive	0,059
	Negative	-0,057
Test Statistic		0,059
Asymp. Sig. (2-tailed)		0,200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed data, 2025

From the table above*asymp.*(2-tailed) shows a value of 0.200 > 0.05, which is greater than 0.05. Therefore, it can be concluded that the residual value or

research data is normally distributed.

b. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics		Keterangan
		Tolerance	VIF	
1	(Constant)			
	Profitabilitas	0,622	1,607	Bebas Multikolinearitas
	Leverage	0,628	1,592	Bebas Multikolinearitas

a. Dependent Variable: Manajemen Laba

Source:Processed data, 2025

Based on the table above, the results of the multicollinearity test for the 3 independent variables obtained are *tolerance* more than 0.10 and the VIF value is less than 10. So it can be concluded that the regression model in this study does not experience multicollinearity.

c. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta	t	Sig.	Keterangan
1	(Constant)	0,122	0,011		11,379	0,000	
	Profitabilitas	0,019	0,014	0,156	1,348	0,180	Bebas Heteroskedastisitas
	Leverage	0,010	0,012	0,095	0,825	0,411	Bebas Heteroskedastisitas

a. Dependent Variable: abs_res

Source: Processed data, 2025

Based on the test results *glazes* The above shows that the profitability variable has a significant value of 0.180 > 0.05. The variable*leverage*has a significance value of 0.411 > 0.05. The Institutional Ownership variable is 0.286 > 0.05. This means that there is no heteroscedasticity.

d. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,243[a]	0,059	0,035	0,1623799	1,937

a. Predictors: (Constant), Z, X_2, X_1

b. Dependent Variable: manajemen laba

Source: Processed data, 2025

Based on the results of the Durbin Watson test above of 1.937. with a sample size of 120 and K = 2, the dU value = 1.7361 and the 4-dU value = 2.2639. These results indicate that dU < DW < 4-dU, this indicates that there is no autocorrelation.

3. Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,142	0,015		-9,322	0,000
	Profitabilitas	-0,222	0,070	-1,507	-3,181	0,002
	Leverage	0,201	0,075	1,269	2,679	0,008

a. Dependent Variable: manajemen laba

Source: Processed data, 2025

Based on the table above, the regression equation obtained is as follows:

Y= -0,142 - 0,222 X1 + 0,201 X2 + 0,015

Based on the regression equation above, the following understanding is obtained:

1. The constant of the regression equation above is -0.142, meaning that if the six independent variables, namely profitability and*leverage*If the value is 0, the company's value decreases by 0.142. A negative value here is not always practically meaningful, depending on the context and scale of earnings management measurement.
2. The profitability variable (X1) has a coefficient value of -0.222. This indicates that every one-year increase in the profitability variable and other variables remain constant, will be followed by a decrease in the company's value of 0.222. Conversely, every one-year decrease in the profitability variable and other variables remain constant, will be followed by an increase in the company's value of 0.222. The effect is negative, but the coefficient value is small.
3. Variables*leverage* (X2) has a coefficient value of 0.201, this shows that every one year increase in the variable*leverage*and other variables remain constant, then it will be followed by an increase in the company's value of 0.201, conversely, every year there will be a decrease in the variable*leverage*and other variables remain constant, then it will be followed by a decr ease in the company's value of 0.201. *Leverage*has a positive influence on earnings management.

4. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,394	2	0,197	8,063	0,001[b]
	Residual	2,858	117	0,024		

Total	3,251	119

a. Dependent Variable: manajemen laba

b. Predictors: (Constant), X2_1, X1_1

Source:Processed data, 2025

The table above shows that the F-test value is 8.063 and its significance is 0.001 < 0.05, meaning that the significance value is less than 0.05. It can be concluded that all independent variables simultaneously and significantly influence the dependent variable. Therefore, it can be concluded that this regression model is suitable for use.

5. R2 Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,570[a]	0,325	0,313	0,01648

a. Predictors: (Constant), leverage, profitabilitas

b. Dependent Variable: manajemen laba

Source: Processed data, 2025

Based on the test results in the table above, it is known that the Adjusted R Square determination coefficient value is 0.313. This means that the simultaneous influence of variables on the dependent is 31.3%, the remaining 68.7% is influenced by other variables not examined in this study.

6. Partial Test Results (t-Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,142	0,015		-9,322	0,000
	Profitabilitas	-0,222	0,070	-1,507	-3,181	0,002
	Leverage	0,201	0,075	1.,269	2,679	0,008

a. Dependent Variable: manajemen laba

Source: Processed data, 2025

Based on the table above, the influence of the hypothesis can be seen as follows:

1. The profitability variable shows a t-count result of -0.222 with a significant value of 0.002, which means <0.05, so profitability has a significant negative effect on earnings management, with the conclusion that**H1 is rejected.**This finding is in line with research by Utami & Darsono (2022) and Kristi & Dewi, (2023) which states that companies with high profitability tend to reduce earnings management practices because they want to maintain the credibility of financial reports and maintain managerial reputation.
2. Variables*leverage*shows the t-count result of 0.201 with a significance value of 0.008 which means <0.05 so that*leverage*has a significant influence on earnings management, with the conclusion**H2 is accepted.**This research is in line with Agency Theory (*Agency Theory*) according to Jensen & Meckling (1976) who stated that the existence of a conflict of interest between managers (agents) and shareholders or creditors (principals) can encourage management to present biased financial reports

E. CONCLUSION

The conclusion of the study on the influence of profitability and leverage on earnings management in Food and Beverage sector companies for the 2019-2024 period is as follows:

1. Profitability has a negative effect on earnings management in companies*food and beverage* listed on the IDX for the 2019 – 2024 period.
2. *Leverage* has a positive influence on profit management in companies*food and beverage* listed on the IDX for the 2019 – 2024 period.

F. Suggestion

Based on the results and existing limitations, the researchers suggest the following:

a. For further researchers, it is recommended to add other variables such as company size, cash flow, or managerial ownership so that the analysis of earnings management becomes more comprehensive.

b. Food and beverage sector companies are advised to manage their financial structure optimally and avoid unethical earnings management practices, as they can damage their reputation and investor confidence.

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