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Real Earning Management Viewed from Financial Performance

¹Nurlita Arum S, ²Nur Prasetyo Aji, ³Wisnu Prasetyo Adi Utomo

¹Accounting, Economics and Business Study Program, Universitas Muhammadiyah Surakarta, Surakarta, Indonesia

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Corresponding author;

Nurlita Arum S

ABSTRACT

The aim of this research is to determine the relationship between the influence of profitability, company size and managerial ownership on real earnings management. The population of this research is manufacturing companies listed on the Indonesia Stock Exchange BEI in 2020-2022. This research used a purposive sampling technique and obtained 53 companies, with an observation period of 3 years. The analytical tool used in this research uses multiple linear regression analysis. Data analysis begins with descriptive statistics, classical assumption testing, accuracy model testing, and hypothesis testing. The research results show that profitability and company size have a significant influence on real earnings management. Meanwhile, leverage and managerial ownership do not have a significant influence on real earnings management. The novelty in this research reveals the use of real earnings management practices which usually use accrual earnings management which can be a guide for practitioners and regulators in optimizing policies related to financial reporting.

Keywords:

Real Earning Management;
Profitability; Company Size;
Managerial ownership

Type of Work;

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1. Introduction

Financial reports are the main communication medium between company managers and stakeholders. Managers use financial reports to account for what they have done and experienced while operating the company (Bilal et al. 2023). Good financial reports include all useful information for investors and other users (Cohen and Zarowin 2008). This reason explains that financial reports must fulfill several qualitative rules in order to carry out their functions optimally. The qualitative characteristics of financial reports include relevant, understandable, comparable and reliable (Uliya 2015).

The problem that has occurred over the last few decades related to financial reports is the increasing number of cases of corporate irregularities occurring throughout the world, one of which is earnings management. Earnings management arises as a result of agency problems that occur due to a misalignment of interests between the owner (principal) and company management (agent) or what is

called agency conflict. As an agent, the manager is morally responsible for optimizing the profits of the owners, but on the other hand the manager also has the best interests of the principal. The financial reports presented by management can be manipulated to produce the desired level of profit to achieve certain goals which can mislead owners, shareholders or potential investors who use these financial reports (Astari 2017).

Profit management itself, according to Widyaningdyah (2001), is a manager's action to increase (reduce) the current reported profit for a unit for which the manager is responsible, without resulting in an increase (decrease) in the long-term economic profitability of the unit. Earnings management occurs when managers use judgment in financial reporting and in designing structured transactions to change financial reports in a way that can mislead stakeholders about the basic economic performance of the company or to influence contractual outcomes that depend on reported accounting figures. Earnings management



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targets are usually carried out in activities that can be used by management to manipulate information, so that the resulting financial reports are as desired (Baskaran et al. 2020).

Marra (2011) also defines earnings management as a method used by management in managing the company's financial reports through selecting certain accounting policies with the aim of increasing net profit and company value in accordance with management's expectations. Earnings management is thought to arise and be carried out by managers or financial report preparers in the financial reporting process of a company because they expect a benefit from this action.

Real earning management is an action that deviates from normal business activities, carried out by company managers to achieve the set profit targets (Roychowdhury 2006). Real earning management is the action of managing profits carried out through the company's daily activities which can be carried out at any time throughout the current period. Real earning management can be done through operating cash flow, production costs and discretionary costs (Roychowdhury 2006). The real earnings management technique proposed Demil and Lecocq (2010), is more directed at increasing income, this can be seen from the focus of the three techniques on increasing the value of profits through various daily activities of the company.

Based on the development of empirical research conducted by Cohen and Zarowin (2008), Roychowdhury (2006) regarding real earnings management, it shows that managers have shifted from accrual earnings management to real earnings management after the Sarbanes Oxley Act (SOX) period. Apart from that, real earnings management is more difficult for auditors to detect compared to accrual earnings management (Ratmono n.d.). According to Graham (2016), the shift in accrual earnings management towards real earnings management is caused by several factors, including: (1) accrual earnings management is more often used as a center of observation by auditors and regulators than decisions about pricing and production. Accounting choices made related to accruals in companies have a greater risk of being examined by authorities in the capital market and the company will receive sanctions if it is proven to have deviated from generally accepted accounting standards with the aim of profit manipulation, (2) only focuses attention on accrual manipulation is a risky action.

Profitability is a company's ability to generate profits through the operation of its assets. One of the profitability ratios used is Return on Assets (ROA). The higher the Return on Assets (ROA), the more efficient the use of assets and the greater the profit. Thus ROA motivates management to carry out earnings management. This has been proven from the research results of Guna and Herawaty (2010), Widyastuti (2009), which stated that

ROA has a significant positive effect on earnings management actions.

However, it is different from the research results of Wahyuni (2019) that ROA has a significant negative effect on earnings management actions. The research results of Saenz (2014) are also different, which states that ROA has no significant effect on earnings management actions. Company size describes the size of a company as indicated by total assets, number of sales, average total sales, and average total assets. Large companies receive more attention from external parties such as investors, creditors and the government. Therefore Large companies are more careful in reporting their financial condition, while smaller companies tend to carry out earnings management by reporting larger profits to show satisfactory financial performance (Sari 2023). Leverage can showing how much big asset financed company by debt. Leverage is measured with method comparison of total debt with total assets (Welch 2011). Companies that violate debt in a way potential face various possibility like, possibility acceleration maturity, increase level flowers, and negotiation repeat period debt. The more big debt company so the more the risks involved are also great owner so that owner will request level increasing profits high order of the company the No threatened with liquidation. If something company threatened with liquidation so possible actions can done management with quick is management profit (Gunawan 2015). With do management profit, performance company the will looks good on the eyes holder share And public although his company in circumstances threatened with liquidation.

Theoretically, management who have a high percentage of share ownership will act like someone who holds an interest in the company. This assumption is in line with contract-based theory which shows that management will be efficient in choosing accounting methods that will provide added value to the company (Christie 1994). Managers who hold company shares will be reviewed by the parties involved in the contract such as the selection of an audit committee which creates demand for quality financial reporting by shareholders, creditors and users of financial statements to ensure the efficiency of the contracts made. With Thus, management will be motivated to prepare quality financial reports (Hamid 2012).

This will reflect better contract conditions (Ball, Robin, and Wu 2003). Therefore, it is likely that the level of managerial ownership will be in the same direction as to suppress the use of discretionary accruals (earnings management) by management (Gabrielsen, Gramlich, and Plenborg 2002).

Based on the results of previous research, due to inconsistencies in the results, this research added an independent variable in the form of managerial ownership. Managerial ownership is one aspect of corporate governance that can reduce agency costs if its portion in

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the ownership structure of the company is increased. Providing managers with the opportunity to be involved in share ownership aims to equalize the interests of managers with shareholders. The manager's involvement encourages managers to act carefully because they will also bear the consequences of the decisions they take. Apart from that, managers will be motivated to improve their performance in managing the company. Managerial ownership is the level of share ownership by management who actively participates in decision making, so this research becomes more interesting and to see whether the proportion of managerial ownership is able to strengthen the results of this research. Therefore, this research was carried out because there were still inconsistent results from several previous studies, and was focused on earnings management through manipulation of real activities. Because manipulation of real activities has an impact not only on accruals but also on cash flow.

2. Critical Review

Agency theory describes the relationship between shareholders as principals and management as agents. According to Jensen and Meckling (1976), an agency relationship is a contract in which one or more people (the principal orders another person (the agent) to perform a service on behalf of the principal and authorizes the agent to make the best decision for the principal. If both parties have the same goal of maximizing company value, it is believed that the agent will act in a way that is in accordance with the interests of the principal. The separation that occurs between ownership and management of the company will give rise to a conflict called agency conflict.

According to Hasnawati and Sawir (2015), agency theory in principle uses the main assumption that the choice of company policies aims to maximize company value. A very strong concept regarding the relationship between debt and costs is that this concept describes the company as a "nexus of relationships of relationships" which can be characterized as a principal-agent relationship. The principal agent relationship incurs costs, because there is a possibility that the agent will not always run the business in a consistent manner that is in the best interests of the principal. The essence of an agency relationship is the separation between ownership (on the part of the principal or investor) and control (on the part of the agent or manager). Gunawan (2015) stated that profitability is the level of net profit that a company manages to obtain in carrying out its operations. The greater the level of profitability of the company, the greater the opportunity for the company to experience a decline in profitability in the future so that the greater the company experiences fluctuations in income which causes instability for the company in obtaining income, so the greater the profitability of the company, the greater the company

managers will carry out earnings management practices to maintain stability.

The research results of Astari (2017) state that profitability has an effect on earnings management. This means that the higher the profitability, the higher the profit management actions. One benchmark that shows the size of a company is company size. Company size is a scale where the size of the company can be classified according to various ways, including total assets, net sales and market capitalization of the company. Large companies have a wider stakeholder base, so that the policies of large companies will have a greater impact on the public interest compared to small companies. Companies have quite large incentives to manipulate real profit activities, because one of the main reasons is that large companies are required to be able to meet the expectations of their investors or shareholders and there are many estimates and assessments that must be applied to large companies, so that company size can be used as a consideration. for potential investors to make investments and make decisions. Therefore, large companies are estimated to have a greater tendency to manipulate real activities by increasing profits (Naftalia 2019).

Leverage is the company's ability to use assets or funds that have a fixed burden (debt or special shares) in realizing a goal, the company can maximize the wealth of the company owner (Ayu et al, 2017). The leverage ratio also shows the risks faced by the company. The greater the risk faced by the company, the greater the uncertainty in generating profits in the future.

According to Jermias (2008), leverage is debt used by a company to finance its assets in order to carry out its operational activities. According to Sharpe (1996), the leverage ratio measures the extent to which a company funds its business by comparing its own funds that have been deposited with the amount of loans from creditors. The use of debt that is too high will endanger the company because the company will fall into the category of extreme leverage (extreme debt), that is, the company is trapped in a high level of debt and it is difficult to get rid of the debt burden. Therefore, companies must balance how much debt is appropriate to take and where the sources can be used to pay debt.

Managerial ownership is share ownership in a company, where the shares are held by management who actively participate in company decision making (Directors and commissioners) (Dela and Sunaryo 2010). The managerial ownership variable is calculated by the percentage of total share ownership owned by management out of the total number of company shares outstanding (Mahariana and Ramantha 2014). The greater the proportion of managerial share ownership in a company, the manager tends to be more active in trying for the interests of shareholders, including himself Andriyani (2014), Chung, Firth, and Kim (2002), Dela (2022),



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provide empirical evidence that managerial ownership is able to limit managers from carrying out earnings management. Managerial objectives are aligned with shareholder objectives, so supervision of the company will be more effective and make managers more careful in carrying out earnings management practices.

H1: Profitability influences real earnings management

H2: Company size influences real earnings management

H3: Leverage influences real earnings management

H4: Managerial ownership influences real earnings management

3. Method Innovation

This research uses a type of quantitative descriptive research, namely research that functions to describe or provide an overview of the object being studied through data or samples or populations or numbers. The population in this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2020 to 2022. The sample selection in this research was determined using the purposive sampling method, namely a technique for determining research samples with certain considerations aimed at making the data obtained more representative of all manufacturing companies listed on the Indonesia Stock Exchange (BEI). The dependent variable in this research is real earnings management. The measurement of real earnings management refers to the measurement developed (Chung et al. 2002). Measuring real earnings management uses 3 proxies, namely abnormal cash flow operations (Abn CFO); abnormal production costs (Abn PROD); and abnormal discretionary expenses (Abn DISC). Abn CFO is profit manipulation carried out by a company through operating cash flow which will have a lower cash flow than its normal level. Abn PROD is real earning management carried out through manipulation of production costs, where the company will have production costs higher than its normal level. Where production costs are the cost of goods sold plus changes in inventory. Meanwhile, Abn DISC is profit manipulation carried out through research and development costs, advertising costs, sales costs, administrative and general costs. In analyzing the effect of real activity profit manipulation through four variables in a comprehensive measure, Cohen and Zarowin (2008) calculated a single variable by combining the three individual real variables from profit manipulation. To calculate the REM (Real Earnings Management) value, all values of the standardized variables CFO, PROD, and DISC must be added up. In addition, the standardized values of CFO, PROD, and DISC must be multiplied by -1 first before the standardized values of the three are added up.

Independent factors are usually called stimulus, predictor or antecedent variables as stated (Shuck 2010). In Indonesian it is usually called an independent variable. An independent variable is a factor that has an influence or

contributes to a change or occurrence of the dependent variable. Profitability (PROFIT) is proxied by return on assets (ROA). Return On Assets (ROA) is used to measure management's ability to obtain overall profits. The higher the ROA a company has, the more efficient the use of assets will be, thereby increasing profits (Madli, 2014). Return on total assets (ROA) is calculated by comparing net profit after interest and tax with total assets Madli (2014). Company size reflects the company's assets or wealth, the higher the asset value, the better the company's performance (Fatmawati and Djajanti, 2015). Company size is a scale where the size of the company can be classified according to total assets. Basically company size is only divided into 3 categories, namely large companies, medium companies and small companies (Lopez-gracia and Aybar-arias 2000; Merrilees, Rundle-thiele, and Lye 2011). Determining company size is based on the company's total assets, so the formula for calculating company size (Ariyani et al. 2018; Dang 2019).

Leverage is a company's ability to use funds that have a fixed burden or debt effectively so that it can obtain optimal levels of business income (Han Kim 1979). According to Jiambalvo (1996), companies that have a high leverage ratio are suspected of carrying out earnings management actions because the company is threatened with default, that is, it cannot fulfill its debt payment obligations on time. Companies will try to avoid this by making policies that can increase revenue and profits by providing a relatively better bargaining position in negotiating or rescheduling company debt.

Managerial ownership is share ownership by company management. Managerial share ownership can align the interests of shareholders and managers, because managers directly experience the benefits of decisions taken and managers bear the risk if losses arise as a consequence of making wrong decisions. This states that the greater the proportion of management ownership in the company, the greater the ability to unite the interests of managers and shareholders, so that the company's performance will be better (Jensen and Meckling 1976). Managerial ownership is shareholders from management who actively participate in company decision making (Directors and Commissioners).

This research uses a quantitative analytical approach using the SPSS program. Descriptive statistics, classical assumption testing, and hypothesis testing. Descriptive analysis is used to provide a comprehensive picture of the state of the research variables. To assess the presence of normality, multicollinearity and heteroscedasticity, a classical assumption test was carried out. while hypothesis testing uses the F test to determine the suitability of the model and the t test to test certain regression coefficients separately. Hypothesis testing will provide evidence regarding the validity and importance of the suggested



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regression model in explaining the relationship between variables.

$$\text{MLR} = \alpha + \beta_1 \text{PR OVIT} + \beta_2 \text{UP} + \beta_3 \text{LEV} + \beta_4 \text{KM} + \epsilon \quad (1)$$

MLR = Real Earning Management

α = Constant

PR OVIT = Profitability

UP = Company size

LEV = Leverage

KM = Managerial Ownership

ϵ = Error Term

4. Innovation Results and Discussion

A good regression model is one that has a normal or close to normal data distribution. The normality test in this study can be seen in table 4.1 using the One Sample Kolmogorof Smirnov Test. If the probability value is greater than $\alpha=5\%$, then the data is declared to be normally distributed. Normality test results can be seen in the following table: Based on the results of the normality test using the Kolmogorov-Smimov Z test, it was found that Asymp.Sig. shows a result of 0.554 or 55.4%, this shows that the data is normally distributed, because the value is greater than 0.05 or 5%.

The multicollinearity test seen in table 4.2 aims to test the regression model, there is a high correlation between independent (free) variables. The method used to test multicollinearity is seen from the Tolerance Value (TV) or Variance Inflation Factor (VIF). Multicollinearity occurs if TV is above 0.01 and VIF below 10, so it can be concluded that the model is free from multicollinearity. Based on the results of the multicollinearity test above, it shows that there is not a single independent variable that has a VIF value greater than 10 and a tolerance value that has a value above 0.01, this means that the regression model is free from high correlation between the independent variables so the conclusion is the model is free from multicollinearity.

The heteroscedasticity test seen in table 4.3 research aims to test whether the regression model has unequal variance in the residuals from one observation to another. This research uses the Spearman Rank correlation test. With the stipulation that if the significance is > 0.05 then the data does not have heteroscedasticity and if the significance is < 0.05 then the data has heteroscedasticity. Based on heteroscedasticity testing, it shows that all independent variables have values above 0.05 or 5%, meaning that the regression model is free from inequality of variance from one residual to another observation so it can be concluded that the model is free from heteroscedasticity.

The autocorrelation test seen in research 4.4 aims to test whether in a regression model there is a relationship between one residual variable and another residual variable. This research uses the Durbin Watson test (DW test) to detect the presence or absence of autocorrelation

disorders. Based on the Durbin Watson value, it shows a value of 1.885, meaning the DW number is between -2 and +2, meaning the regression model does not show any correlation between confounding errors in period t and confounding in period t-1, so it can be concluded that the model is free from autocorrelation.

The F test basically shows whether all the independent variables included in the model are fit or not. The results of the F test are presented in table V, which can be seen from the significant value of 0.000b, because the significant value is smaller than 0.05, it can be concluded that the independent variables, namely profitability, company size and managerial ownership, show that the model is fit.

The coefficient of determination (R^2) is used to measure how far the ability of all the independent or independent variables contained in the regression model is in explaining the dependent or dependent variable. The coefficient of determination (Adjusted R^2) in table V shows a value of 0.240 so it can be calculated. meaning that the independent variables, namely profitability, company size and managerial ownership, can explain the dependent variable, namely real earnings management, by 24%, then the remaining 76% is influenced by other variables outside the model.

The hypothesis test presented in table 5 shows that the results of the hypothesis test show that the significance value of the profitability variable is $0.001 < 0.05$. So it can be concluded that profitability influences real earnings management, so H1 is accepted. The greater the level of profitability of the company, the greater the opportunity for the company to experience a decline in profitability in the future so that the greater the company experiences fluctuations in income which causes instability for the company in obtaining income, so the greater the profitability of the company, the greater the company managers will carry out earnings management practices to maintain stability (Prior, Surroca, and Tribó 2008). The research results of Astari (2017) state that profitability has an effect on earnings management. This means that the higher the profitability, the higher the earnings management actions. This result is also supported by research by Uliya (2015), which states that profitability has an influence on earnings management practices.

The results of the hypothesis test show that the significance value of the company size variable is $0.000 < 0.05$. So it can be concluded that company size influences real earnings management, so H2 is accepted. This indicates that the larger the company size, the less profit manipulation carried out by company management. Because the bigger the company, the tighter the supervision of the company's internal parties. In this way, it can minimize company management actions in committing fraud regarding earnings information. Information published to external parties will be more transparent and complete so that large companies are more



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attractive to investors and brokers (Purnama 2017). The results of this research are supported by research conducted by Purnama (2017), Ulya and Khabib (2023), which shows that company size has an effect on earnings management.

The results of hypothesis testing show that the significant value of the leverage variable is $0.191 > 0.05$. So it can be concluded that leverage has no effect on real earnings management, so H3 is rejected. Based on the test results, the lower or higher the leverage will not affect the company's earnings management actions. Because the greater the debt of a company, the higher the risk it faces. So managers carry out earnings management to show good company performance in order to obtain personal benefits from company owners or for the company's interests from shareholders. If this happens continuously it can cause the company to be liquidated.

Companies that carry out earnings management do not depend on the level of leverage. There is a possibility that the high level of financial leverage or company debt, supervision from external parties or capital owners such as financial institutions (banks) will become increasingly strict so that management does not have the opportunity to carry out earnings management (Anagnostopoulou 2017). The results of this research are consistent with the tests of Gunawan (2015), which show that leverage has no effect on earnings management. However, it is inconsistent with research conducted by An, Li, and Yu (2016) which states that leverage has an effect on earnings management.

The results of the hypothesis test show that the significance value of the managerial ownership variable is $0.225 > 0.05$. So it can be concluded that managerial ownership has no effect on real earnings management, so H4 is rejected. This is because the greater the proportion of managerial share ownership in the company will make

managers tend to work more actively for the interests of shareholders including themselves (Dela and Sunaryo 2010). So the company does not need to carry out earnings management. The results of this research are supported by research conducted by Deladan Sunaryo (2010) which shows that Managerial Ownership does not have a significant effect on Profit Management.

5. Conclusion

In this research the dependent variable used is real earnings management, and the independent variables used in this research are profitability, company size, leverage and managerial ownership. These findings provide insight for practitioners and policy regulators that companies with high profitability may be more likely to engage in earnings management to overcome earnings volatility. This is important to pay attention to in preparing financial reporting and company supervision policies. The firm size findings highlight the importance of close monitoring in large firms to reduce the risk of earnings manipulation. Practitioners and policy makers need to pay attention to company size as a factor that influences transparency and honesty in financial reporting. The leverage findings suggest that monitoring of earnings management practices does not need to be focused specifically on companies with high or low leverage, but rather on other more relevant factors. The managerial ownership findings provide guidance for practitioners and regulators in optimizing financial reporting policies by focusing on more relevant factors such as profitability and company size, and show that strict supervision can reduce earnings management practices, especially in large companies.

6. Image and Data Table

Table 1. Data sampling

| Sample Criteria Manufacturing Company | Total |
|---|-------|
| Number of companies listed on the IDX in 2020-2022 | 155 |
| Did not publish consecutive financial statements | (37) |
| Using currencies other than rupiah in the research year period | (30) |
| Not making a profit | (52) |
| Does not have complete data for the research period | (14) |
| Number of research sample companies 53 Sample size 53 x 3 years | 159 |

Source: processed by the author

Table 2. Operational definition

| Variable | Formula | Scale |
|-----------------------------------|---|------------|
| Real Earning Management (MLR) (Y) | Measuring real earnings management uses 3 proxies, namely abnormal cash flow operations (ABN CFO); abnormal production costs (Abn PROD); and abnormal discretionary expenses (Abn DISC). Abnormal Cash Flow Operations $CFO_t/At-1 = a_0 + a_1(1/\log.At-1) + b_1(St/At-1) + b_2(\Delta St/At-1) + et$ Abnormal Production Costs | Comparison |



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| | | |
|---------------------------|---|------------|
| | $PROD_t/At-1 = a_0 + a_1(1/Log.At-1) + b_1(St/At-1) + b_2(\Delta St/At-1) + b_3(\Delta St-1/At-1) + et$ Abnormal Discretionary Expenses $DISCT/At-1 = a_0 + a_1(1/Log.At-1) + b(\Delta St-1/At-1) + et$ | |
| Profitability (X1) | Profitability (PROFIT) is proxied by return on assets (ROA). $ROA = \frac{Net\ Income\ after\ Tax}{Total\ Aset}$ | Comparison |
| Leverage (X3) | Debt To Equity Ratio (DER) formula according to (Cashmere, 2018) $Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Total\ Equity} \times 100\%$ | Comparison |
| Managerial Ownership (X4) | Managerial ownership can be calculated using the following formula: $KM = \frac{Number\ of\ Management\ Shares}{Number\ of\ Sheets\ distributed} \times 100\%$ | Comparison |

Source: processed by the author

Table 3. Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|----------------------|-----|-----------|-----------|------------|----------------|
| MLR | 153 | 92.80657 | 170.85538 | 136.039874 | 13.18255358 |
| Profitability | 153 | 0.04641 | 0.88055 | 0.4007568 | 0.19624721 |
| Company Size | 153 | 8.22929 | 11.47077 | 9.427426 | 0.69475948 |
| Leverage | 153 | -0.014114 | 0.6653 | 0.1515902 | 0.12525266 |
| Managerial Ownership | 153 | 0.28571 | 0.8 | 0.4030466 | 0.10045181 |
| Valid N (Listwise) | 153 | | | | |

Source: processed by the author

Table 4. Descriptive Statistics

| Variable | K. S | Asymp. Sig. 2 | Conclusion |
|----------------|-----------|---------------|-----------------------|
| Unstandardized | Residuals | 0,794 0,554 | a normal distribution |

Source: processed by the author

Table 5. Multicollinearity Test

| Variable | Tolerance | VIF | Information |
|----------------------|-----------|-------|----------------------------------|
| Profitability | 0.940 | 1,064 | Multicollinearity does not occur |
| Company Size | 0.951 | 1,052 | Multicollinearity does not occur |
| Leverage | 0.871 | 1,148 | Multicollinearity does not occur |
| Managerial ownership | 0.976 | 1,025 | Multicollinearity does not occur |

Source: processed by the author

Table 6. Heteroscedasticity Test

| Variable | Unstandardized | Residuals Information |
|----------------------|----------------|-----------------------------------|
| Profitability | 0.168 | Heteroscedasticity does not occur |
| Company Size | 0.863 | Heteroscedasticity does not occur |
| Leverage | 0.946 | Heteroscedasticity does not occur |
| Ownership Managerial | 0.524 | Heteroscedasticity does not occur |

Source: processed by the author

Table 7. Autocorrelation Test

| Variable | Durbin Watson | Conclusion |
|--------------|---------------|-----------------------------------|
| ALL Variable | 1,885 | Heteroscedasticity does not occur |

Source: processed by the author

Table 8. Summary of Research Results for Manufacturing Sector Companies

| Variable | Coefficients | Q | Sig | Information |
|---------------|--------------|--------|-------|--------------|
| (Constant) | 3,558 | 7,752 | 0,000 | H 1 Accepted |
| Profitability | 2,397 | 3,634 | 0,001 | H 2 Accepted |
| Company Size | -0,204 | -4,154 | 0,000 | H 3 Rejected |
| Leverage | 6,123 | 1,315 | 0,191 | H 4 Rejected |



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| | | | |
|-----------------------|--------|---------|-------|
| Managerial | -0.003 | - 1,224 | 0,225 |
| ownership Fcount | | | 9,095 |
| R 2 Adjusted R 2 Sig. | | | 0,269 |
| R 2 Adjusted R 2 | | | 0,240 |
| Sig. | | | 0,000 |

Source: processed by the author

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