ProBusiness: Management Journal, 15 (3) (2024) pp. 695-705

Published by: Jonhariono Research, Publication and Consulting Institute

ProBusiness: Management Journal

The effect of managerial ownership, profitability and leverage on earnings management in islamic economic perspective

Tika Yulinda[1], Yetri Martika Sari[2], Liya Ermawati[3]

[1 2 3] UIN Raden Intan Lampung.

Fakultas Ekonomi dan Bisnis Islam. Indonesia

ARTICLEINFO

Article history:

Received Sept,02, 2024

Revised Sept 15, 2024

Accepted Sept 22 2024

Keywords:

Earnings Management

Laverage

Managerial Ownership

Profitability

ABSTRACT

The emergence of earnings management is the impact of agency problems that occur between the owners and management of the company caused by a misalignment of interests and is often referred to as agency conflict. This earnings management action can reduce the credibility of financial reports because the figures presented in the financial reports do not reflect the actual situation. This study aims to analyze partially and simultaneously the effect of managerial ownership, profitability and leverage on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2020-2023 period. This research is a quantitative study. The type of data used is secondary data obtained from the company's official website on the Indonesia Stock Exchange. The sample in this study consisted of 12 companies in the 2020-2023 period, totaling 48 sample data. The data analysis used is panel data regression analysis using the E-Views 9 program. The results of this study indicate that partially managerial ownership and profitability do not affect earnings management, while leverage has a positive and significant effect on earnings management. Simultaneously managerial ownership, profitability and leverage affect earnings management.

Corresponding Author:

Tika Yulinda

UIN Raden Intan Lampung.

Fakultas Ekonomi dan Bisnis Islam. Indonesia

Jalan Letnan Kolonel H Jl. Endro Suratmin, Kec. Sukarame, Kota Bandar Lampung, 35131

Email: Tikayulinda23@gmail.com

1. INTRODUCTION

Financial reports are indicators used to assess the development of a company. Financial reports describe how a company experiences or faces a decline in its performance (Arlita, Bone, and Kesuma 2019). There are (4) characteristics of Financial Accounting Standards (SAK) in the preparation of financial reports used by users of financial reports, namely: understandable, relevant, reliable and comparable. In addition, it is also explained in PSAK that financial reports are presented in the form of: assets, liabilities, equity, income and expenses, cash flow. In PSAK No. 1 of 2015, part 3 states that financial reports have the objective of providing information on the financial position, financial performance and cash flow of an entity that is useful for most users of the company's financial reports in making economic decisions.

Profit is often used to measure the performance and improvement of an entity. Profit information contained in the financial statements is the main information in making decisions to make investments. So that profit information is often the target of engineering (manipulation of financial statements/profit) through profit management practices for certain purposes known as Profit Management (Savitri and Priantinah 2019). Earnings management is a decision taken by company management to take accounting actions or real actions that affect profits in order to achieve certain goals in reporting profits. Earnings management actions occur when managers determine decisions according to their personal needs in reporting and preparing company financial reports that have the effect of misleading stakeholders in using the financial reports. Management as an internal party certainly has more accounting information than shareholders. This provides a gap for management to make decisions in taking opportunistic actions by increasing or decreasing profits through certain accounting policies (Atmamiki and Priantinah 2023).

Earnings management in the Islamic perspective that this action means a violation of public trust. When a company practices earnings management, the profit picture can no longer represent the company's performance fairly, so that it can reduce the reliability of the profit itself. Thus, it is included in a deviant behavior in Islam. In Islam all transactions must be based on the truth that creates a sense of trust between the parties where earnings management is carried out by orienting its objectives to utilities that are not only material but also non-material utilities, so that efforts to maximize profits as the only goal of earnings management will be contrary to Islamic ethics and also sharia accounting, where sharia accounting is also based on Islamic economic principles (Jami P, Afrizal, and Wahyudi 2020).

There is a phenomenon or case related to earnings management that occurred in a manufacturing company, namely at PT. Tiga Pilar Sejahtera Food Tbk (AISA) which is suspected of having inflated by Rp. 4 trillion by the old management in the company's 2017 financial report. The results of a Fact-Based Investigation conducted by PT Ernst & Young Indonesia (EY) to the new management of AISA dated March 12, 2019, the alleged inflation is suspected to have occurred in the accounts receivable, inventory, and fixed assets of the AISA Group. Tiga Pilar's financial report for the 2017 period audited by the Public Accounting Firm (KAP) RSM International was questioned by the new management who took over the company in October 2018. The results of the investigation into the financial report stated that there were findings of alleged overstatements of Rp. 4 trillion. It was also found that there was an alleged income inflation of Rp. 662 billion and another inflation of Rp. 329 billion in the EBITDA (earnings before interest, taxes, depreciation and amortization) post/account(Laba and Manajerial 2020).

The financial report of PT Tiga Pilar Sejahtera Food Tbk for the 2017 fiscal year was restated in 2020, including the 2018 and 2019 financial reports which had not been reported at that time. The company posted a net loss of IDR 5.23 trillion throughout 2017, in the restated financial report. This amount is IDR 4.68 trillion higher than the previous version of the financial report which only lost IDR 551.9 billion. This confirms the suspicion of PT Ernst & Young Indonesia and proves that there was a profit management practice carried out by the company's old management, namely by increasing the reported profit (reducing the loss) from the actual profit (loss) so that the loss experienced by the company looks smaller. The profit management carried out by this company aims to maintain the company's value so that it does not fall in the eyes of stakeholders, but what actually happened in this case was that the company experienced a significant decline in the company's value. which is significant.

The existence of managerial ownership can act as a party that can unite the interests of managers and shareholders, so that it can overcome conflicts of interest between the two and suppress the occurrence of earnings management. The existence of managerial ownership results in the potential for increasing the value of the company due to increased managerial ownership. This can trigger managers to be able to see the company's side from the perspective of shareholders so that it can motivate managers to improve company performance and minimize earnings management actions (Onoda 2021). Research on the relationship between managerial ownership and earnings management was conducted by F. Agung Himawan and Salsabila Maharani, who stated that managerial ownership has a positive but insignificant influence on earnings management (Maharani, Himawan & et al. 2023). Profitability is the company's capacity to generate income from the company's operations. If the profit generated is small, then it is likely that a company will implement profit management aimed at attracting investors to provide their capital to the company.

In the research of Marenta Anis W and Nur Khabib, it was stated that profitability has a positive effect on profit management, meaning that the higher the profitability of the company, the higher the possibility of the company to carry out profit management (Widayanti and Khabib 2023). While leverage is a ratio used to measure how much a company is financed by debt. Companies that have a high leverage ratio due to the large amount of debt compared to the assets owned by the company are suspected of carrying out earnings management because the company is threatened with default. In the research of Rima Istanita and Yana Ulfa, it was stated that leverage has a significant negative effect on earnings management, and the greater the debt owned by the company, the lower the management will carry out earnings management (Istanita and Ulfah 2023). The object of the research is on the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX), the reason the researcher chose the sample to use manufacturing companies is because the manufacturing companies listed on the Indonesia Stock Exchange consist of various industrial sub-sectors so that they can reflect the overall capital market reaction. In addition, this study is more specific, namely using the food and beverage sub-sector, the food and beverage sub-sector is the sub-sector with the largest number of companies compared to other sub-sectors.

The research gap or renewal of previous research with this research lies in the subject section, there is the addition of independent variables/free variables, namely managerial ownership, this study uses an Islamic economic perspective, there are differences in the research objects, namely the researcher uses food and beverage sub-sector manufacturing companies that are consecutively listed on the Indonesia Stock Exchange (IDX), and there are also differences in data analysis techniques. Based on the description and results of previous research and the background above, the researcher is interested in taking the title "The Influence of Managerial Ownership, Profitability and Leverage on Earnings Management in an Islamic Economic Perspective".

2. RECH METHOD

This study uses a quantitative research type using secondary data obtained from data published by the Indonesia Stock Exchange, the Indonesia Stock Exchange website and related company websites. The population in this study, namely manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange during the 2020-2023 research period, totaling 41 companies. The sampling technique used by the researcher was purposive sampling and obtained 12 companies as research samples.

Earnings Management

Earnings management is an effort by managers or management to intervene or influence information in financial reports with the aim of deceiving stakeholders who want to know the company's performance and condition. The formula used to determine earnings management from the modified Jones model (1995) is:

a) Determine the score total accruals

$$\mathrm{TAC_{it}} = \mathrm{NI_{it}} - \mathrm{CFO_{it}}$$

b) Determining the accruals score is estimated using the OLS regression equation

$$\mathrm{TAC_{it}}/\mathrm{A_{it\text{-}1}} = \beta 1\left(\frac{1}{\mathrm{A_{it\text{-}1}}}\right) + \beta 2\left(\frac{\mathrm{REV_{it}}\text{-}\mathrm{REV_{it\text{-}1}}}{\mathrm{A_{it\text{-}1}}}\right) + \beta 3\left(\frac{\mathrm{PPE_{it}}}{\mathrm{A_{it\text{-}1}}}\right) + \varepsilon$$

c) Determining the Non Discretionary Accrual (NDA) score

$$\mathrm{NDA_{it}} = \beta 1\left(\frac{1}{\mathrm{A_{it-1}}}\right) + \beta 2\left(\frac{\mathrm{REV_{it}} - \mathrm{REV_{it-1}}}{\mathrm{A_{it-1}}}\right) - \left(\frac{\mathrm{REC_{it}} - \mathrm{REC_{it-1}}}{\mathrm{A_{it-1}}}\right) + \beta 3\left(\frac{\mathrm{PPE_{it}}}{\mathrm{A_{it-1}}}\right)$$

d) Calculate the DA (Discretionary Accrual) value which is a measure of profit management using the formula:

$$\mathrm{DA_{it}} = \mathrm{TAC_{it}}/\mathrm{A_{it-1}} - \mathrm{NDA_{it}}$$

Information:
Ait-1 = Total assets of company i in year t-1
NDAit = Non Discretionary Accrual at company i in year t
TACit = Total accruals at company i in period t
REVit-1 = Revenue at company i in year t-1

NIit = Net profit at company i
DAit = Discretionary Accrual at company i in year t
PPEit = Fixed assets in company i in year t
CFOit = Operating cash flow at company i in year t
RECit-1= Receivables at company i in year t-1
RECit = Receivables from company i in year t
REVit = Revenue at company i in year t

Managerial ownership

Managerial ownership is a situation where the management of a company simultaneously holds the positions of director and shareholder who actively participates in company decision making. (Muhthadin and Hasnawati 2022). The formula used is :

$$\text{Managerial Ownership} = \frac{\text{Number of shares owned by managers}}{\text{Total outstanding shares of the company}} \times 100\%$$

Profitability

Profitability is the company's ability to earn profit in relation to sales, total assets and equity. Profitability is a description and performance of management in managing the company. The formula used is :

$$\text{ROA} = \frac{\text{Net profit after tax}}{\text{Total asset}} \times 100\%$$

Leverge

Leverage is the ability of a company to meet its long-term and short-term debts, in other words, how much debt the company has compared to its assets, measuring the level of leverage of a company can use one of the ratios, namely the Debt to Equity Ratio. The formula used Is :

$$\text{DER} = \frac{\text{Total debt}}{\text{Equity}} \times 100\%$$

The analysis technique used in this study is to use panel data regression analysis techniques with the help of the E-views program to obtain a comprehensive picture of the influence of independent variables on dependent variables. The regression equation is as follows:

$$Y_{it} = \alpha + \beta_1 X_{it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it}$$

Information :
Y : Dependent Variable
α : Constants
β1, β2 : Parameter
X1, X2, X3 : Independent Variable
i : Entity ke-i
t : Period ke-t
ε : error

3. RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 1. Descriptive Statistics

	X1	X2	X3	Y
Mean	0.222562	0.299717	1.595898	394728.2
Median	0.088252	0.084707	0.853781	325229.0
Maximum	0.915239	6.617075	17.03699	1326369.
Minimum	1.54E-06	-0.120630	0.125167	-498117.2
Std. Dev.	0.266412	1.046388	3.032063	392820.3
Observations	48	48	48	48

Source: E-Views 9 processed in 2024

Based on the data above, the following results can be obtained:

1. Earnings management (Y) has a minimum value of 0-498117.2, a maximum value of 1326369, an average value (Mean) of 394728.2, a middle value (median) of 325229.0 and a standard deviation of 392820.3.
2. Managerial ownership (X1) has a minimum value of 0.00000154, a maximum value of 0.915239, an average value (Mean), 0.222562, a middle value (median) of 0.088252 and a standard deviation of 0.266412.
3. Profitability (X2) has a minimum value of -0.120630, a maximum value of 6.617075, an average value (Mean) of 0.299717, a middle value (median) of 0.084707 and a standard deviation of 1.046388.
4. Leverage (X3) has a minimum value of 0.125167, a maximum value of 17.03699, an average value (Mean) of 1.595898, a middle value (median) of 0.853781 and a standard deviation of 3.032063

B. Selection of Panel Data Regression Model

Panel data is a combination of cross-section daa and time series data. There are several tests that can be performed for the model to be selected between the Common Effect Model, Fixed Effect Model and Random Effect Model. The tests include the following:

Table 2

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.685501	(11,33)	0.1207
Cross-section Chi-square	21.401307	11	0.0294

Source: E-Views 9 processed in 2024

Based on the table above, it can be seen that the probability of the cross section F is 0.1207 and the probability of the Cross-section Chi-square is 0.0294. The value of the Probability of the cross section F is greater than 0.05, so it can be concluded that the one selected in the chow test is the Common Effect Model.

Table 3 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.865037	3	0.0763

Source: E-Views 9 processed in 2024

Based on the table above, it can be seen that the probability of random cross section is 0.0763. The value of random cross section probability is greater than 0.05, so it can be concluded that the model selected in the Hausman test is the Random Effect Model.

Uji Lagrange Multiplier

Table 4. LM Breusch Pagan Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.007458	0.442332	0.449789
	(0.9312)	(0.5060)	(0.5024)

Source: E-Views 9 processed in 2024

Based on the table above, the Breusch Pagan Cross-section probability value is 0.9312 > 0.05, so the selected model is the Common Effect Model. Based on the results of the Chow Test, Hausman Test and Lagrange Multiplier Test, the best model in this study is the common effect model. So the assumption test used in this study uses the multicollinearity test and the Heteroscedasticity test.

Research Results

1. Classical Assumption Test

a. Multicollinearity Test

Multicollinearity Test is one of the classical assumption tests that aims to test whether a high correlation is found between variables in the regression model. Data is said to be free from multicollinearity problems if the correlation value between independent variables is <0.80. However, if the correlation of each independent variable is >0.80, multicollinearity occurs. The results of the multicollinearity test are as follows:

Table 5. Multicollinearity Test

	X1	X2	X3
X1	1.000000	-0.024432	-0.184061
X2	-0.024432	1.000000	-0.092834
X3	-0.184061	-0.092834	1.000000

Source: E-Views 9 processed in 2024

Based on the table above, the results of the multicollinearity test show that the correlation coefficient between the independent variables is less than 0.80, so it can be concluded that the data is free from multicollinearity problems.

a. Heteroscedasticity Test

The heteroscedasticity test in this study was conducted using the Glejser test by regressing the independent variable with the absolute residual. Data is said to be free from heteroscedasticity symptoms if the probability value > alpha or prob > α (0.05,). The results of the heteroscedasticity test are as follows:

Table 6. Heteroskedastisitas Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	322584.6	49445.97	6.523980	0.0000
X1	-149476.9	124668.9	-1.198991	0.2369
X2	-5055.146	31333.88	-0.161332	0.8726
X3	-4886.122	10998.24	-0.444264	0.6590

Source: E-Views 9 processed in 2024

The results of the heteroscedasticity test show that the probability value of the independent variables > α (0.05) namely managerial ownership (X1) 0.2369, profitability (X2) 0.8726 and leverage (X3) 0.6590. So it can be concluded that the data is free from heteroscedasticity symptoms.

Panel Data Regression Analysis

The following are the results of the panel data regression analysis in this study processed using the E-Views 9 application.

Table 7. Panel Data Regression Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	373177.9	81916.10	4.555611	0.0000
X1	-63316.96	206536.3	-0.306566	0.7606
X2	-89428.27	51910.18	-1.722750	0.0920
X3	39128.74	18220.56	2.147505	0.0373
R-squared	0.167442	Mean dependent var		394728.2
Adjusted R-squared	0.110677	S.D. dependent var		392820.3
S.E. of regression	370444.9	Akaike info criterion		28.56245
Sum squared resid	6.04E+12	Schwarz criterion		28.71839
Log likelihood	-681.4989	Hannan-Quinn criter.		28.62138
F-statistic	2.949730	Durbin-Watson stat		1.208799
Prob(F-statistic)	0.042963			

Source: E-Views 9 processed in 2024

Based on the results of the panel data regression analysis in the table above, the panel data regression equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y = 373177.9 -63316.96*X1 -89428.27*X2 + 39128.74*X3

Information :

Y = Earnings Management
X1 = Managerial Ownership
X2 = Profitability
X3 = Leverage
α = Constants
β1, β2, β3 = Parameter
ε =error

Based on the panel data regression equation in the table above, the explanation of the influence of independent variables on earnings management is as follows:

a. The constant with a positive value of 373177.9 shows that if all independent variables are equal to zero (0), then earnings management is 373177.9.

b. The regression coefficient value of managerial ownership is negative at -63316.96, which means that if managerial ownership increases by 1%, earnings management will decrease by -63316.96 assuming fixed variables.

c. The regression coefficient value of profitability is negative at -89428.27, which means that if profitability increases by 1%, earnings management will decrease by -89428.27 assuming fixed variables.

d. The regression coefficient value of leverage is positive at 39128.74, which means that if leverage increases by 1%, earnings management will increase by -89428.27 assuming fixed variables.

3. Hyphotesis

a. Partial Test (Uji T)

Partial test (t-test) is a test conducted to see whether an independent variable has an effect or not on the dependent variable by comparing the calculated t value with the t table. The t distribution table is searched for in degrees of freedom (df) with the formula df (n-k) = (48-4) = 44 with a significance of 0.05 or α 5%, then the t table is 2.01537 for hypothesis testing. The testing criteria are as follows:

H0 is accepted if t-count < 2.01537

H1 is rejected if t-count > 2.01537

The following are the results of the partial significance test hypothesis test (t-test) using E-Views 9 as follows:

Tabel 8. Partial Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	373177.9	81916.10	4.555611	0.0000
X1	-63316.96	206536.3	-0.306566	0.7606
X2	-89428.27	51910.18	-1.722750	0.0920
X3	39128.74	18220.56	2.147505	0.0373

Source: E-Views 9, processed in 2024

Based on the results of the persial test (t test) in the table above, a discussion of the t test results can be carried out as follows:

1) Testing managerial ownership variables on earnings management

The t-test results obtained a t-count value of -0.306566 and a t-table of 2.01537 with a probability of 0.7606. Because t-count < t-table (-0.306566 < 2.01537) and because profitability> 0.05, partially the independent variable managerial ownership has no negative and insignificant effect on the earnings management variable. Therefore, H0 is accepted and H1 is rejected.

2) Testing the profitability variable on earnings management

The t-test results obtained a t-count value of -1.722750 and a t-table of 2.01537 with a probability of 0.0920. Because t-count < t-table (-1.722750 < 2.01537) and because profitability> 0.05, partially the independent variable profitability has no negative and insignificant effect on the earnings management variable. Therefore, H0 is accepted and H1 is rejected.

3) Testing the Leverage Variable on earnings management.

The t-test results obtained a t-count value of 2.147505 and a t-table of 2.01537 with a probability of 0.0373. Because t-count> t-table (2.147505> 2.01537) and because profitability <0.05, partially the independent variable leverage has a positive and significant effect on the earnings management variable. Thus, H1 is accepted and H0 is rejected.

b. Simultaneous Test (F Test)

Simultaneous Test (F test) is a test conducted to see whether all independent variables together have an effect or not on the dependent variable by comparing the calculated F value with the F table. This test is carried out with the F test at a confidence level of 95% and an error rate of α 5% with Degree of freedom (dft) = k-1 or (4-1 = 3), and degree of freedom (df2) = n-k or (48-4 = 44), the F table value is 2.82. The f test testing criteria are as follows:

H0 is accepted if F-Count < 2.82

H1 is rejected if F-Count> 2.82
The following are the results of the simultaneous test (F test) using E-Views 9 as follows:

Table 9. Simultaneous Test

R-squared	0.167442	Mean dependent var	394728.2
Adjusted R-squared	0.110677	S.D. dependent var	392820.3
S.E. of regression	370444.9	Akaike info criterion	28.56245
Sum squared resid	6.04E+12	Schwarz criterion	28.71839
Log likelihood	-681.4989	Hannan-Quinn criter.	28.62138
F-statistic	2.949730	Durbin-Watson stat	1.208799
Prob(F-statistic)	0.042963		

Source: E-Views 9 processed in 2024

Based on the results of the simultaneous test (F test) in the table above, the influence of managerial ownership, profitability and leverage on earnings management simultaneously obtained F-count of 2.949730 > F-table of 2.82 with a probability value of 0.042963 < 0.05. This shows that H0 is rejected and H1 is accepted, which means that managerial ownership, profitability and leverage simultaneously affect earnings management.

a. Koefisien Determinasi Test

Based on the test results in the table above, it can be seen that the value of Adjusted R-squared is 0.110677, this shows that the variance of managerial ownership, profitability and leverage is able to explain the variance of earnings management by 11% while the remaining 89% is explained by other variables outside the model.

1. The Influence of Managerial Ownership on Profit Management

Based on the research results, it was found that managerial ownership has no significant effect on earnings management. This shows that the greater the managerial ownership, the lower the earnings management actions taken by the company's management. So that the management will be efficient in choosing accounting methods that provide added value to the company. Managers who hold company shares will be motivated to prepare quality financial reports. Thus, managers will supervise the company's internal parties so that they will reduce earnings management actions. It can be concluded that managerial ownership in the company cannot encourage managers to carry out earnings management actions (Nababan and Simbolon 2021).

The results of this study are supported by research conducted by Amalia Utami, Siti Nur Azizah, Azmi Fitriati and Bima Cinintya Pratama in 2021 entitled "The Influence of Managerial Ownership, Institutional Ownership, Public Ownership, Board of Commissioners and Audit Committee on Earnings Management". The results of this study indicate that managerial ownership does not affect earnings management so that managerial ownership cannot be used as a unifier of interests between management and investors because management, which also acts as an investor, cannot control the company according to its wishes as an investor. Therefore, it can be said that the percentage of shares owned by managers cannot reduce earnings management (Utami et al. 2021).

This study is in contrast to the study conducted by Nur Azizah and Sri Sudarsi in 2023 entitled "Analysis of the Influence of Profitability, Leverage, Company Size and Managerial Ownership on Earnings Management in Property and Real Estate Companies Listed on the Indonesia Stock Exchange for the 2017-2021 Period" The results of this study indicate that managerial ownership has an insignificant negative effect on earnings management (Azizah and Sudarsi 2023).

2. The Influence of Profitability on Profit Managemen

Based on the results of the study, it was found that profitability has no significant effect on earnings management. The results of this study are supported by research conducted by Imas Masfufah and Rika Maryatul Kiptiah in 2024 entitled "The Effect of Company Size, Leverage and Profitability on Earnings Management in Manufacturing Companies on the IDX in 2020-2022" the results of this study indicate that profitability has no effect on earnings management. Increasing profitability indicates good company performance and shareholders will receive increasing profits because managers also benefit so that they cannot take earnings management actions.

Profitability is used to measure the level of profit generated by the company, which means that the higher the profitability, the higher the profit obtained and this will not make managers practice earnings management or tend to continue to practice earnings management (Masfufah and Kiptiah 2024). However, this research is in contrast to the research conducted by Inna Endah Febriana in 2022 entitled "The Influence of Good Corporate Governance, Profitability and Leverage on Earnings Management" where the results of this study show that profitability has a significant positive effect on earnings management (Febriana and Andayani 2022).

3. The Effect of Leverage on Profit Management

Based on the research results, it was found that leverage has a positive and significant effect on earnings management. This shows that the greater the leverage in a company, the greater the risk of earnings management. Financial leverage must be analyzed to see how well funds are handled, the mix of short-term and long-term funds obtained from outside must be in accordance with the company's goals and policies. If the handling of these funds is not carried out properly, financial leverage can trigger management to carry out earnings management (Yasa, Sunarsih, and Pramesti 2020). The results of this study are supported by research conducted by Rahmi Anisya, Armel Yentifa and Eka Rosalina in 2023 entitled "The Effect of Profitability and Leverage on Earnings Management (Case Study of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange)".

The results of this study indicate that leverage has a positive and significant effect on earnings management. The theory that supports the results of this study is agency theory which explains the relationship between the owner (principal) and the company manager (agent) which states that there are problems between the owner and the company manager that occur due to agency conflicts, namely conflicts that occur within the company, where problems arise because of the manager's desire to optimize personal welfare by deceiving other stakeholders who do not have adequate access and sources of information. Companies that have a high leverage ratio due to the large amount of debt compared to the assets owned by the company are suspected of practicing earnings management because the company is threatened with default, namely being unable to fulfill its obligations to pay debts on time (Anisya, Yentifa, and Rosalina 2023)

4 The Influence of Managerial Ownership, Profitability and Leverage on Earnings Management

Based on the results of the simultaneous test that has been conducted, it can be concluded that managerial ownership, profitability and leverage simultaneously have a significant effect on earnings management. These results are in accordance with the agency theory which states that the monitoring mechanism, namely managerial ownership, is considered to be able to align the interests of the principal and agent and can reduce conflicts of interest that result in various fraudulent behaviors. The theory that supports the results of this study is the agency theory which explains that the relationship between the owner (principal) and the company manager (agent) which states that there are problems between the owner and the company manager that occur due to agency conflicts, namely conflicts that occur within the company, where problems arise because of the manager's desire to optimize personal welfare by deceiving other stakeholders who do not have adequate access and sources of information.

Companies that have a high leverage ratio due to the large amount of debt compared to the assets owned by the company are suspected of practicing earnings management because the company is threatened with default, namely being unable to fulfill its obligations to pay debts on time. This indicates that managerial ownership, profitability and leverage can affect the risk of earnings management practices. The results of this study are supported by research conducted by Muhammad Irfan and Deannes Isynuwardhana in 2019 entitled "The Effect of Managerial Ownership, Leverage and Profitability on Earnings Management". The results of this study state that managerial ownership, leverage and profitability simultaneously have a significant effect on earnings management (Setiamy and Deliani 2019).

5 Earnings Management in the Perspective of Islamic Economics

In the Islamic perspective, earnings management includes activities that can mislead users of financial reports by presenting inappropriate information or presenting information that is not in accordance with Islamic ethics. This system has two main values, namely Unity (Tauhid) and Justice (Honesty). These two core values greatly influence the direction of economic activities and business life. Profit orientation in Islamic business is also not only aimed at capital owners (stockholders), but also at stakeholders. Therefore, earnings management in Islam must meet two main criteria, namely: First; Earnings management must orient its objectives to material utilities as well as non-material utilities. Second; Earnings management must orient these utilities to stakeholders (Nasrun 2019).

It can be understood that the verse above prohibits taking advantage or profit obtained by cheating or disguising trade or hiding transaction records that are not in accordance with their nature, with the aim of deceiving investors. It also contains the meaning that Islam does not provide certain limitations on profit or profit. From the explanation above, Islam views that managers and accountants must have honest morals or traits, fulfill their mandates and be honest in reporting the results of financial reports to their users. Honesty is one of the most important capitals in business because honesty will avoid things that can harm others/one party.

4. CONCLUSION

Based on the results of the testing and analysis that have been carried out using E-Views 9 regarding the influence of managerial ownership, profitability and leverage on earnings management, the results of the testing and analysis are as follows: Managerial ownership does not have a significant effect on earnings management so that hypothesis one is rejected. Profitability does not have a significant effect on earnings management: Leverage has a positive and significant effect on earnings management: Simultaneously, managerial ownership, profitability and leverage have a significant effect on earnings management: In the Islamic perspective, earnings management includes activities that can mislead users of financial statements by presenting inappropriate information or presenting information that is not in accordance with Islamic ethics. In Islam, this action is strictly not justified because of the prohibition of taking advantage or profit obtained by deceiving or disguising trade by hiding records from financial statements.

REFERENCES

Anisya, Rahmi, Armel Yentifa, and Eka Rosalina. 2023. “Pengaruh Profitabilitas Dan Leverage Terhadap Manajemen Laba (Studi Kasus Pada Perusahaan Manufaktur Sub Sektor Food and Beverage Yang Terdaftar Di Bursa Efek Indonesia Periode Tahun 2017-2021).” *Akuntansi dan Manajemen* 18(2): 29–41. doi:10.30630/jam.v18i2.231.

Arlita, Rizki, Hamid Bone, and Agus Iwan Kesuma. 2019. “Pengaruh Good Corporate Governance Dan Leverage Terhadap Praktik Manajemen Laba.” *Akuntabel* 16(2): 238–48. http://journal.feb.unmul.ac.id/index.php/AKUNTABEL.

Atmamiki, Kagunan Tetradia, and Denies Priantinah. 2023. “Pengaruh Leverage, Cash Holding, Ukuran Perusahaan, Dan Kualitas Audit Terhadap Manajemen Laba Dengan Kepemilikan Manajerial Sebagai Variabel Moderasi.” *Nominal Barometer Riset Akuntansi dan Manajemen* 12(2): 227–41. doi:10.21831/nominal.v12i2.59214.

Azizah, Nur, and Sri Sudarsi. 2023. “Analisis Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan Dan Kepemilikan Manajerial Terhadap Manajemen Laba Pada Perusahaan Properti and Real Estate Yang Terdaftar Di Bursa Efek Indonesia Periode Tahun 2017-2021.” *J-MAS (Jurnal Manajemen dan Sains)* 8(1): 860. doi:10.33087/jmas.v8i1.970.

Febriana, Inna Endah, and Andayani. 2022. “Pengaruh Good Corporate Governance, Profitabilitas, Dan Leverage Terhadap Manajemen Laba.” *Jurnal Ilmu dan Riset Akuntansi* Vol. 11(No. 8): 1–19.

Istanita, Rima, and Yana Ulfah. 2023. “Pengaruh Profitabilitas Dan Leverage Terhadap Manajemen Laba Dengan Dewan Komisaris Independen Sebagai Variabel Moderating.” *Jurnal Ekonomi, Manajemen dan Akuntansi* 25(3): 503–13.

Jami P, Nurapni, Afrizal Afrizal, and Ilham Wahyudi. 2020. “Analisis Perbandingan Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Manajemen Laba Pada Perusahaan Sektor Properti Dan Konstruksi Yang Terdaftar Di Indeks Saham Syariah Indonesia Dan Shariah Compliant Securities Malaysia Periode 201.” *Jurnal Akuntansi & Keuangan Unja* 5(2): 101–14. doi:10.22437/jaku.v5i2.10261.

Laba, Manajemen, and Kepemilikan Manajerial. 2020. “Prodi Akuntansi Universitas STIKUBANK Semarang 1.” 13: 40–54.
Maharani, Himawan &, Komite, Dan Profitabilitas, Terhadap Manajemen, and F Agung Himawan. 2023. “Analisis Kepemilikan Manajerial, Kepemilikan Institusional, Laba Institut Bisnis Nusantara.” *ESENSI: Jurnal Manajemen Bisnis* 26(3): 64–76.
Masfufah, Imas, and Rika Maryatul Kiptiah. 2024. “Pengaruh Ukuran Perusahaan, Leverage Dan Profitabilitas Terhadap Manajemen Laba Pada Perusahaan Manufaktur Di Bei Tahun 2020-2022.” *Prosiding Semanis : Seminar Nasional Manajemen Bisnis* 2(3): 19–32.
Muhthadin, Mohammad Al, and Hasnawati Hasnawati. 2022. “Pengaruh Kepemilikan Manajerial, Profitabilitas Dan Leverage Terhadap Manajemen Laba.” *Jurnal Ekonomi Trisakti* 2(2): 1799–1812. doi:10.25105/jet.v2i2.14696.
Nababan, Carlos Calvin Boi Paruntungan, and Remista Simbolon. 2021. “Pengaruh Good Corporate Governance Dan Profitabilitas Terhadap Manajemen Laba Pada Perusahaan Sub Sektor Kimia Yang Terdaftar Di Bei Periode 2017-2020.” *Jurnal Ekonomis* 14(3): 3–17.
Nasrun, Muhammad Nasrun. 2019. “Earning Management Earning Management Perspektif Metafora Amanah.” *AkMen Jurnal Ilmiah* 16(4): 613–21. doi:10.37476/akmen.v16i4.806.
Onoda, Apprillia. 2021. “Pengaruh Good Corporate Governance, Profitabilitas Dan Leverage Terhadap Manajemen Laba Pada Perusahaan Properti Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2015.” *Ekonomi dan Bisnis* 1(1): 439–50.
Savitri, Diana, and Denies Priantinah. 2019. “Pengaruh Leverage Terhadap Manajemen Laba Dengan Corporate Governance Sebagai Variabel Pemoderasi Pada Perusahaan Manufaktur Sektor Aneka Industri Yang Terdaftar Di Bei Periode 2013-2016.” *Nominal: Barometer Riset Akuntansi dan Manajemen* 8(2): 179–93. doi:10.21831/nominal.v8i2.26543.
Setiamy, Arasy Ayu, and Etika Deliani. 2019. “Pengaruh Kepemilikan Manajerial, Leverage dan Profitabilitas Terhadap Manajemen Laba.” 2(2): 5–10.
Utami, Amalia, Siti Nur Azizah, Azmi Fitriati, and Bima Cinintya Pratama. 2021. “Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Kepemilikan Publik, Dewan Komisaris, Dan Komite Audit Terhadap Manajemen Laba (Studi Empiris Dada Perusahaan Indeks High Dividend 20 Di Bursa Efek Indonesia Tahun 2018-2019).” *Ratio : Reviu Akuntansi Kontemporer Indonesia* 2(2): 63–72. doi:10.30595/ratio.v2i2.10373.
Widayanti, Marentina Anis, and Nur Khabib. 2023. “Pengaruh Profitabilitas, Kepemilikan Institusional Dan Leverage Terhadap Manajemen Laba Dengan Good Corporate Governance Sebagai Pemoderasi (Studi Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index Periode 2017-2021).” *Jurnal Akuntansi Syariah (JAkSya)* 3(1): 84. doi:10.31958/jaksya.v3i1.8523.
Yasa, I Komang Eva Trisma, Ni Made Sunarsih, and I gusti Ayu Asri Pramesti. 2020. “Pengaruh Ukuran Perusahaan, ;Everage Dan Profitabilitas Terhadap Manajemen Laba Pada Perusahaan Manufaktur Di Bei Tahun 2016-2018.” *Jurnal Kharisma* VOL. 2 No.(3): 19–32.