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# Analysis of the role of financial leverage, good corporate governance, and firm size on profit management

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**ABSTRACT**

This study aims to determine the influence of Financial Leverage, Good Corporate Governance, and Firm Size on manufacturing companies listed on the Indonesia Stock Exchange for the 2020 period during the Covid-19 pandemic. This research technique uses purposive sampling, so 25 companies were obtained as research samples. The source of data in this study is secondary data obtained from the www.idx.com and www.invesia.com sites in the form of an annual report (annula report) of manufacturing companies in the consumer goods sector. The model used in the study was cross section regression using data calculation application software, namely Eviews 10.0. The results of this study state that financial leverage does not affect managers in practicing earnings management. This article states that the average company has a safe influence in the sense that the company can pay back the debt used to finance the company's assets, so managers need to be more motivated to practice earnings management. Good Corporate Governance (KPI) does not play a role in Profit Management (DA), meaning that during the COVID-19 pandemic, the Good Corporate Governance implemented did not make managers practice profit management. Company Size (Ln Assets) has a role in Earnings Management (DA); the more significant the company will tend to reduce earnings management practices because large companies are politically more concerned by government agencies than small companies.



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## Introduction

The company consistently seeks to optimize its marketing to maintain its presence in the commercial sphere. Maintaining stakeholder trust is an important responsibility that the organization must fulfill. Once a company has built trust with its stakeholders, it has the potential to achieve success and survive in a competitive business landscape. The Covid-19 pandemic in Indonesia began to be felt by Indonesia in mid-early March 2020 which had an impact on the economic sector, marked by a decrease in people's income every month and massive layoffs. The company must continue to get anda to achieve the sustainability of the company is needed investor with full trust in the company so that the operationof the company can run well. The company must show the future prospects and benefits from its investment as well as a report on the use of funds obtained later. With thedevelopment of the business world that is increasingly advanced, financial statements are the main thing in decision making for every companyn. Financial statements are an overview of the company's financial condition in a certain period and are published, which have an important meaning in assessing a company as investors and potential investors those in need can obtain financial l.a. easily and can assist in the process of making decisions. In the financial statements, there is profit which is one of the indicators used to assess management performance. Where the financial statements are the result of operational activities carried out by the company to provide financial information to internal and external parties of the company (Yamaditya & RAHARJA, 2014).

The profit component in financial statements is often used as a principal benchmark in measuring the performance of a company. Managers as agents who run the company have more information about the company than shareholders. Manajer as an agent, is morally responsible for optimizing the profits of the owners, but on the other hand the manager also has an interest in maximizing his own welfare. It is likely that the agent is not acting in the best interests of the principal. This is what makes profit management a manipulation activity that has an impact on the part of users of the income statement, such as investors. In addition, (Jogiyanto, 2014) states that the role of profit is vital in various decision-making processes by investors, resulting in the tendency of managers to influence company-reported earnings with certain motives known as earnings management.

Earnings management is an opportunistic behavior of managers to trick investors and maximize their welfare because managers control more information for personal and corporate interests (Rohmatika, 2022). Profit management in practice is often interpreted to be detrimental to the party with the interest, because profit management makes the display of information on the financial statements does not describe the state of affairs the truth. Profit management actions have resulted in several cases of accounting reporting scandals that are widely disputed, cases of profit management practices are now familiar, such as the case of profit management practices that occurred in PT. Kimia Farma Tbk which manipulates financial statements, and PT. Lippo Tbk, which publishes financial statements, is different from 3 versions, as well as Indomobil company that carries out unhealthy business practices carried out by tender holders.

According to (Oktavianna & Prasetya, 2021) earnings management impacts a manager's freedom to choose and use specific accounting methods when recording and compiling information in financial statements. The practice of profit management is generally defined as an attempt by company managers to intervene or influence information in financial statements withan aim to deceive stakeholders who want to know the performance and condition of the company (Farikoini, 2020). The management takes action on profit management because the management party is the manager of the company who knows more about the internal information and prospects of the company for the future compared to the owner of the company.  So that the primary goal of earnings management is to achieve specific financial targets, influence share prices, or meet stakeholders' expectations (Sari & Safitri, 2019). Fenomena profit management has objectives to be achieved by management including: obtaining bonuses and other compensation, influencing the decisions of capital market participants, avoiding violations of debt agreements, and avoiding political costs (Widayanti et al., 2019). Profit management can be measured using Discretionary Acrual (DA) proxies and calculated with The Modified Jones Model. Discretionary Acrual is an accrual component contained in the manager's predetermined policy, meaning that the manager can intervene in the preparation of financial statements.

Profit management is a condition of management to manage profits according to their wishes commonly referred to as earnings management, profit management is a condition where management intervenes in the process of preparing financial statements for external parties so that it can level, increase, and reduce profits (Rahmawati et al., 2017). Some factors that can affect profit management in a company are financial leverage policy, good corporate governance, and firm size. According to (Putra & Kadang, 2020), Financial leverage is a company's ability to use fixed financial expenses to enlarge the effect of changes in EBIT on earnings per share (EPS). The financial leverage policy implemented by the company aims to increase profits because by using debt, the company can develop or expand its business so that the company has the opportunity to earn high profits. In addition, financial leverage is used to measure how much the company's funding sources come from long-term debt (Hidayat & Galib, 2019). While according to (Astuti et al., 2017) company size is classifying a company into forms, large and small, company size here greatly influences earnings management because the bigger a company must be able to meet the expectations of investors or shareholders. Company size can be measured by various metrics, depending on the aspect you want to analyze (Gemilang, 2017).

According to some studies the size of the company with profit management has a negative effect (Purnama, 2017). Large companies lack motivation in carrying out profit management practices (Prasetya & Gayatri, 2016). This is because shareholders and outsiders in large companies are considered to have a more critical view compared to small companies. However, (Rahmani & Akbari, 2013) found that company size and profit management had a positive effect. Large companies have a considerable impetus to carry out profit manipulation practices, the main reason being that large companies must be able to meet the high expectations of their shareholders or investors. So the purpose of this study was to determine the effect of Financial Leverage, Good Corporate Governance, and Firm Size on manufacturing companies listed on the Indonesia Stock Exchange for the 2020 period during the Covid-19 pandemic.

## Method

This research is a case study, where the implementation of this research is based on the problem. In general, there are two research approaches, quantitative and qualitative. This study uses a quantitative approach method; according to (Sugiyono, 2019), research with quantitative methods is a research method based on the philosophy of positivism; quantitative methods are used in research with a specified population or sample, data are collected using research instruments, analysis is carried out data that is quantitative or statistical, aims at testing predetermined conjectures, the research it analyzes focuses more on numerical data (numbers) that can be processed using statistical methods, and the data used in research is secondary data, namely in the form of company financial statements manufacturers listed on the Indonesia Stock Exchange (IDX) during the Covid-19 pandemic.

**Profit Management (Y)**

Profit management is an action deliberately carried out by management to influence the information in the financial statements in accordance with generally accepted accounting standards to achieve certain goals. Profitmanagement is an action taken by managers to manipulate data or accounting information so that the amount of profit recorded in financial statements is in accordance with the wishes of managers, both for managers and companies (E. Novitasari, 2015). In this study to detect the practice of management laba (Discretionary Accrual) then the Total Accrual is divided into the company's total assets (A) and minus the *Non Discretionary Accrual,* as follows:

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

**Financial Leverage (X1)**

*Financial Leverage* involves the use of funds witha fixed expense, which is expected to increase the use of these funds to increase earnings per share (EPS). The amount the company receives from the use of such funds is greater than the fixed burden that the company has to bear on the use of the funds. *Financial* leverage is proxied with *degree of financial leverage* (DFL). DFL is a quantitative measure of a company's EPS sensitivity. It is explained by the DFL that a slight change in EBIT will cause a major change in EPS. DFL can be formulated as follows:

$$\boxed{DFL = \frac{EBIT}{EBIT - Interest}}$$

**Good Corporate Governance (X2)**

Good Corporate Governance (GCG) is a good system and structure for managing a company with the aim of increasing shareholder value and accommodating various parties interested in the company (stakeholders) such as creditors, workers, penterintah and others (I. Novitasari et al., 2020). The strong good corpoate governance results in good social development, p roksi from the implementation of good corporate governance is seen in the value of the company's *Corporate Governance Perception Index* (CGPI). Dnature of this study is measured by:

**Managerial Ownership**

$$\boxed{KPM = \frac{\text{Jumlah Saham Pihak Manajer}}{\text{Total Saham Yang Beredar}}}$$

**Institutional Ownership**

$$\boxed{KPM = \frac{\text{Jumlah Saham Pihak Institusi}}{\text{Total Saham Yang Beredar}}}$$

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**Ownership of Independent Board of Commissioners**

$$\boxed{\text{KID} = \frac{\text{Jumlah Anggota DKI}}{\text{Jumlah Anggota Dewan Direksi}}}$$

**Firm Size (X3)**
The size of the company can be determined by various values such as total assets, sales, capital, profit and others, the value can determine the size of the company. Indicators of the size of the company can be carried out using two ways, namely: 1) Company size = Ln Total Assets. Assets are assets or resources owned by a company. The larger the assets owned, the company can make investments well and meet the demand for products. This further expands the market share achieved and will affect the company's profitability; 2) Company size = Ln Total Sellersn. Sales is a very important marketing function for companies to achieve the company's goal of making a profit. Increasing sales can cover the costs incurred during the production process. This will increase the company's profit which will then affect the company's profitability.

## Results and Discussions

The number of samples that will be used in the study is data for 1 year, namely the year of the Covid-19 pandemic, which is as many as 62 companies in the consumer goods sector.

**Table 1.** Research Variables (In percentage terms)

| Issuer Name | Year | OF | DFL | KPI | LTA |
|---|---|---|---|---|---|
| PT Akasha Wira International Tbk | 2020 | 0.002 | 1.005 | 0.092 | 27.589 |
| PT Tiga Pilar Sejahtera Food Tbk | 2020 | 0.003 | 1.900 | 0.654 | 28.330 |
| PT Budi Starch & Sweetener Tbk | 2020 | 0.003 | 0.384 | 0.578 | 28.717 |
| PT Tri Banyan Tirta Tbk | 2020 | 0.001 | 0.503 | 0.403 | 27.732 |
| PT Bumi Teknokultura Unggul Tbk | 2020 | 0.003 | 0.097 | 0.405 | 29.072 |
| PT Campina Ice Cream Industry Tbk | 2020 | 0.006 | 1.073 | 0.839 | 27.714 |
| PT Wilmar Cahaya Kalbar Tbk | 2020 | 0.005 | 0.810 | 0.920 | 28.080 |
| PT Sariguna Primatirta Tbk | 2020 | 1.000 | 1.002 | 0.814 | 27.902 |
| PT Wahana Interfood Nusantara Tbk | 2020 | 0.004 | 1.008 | 0.531 | 26.298 |
| PT Delta Djakarta Tbk | 2020 | 0.001 | 1.056 | 0.846 | 27.834 |
| PT Diamond Food Indonesia Tbk | 2020 | 0.004 | 1.052 | 0.200 | 29.368 |
| PT Morenzo Abadi Perkasa Tbk | 2020 | 0.008 | 0.193 | 0.686 | 26.326 |
| PT Sentra Food Indonesia Tbk | 2020 | 0.010 | 0.847 | 0.769 | 25.452 |
| PT Garudafood Putra Putri Jaya Tbk | 2020 | 0.002 | 1.348 | 0.384 | 29.514 |
| PT Buyung Poetra Sembada Tbk | 2020 | 0.001 | 1.575 | 0.650 | 27.533 |
| PT Indofood CBP Sukses Makmur Tbk | 2020 | 0.001 | 1.001 | 0.805 | 25.364 |
| PT Inti Agri Resources Tbk | 2020 | 0.002 | 1.000 | 0.186 | 26.561 |
| PT Era Mandiri Cemerlang Tbk | 2020 | 1.000 | 0.937 | 1.000 | 25.610 |
| PT Indofood Sukses Makmur Tbk | 2020 | 0.002 | 1.002 | 0.501 | 32.726 |
| PT Mulia Boga Raya Tbk | 2020 | 0.003 | 1.018 | 0.711 | 27.238 |
| PT Magna Investama Mandiri Tbk | 2020 | 1.000 | 1.101 | 0.409 | 22.641 |
| PT Multi Bintang Indonesia Tbk | 2020 | 0.020 | 1.192 | 1.000 | 28.698 |
| PT Mayora Indah Tbk | 2020 | 0.004 | 1.152 | 0.591 | 30.616 |
| PT Pratama Abadi Nusa Industri Tbk | 2020 | 0.011 | 1.084 | 0.268 | 25.447 |
| PT Prima Cakrawala Abadi Tbk | 2020 | 0.012 | 0.985 | 0.301 | 25.361 |
| PT Prashida Aneka Niaga Tbk | 2020 | 0.001 | 0.558 | 0.681 | 27.364 |
| PT Palma Serasih Tbk | 2020 | 0.001 | 1.170 | 0.764 | 28.855 |
| PT Nippon Indosari Corporindo Tbk | 2020 | 0.003 | 1.016 | 0.828 | 29.124 |
| PT Sekar Bumi Tbk | 2020 | 0.005 | 0.591 | 0.828 | 28.201 |
| PT Sekar Laut Tbk | 2020 | 0.004 | 1.506 | 0.841 | 27.375 |
| PT Siantar Top Tbk | 2020 | 0.010 | 1.007 | 0.568 | 28.869 |
| PT Ultrajaya Milk Industry and Trading Company Tbk | 2020 | 0.032 | 1.020 | 0.214 | 27.498 |
| PT Gudang Garam Tbk | 2020 | 0.001 | 1.041 | 0.755 | 31.990 |
| PT Handjaya Mandala Sampoerna Tbk | 2020 | 0.001 | 1.014 | 0.925 | 31.537 |
| PT Indonesian Tobacco Tbk | 2020 | 0.001 | 1.318 | 0.070 | 26.948 |
| PT Bentoel International Investama Tbk | 2020 | 0.001 | 0.987 | 0.925 | 30.154 |

| Issuer Name | Year | OF | DFL | KPI | LTA |
|---|---|---|---|---|---|
| PT Wismilak Inti Makmur Tbk | 2020 | 0.003 | 0.019 | 0.161 | 28.110 |
| PT Darya-Varia Laboratoria Tbk | 2020 | 0.009 | 1.000 | 1.000 | 28.318 |
| PT Indofarma Tbk | 2020 | 0.025 | 0.810 | 0.880 | 28.169 |
| PT Kimia Farma Tbk | 2020 | 0.003 | 0.140 | 0.945 | 30.497 |
| PT Kalbe Farma Tbk | 2020 | 0.001 | 1.023 | 0.571 | 30.747 |
| PT Merck Tbk | 2020 | 0.008 | 1.028 | 0.867 | 27.558 |
| PT Phapros Tbk | 2020 | 0.007 | 1.211 | 0.568 | 28.281 |
| PT Pyridam Farma Tbk | 2020 | 0.010 | 1.078 | 0.734 | 26.155 |
| PT Merck Sharp Dohme Pharma Tbk | 2020 | 0.016 | 1.010 | 0.890 | 28.100 |
| PT Industri Jamu dan Farmasi Sido Muncul Tbk | 2020 | 0.004 | 1.008 | 0.810 | 28.979 |
| PT Tempo Scan Pacific Tbk | 2020 | 0.001 | 1.048 | 0.816 | 29.840 |
| PT Soho Global Health Tbk | 2020 | 0.006 | 1.038 | 0.394 | 29.061 |
| PT Kino Indonesia Tbk | 2020 | 0.003 | 1.491 | 0.700 | 29.290 |
| PT Cottonindo Ariesta Tbk | 2020 | 0.002 | 0.394 | 0.280 | 26.263 |
| PT Martina Berto Tbk | 2020 | 0.021 | 0.900 | 0.678 | 27.614 |
| PT Mustika Ratu Tbk | 2020 | 0.000 | 1.301 | 0.713 | 27.051 |
| PT Mandom Indonesia Tbk | 2020 | 0.005 | 0.983 | 0.759 | 28.470 |
| PT Unilever Indonesia Tbk | 2020 | 0.000 | 1.001 | 0.850 | 30.653 |
| PT Cahaya Bintang Medan Tbk | 2020 | 0.005 | 1.436 | 0.800 | 26.565 |
| PT Chitose International Tbk | 2020 | 0.002 | 1.660 | 0.775 | 26.934 |
| PT Kedaung Indah Can Tbk | 2020 | 0.003 | 1.986 | 0.894 | 25.780 |
| PT Langgeng Makmur Industry Tbk | 2020 | 0.005 | 0.678 | 0.178 | 27.272 |
| PT Boston Furniture Industries Tbk | 2020 | 0.003 | 1.568 | 0.379 | 24.947 |
| PT Integra Indocabinet Tbk | 2020 | 0.005 | 1.011 | 0.719 | 29.414 |
| PT Hartadinata Abadi Tbk | 2020 | 0.015 | 1.025 | 0.775 | 28.672 |
| PT Sunindo Adipersada Tbk | 2020 | 0.021 | 0.074 | 0.305 | 26.643 |

Source: Data processed (2021)

***Normality Test***

The Normality Test is useful for determining the data that has been collected in a normal distribution. The normal decision whether or not the data in the regression model is to look at the problity value of the Residuels graph in figure 1.

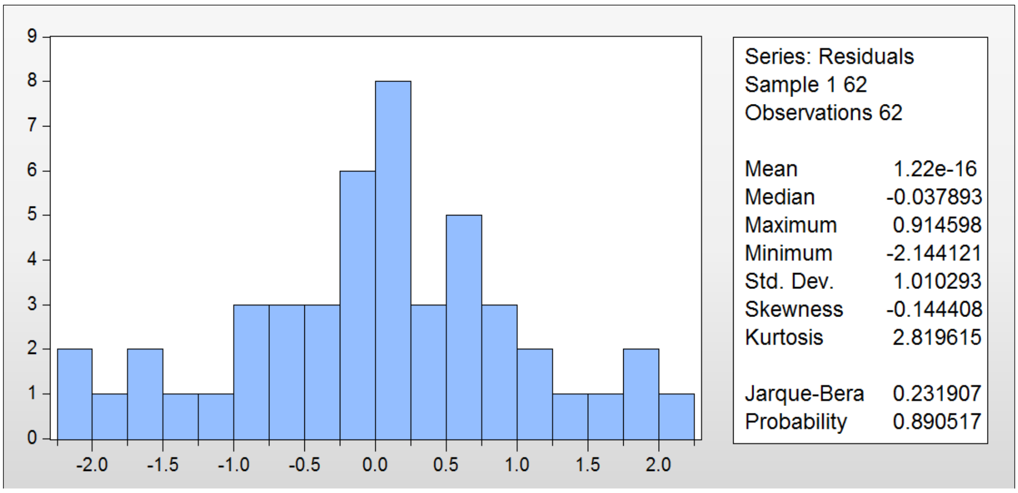


**Figure 1.** Normality Test Results Pharmaceutical Company Period 2020
Source: *Processed Eviews* 10.0 (20 21).

Basedon the test results of figure 4. 1 it can be seen that the probability value (0.890517) > α (0.05) or 89.0 5 > 5 then it can be interpreted that the data studied is normal.

**Uji Heteroskedastisitas**

Heteroskedasticity test needs to be performed to determine the presence or absence of variant inequality of the residual cross section regression model. The decision whether or not heteroskedasticity occurs in the regression model is to look at the indigoi Prob. Breusch-Pagan LM in table 2. The following 2:

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**Table 2.** Heteroskedasticity Test Results Companyn Consumer Goods Period 2020

| Heteroskedasticity Test: Glejser | | | | |
|---|---|---|---|---|
| F-statistic | 5.151280 | Prob. F (3,58) | | 0.0032 |
| Obs*R-squared | 13.04408 | Prob. Chi-Square (3) | | 0.0045 |
| Scaled explained SS | 24.21253 | Prob. Chi-Square (3) | | 0.0000 |
| Test Equation: | | | | |
| Dependent Variable: ARESID | | | | |
| Method: Least Squares | | | | |
| Date: 09/15/21 Time: 12:52 | | | | |
| Sample: 1 62 | | | | |
| Included observations: 62 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 1.171614 | 0.315143 | 3.717726 | 0.0005 |
| DFL | -0.014270 | 0.051016 | -0.279720 | 0.7807 |
| KPI | 0.170254 | 0.080689 | 2.110016 | 0.0392 |
| LAN | -0.041493 | 0.011216 | -3.699326 | 0.0005 |
| R-squared | 0.210388 | Mean dependent var | | 0.104452 |
| Adjusted R-squared | 0.169546 | S.D. dependent var | | 0.169294 |
| S.E. of regression | 0.154276 | Akaike info criterion | | -0.837801 |
| Sum squared resid | 1.380470 | Schwarz criterion | | -0.700567 |
| Log likelihood | 29.97183 | Hannan-Quinn criter. | | -0.783919 |
| F-statistic | 5.151280 | Durbin-Watson stat | | 1.940410 |
| Prob(F-statistic) | 0.003168 | | | |

Source: *Processed Eviews* 10.0 (20 21).

Table 2 can be seen probability value (Prob.) *Finacial Leverage* (DFL) 0.7807 > α (0.05) for *Good Corporate Governance* (KPI) 0.0392 > α (0.05) and *Firm Size* (Ln Asset) 0.0005 < α (0.05), then there is one independent variable that have a significant role in the dependent variable, and two independent variables that do not have a role in the dependent variable, so the data can be declared as not heteroskedasticity.

**Hypothesis Test**

**Test F (Simultaneous)**

The results of the F test explain whether all free variables entered into the model simultaneously or equally have an influence on the bound variables. If the F test has no effect then the research is not worth continuing. To perform the F-statistical Test or Probability, figure 3 below:

**Table 3.** F Test Results Consumer Goods Company for the Period of 2020

| Dependent Variable: DA | | | |
|---|---|---|---|
| Method: Least Squares | | | |
| Date: 09/15/21 Time: 12:56 | | | |
| Sample: 1 62 | | | |
| Included observations: 62 | | | |
| R-squared | 0.141250 | Mean dependent var | 0.054048 |
| Adjusted R-squared | 0.096831 | S.D. dependent var | 0.215146 |
| S.E. of regression | 0.204464 | Akaike info criterion | -0.274508 |
| Sum squared resid | 2.424722 | Schwarz criterion | -0.137274 |
| Log likelihood | 12.50975 | Hannan-Quinn criter. | -0.220626 |
| F-statistic | 3.179999 | Durbin-Watson stat | 2.069366 |
| Prob(F-statistic) | 0.030558 | | |

Source: *Processed Eviews* 10.0 (20 21)

Based on table 4. 3 is known to be the value of F-statistic of 3.179999, while F of the table with a rate of α = 0.05 of 3.072. Thus *F-statitic* > F table or 3.179999 > 2.763552 and Prob value. (*F-statistic*) = 0.030558 < α = 0.05 which means $H_a$ accepted, it can be concluded that *Financial Leverage* (DFL), *Good Corporate Governance* (KPI), and *Firm Size* (Ln Asset) simultaneously or together have a significant role to Profit Management (DA).

**t-test (Partial)**

The results of the t Test explain the significance of the influence of the free variable partially on the bound variable. To perform the t Test then table 4 is presented. 4 below:

**Table 4.** T Test. Companyn Consumer Goods 2020

| **Dependent Variable: DA** | | | | |
|---|---|---|---|---|
| Method: Least Squares | | | | |
| Date: 09/15/21 Time: 12:56 | | | | |
| Sample: 1 62 | | | | |
| Included observations: 62 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 1.229709 | 0.417662 | 2.944269 | 0.0047 |
| DFL | -0.031162 | 0.067612 | -0.460889 | 0.6466 |
| KPI | 0.156746 | 0.106938 | 1.465771 | 0.1481 |
| LNA | -0.044465 | 0.014865 | -2.991220 | 0.0041 |
| t-tabel 2,00176 | | | | |

Sumber: Processed *Eviews 10.0* (20 21)

Based on the results of the research summary in table 4.4, it is known that the Financial Leverage (DFL) variable shows a t-statistic value of (-0.460889) < t-table 2.00176 and a significant value of 0.6466 which means it is greater than the 0 significance level,05. This shows that the Financial Leverage (DFL) variable has no significant role in Profit Management (DA). The Good Corporate Governance (KPI) variable offers a t-statistic value of 1.465771 < t-table 2.00176 with a Prob value. 0.1481, which means more significant than the significance level of 0.05. This shows that the Good Corporate Governance (KPI) variable does not play a role in Profit Management (DA). Based on the data above, during the Covid-19 pandemic, implementing good corporate governance did not encourage managers to practice earnings management. Based on the results of the research summary in table 4.4, it is known that the Company Size variable (Ln Assets) shows a t-statistic value (-2.991220) > t-table 2.00176 with a significant deal of 0.0041 which means it is smaller than the 0.05 significance level.

***Cross Section* Regression Analysis**

The model assumes that there is a linear line relationship between the dependent variable and each of its predictors.

Dependent Variable: DA
Method: Least Squares
Date: 09/15/21 Time: 12:56
Sample: 1 62
Included observations: 62

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 1.229709 | 0.417662 | 2.944269 | 0.0047 |
| DFL | -0.031162 | 0.067612 | -0.460889 | 0.6466 |
| KPI | 0.156746 | 0.106938 | 1.465771 | 0.1481 |
| LNA | -0.044465 | 0.014865 | -2.991220 | 0.0041 |

| | | | |
|---|---|---|---|
| R-squared | 0.141250 | Mean dependent var | 0.054048 |
| Adjusted R-squared | 0.096831 | S.D. dependent var | 0.215146 |
| S.E. of regression | 0.204464 | Akaike info criterion | -0.274508 |
| Sum squared resid | 2.424722 | Schwarz criterion | -0.137274 |
| Log likelihood | 12.50975 | Hannan-Quinn criter. | -0.220626 |
| F-statistic | 3.179999 | Durbin-Watson stat | 2.069366 |
| Prob(F-statistic) | 0.030558 | | |

**Figure 2.** Regression Data Companyn Consumer Goods Period 2020

Source: *Processed Eviews* 10.0 (20 21)

The results of the *cross section* data regression analysis have a regression equation which can be seen in the equation below:

DA = 1.229709 – 0.031162 DFL + 0.156746 KPI - 0.044465 Ln Aset + Ɛ

(0.0047) (0.6466) (0.1481) (0.0041)

From the equation above, it can be explained that: 1) Konstanta (α) means that if the independent variable (*Financial Leverage*, *Good Corporate Governance, Firm Size*) is zero (none) then the value of the dependent variable (Profit Management) is 1.229709; 2) The value of the *Financial Leverage* (DFL) coefficient is -0.031162, this indicates that every 1 unit increase in the DFL is followed by a decrease in Profit Management (DA) of 0.031162 units, assuming the other coefficients are considered fixed; 3) The coefficient value of *Good Corporate Governance* (KPI) is 0.156746, this shows that every 1 unit increase in the KPI is followed by an increase in Profit Management (DA) of 0.156746 units, assuming the other coefficients are considered fixed; 4) The value of the *Firm Size* coefficient (Ln Asset) is – 0.044465, this indicates that every 1 unit increase in Ln Asset is followed by a decrease in Profit Management (DA) of 0.044465 units assuming the other coefficients are considered fixed.

**Coefficient of Determination Analysis**
To analyze the coefficient of determination can be seen in the table below:

**Table 6.** *Adjusted R-squared* (Coefficient of Determination) Consumer Goods Company Period 2020

| Dependent Variable: DA | | | |
|---|---|---|---|
| Method: Least Squares | | | |
| Date: 09/15/21 Time: 12:56 | | | |
| Sample: 1 62 | | | |
| Included observations: 62 | | | |
| R-squared | 0.141250 | Mean dependent var | 0.054048 |
| Adjusted R-squared | 0.096831 | S.D. dependent var | 0.215146 |
| S.E. of regression | 0.204464 | Akaike info criterion | -0.274508 |
| Sum squared resid | 2.424722 | Schwarz criterion | -0.137274 |
| Log likelihood | 12.50975 | Hannan-Quinn criter. | -0.220626 |
| F-statistic | 3.179999 | Durbin-Watson stat | 2.069366 |
| Prob(F-statistic) | 0.030558 | | |

Sumber : Processed Eviews *10.0* (2021)

Based on table 4. 6 is known to be *an Adjusted R-squared* value of 0.096831, this states that the rise and fall of the dependent variable (Profit Management) can be explained by independent variables (*Financial Leverage, Good Corporate Governance,* and *Firm Size)* of 9.68% while the remaining 90.32% is explained by other variables not studied in this study.

**The Effect of *Finanial Leverage* (DFL) on Profit Management**
Based on the results of the research summary in table 4. 4 it is known that the *Financial Levergae* (DFL) variable shows a t-statistical value of (-0.460889) < t-tabel 2.00176 and a significant value of 0.6466 which means it is greater than the significance level of 0.05. This shows that *the Finacial Leverage* (DFL) variable does not have a significant role in Profit Management (DA). This is in line with research conducted by (Susanto, 2017) which states that Financial Leverage has no significant effect on Earnings Management. Based on the results of the study, it can be seen that financial leverage during the Covid-19 pandemic does not affect managers in carrying out profit management practices. Artinya if the company has high leverage, then the profit management actions that the manager performs will be fixed or constant. This article states that the average company has safe leverage in the sense that the company is able to repay the debt used to finance the company's assets, hence the manager is not motivated to carry out profit management practices. This is because the company does not need actions that will help the company in certain situations becausethe company is in good shape.

**The Effect of *Good Corporate Governance* on Profit Management**
Bis based on the summary results of the study in table 4. 4 it is known that the *Good Corporate Governance* (KPI) variable shows a *t-statistical* value of 1.465771 < t-tabel 2.00176 with *a Prob* value. 0.1481 which means greater than the significance level of 0.05. This shows that the *Good Corporate Governnace* (KPI) variable has no role in Profit Management (DA). Based on the data above, during the Covid-19 pandemic, *the good coporate governance*

implemented has not made managers practice profit management. Thus this research is different from a study conducted by (Itan, 2020), which states that GCG has a significant negative effect on earnings management.

**Effect of *Firm Size* on Profit Management**

Based on the results of the research summary in table 4. 4 it is known that the Firm Size variable (Ln Asset) shows a t-statistical value (-2.991220) > t-tabel 2.00176 withn significant values of 0.0041 which means smaller than the significance level of 0.05. This shows that the Firm Size variable (Ln Asset) has a role in Profit Management (DA). This means that the larger the company will tend to lower profit management practices, because large companies are politically more likely to receive attention from government institutions compared to small companies. With these results, this research differs from a study conducted by (Gunawan et al., 2015), which states that company size does not significantly affect earnings management.

## Conclusions

Based on the analysis of this researched data, it is concluded that during the Covid-19 pandemic, the following things were as follows: 1) Financial leverage does not affect managers in carrying out profit management practices. This article states that the average company has safe leverage in the sense that the company is able to repay the debt used to finance the company's assets, hence the manager is not motivated to carry out profit management practices. This is because the company does not need actions that will help the company in certain situations becausethe company is in good shape; 2) Good Corporate Governnace (KPI) has no role in Profit Management (DA), meaning that during the COVID-19 pandemic *Good coporate governance* implemented has not made managers practice profit management; 3) Firm Size (Ln Asset) has a role in Profit Management (DA), the larger the company will tend to reduce profit management practices, because large companies are politically more attention from government institutions than small companies.

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