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The Effect of Information Assimetric, Profitability, and Firm Size on Earning Management: A Study on Manufacturing Companies in Indonesia

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ABSTRACT: The study aims to examine the effect of information assimetric, profitability, and firm size on the earnings management of basic and chemical industry sectors manufacturing companies listed on the Indonesia Stock Exchange for the year 2016 to 2020. The sampling method employed purposive sampling and collected 33 companies for five years observations, hence we obtained 165 sample observations. Moreover, multiple linear regression is exploited as the analysis method. Based on the results, it is concluded that information assimetric and probability have positive effect on earnings management. Meanwhile, firm size has negative effect on earnings management.

Keywords: Information Assimetric, Profitability, Firm Size, and Earnings Management.

ABSTRAK: Penelitian ini bertujuan untuk mengetahui pengaruh asimetri informasi, profitabilitas, dan ukuran perusahaan terhadap manajemen laba pada perusahaan manufaktur sektor industri dasar dan kimia yang terdaftar di Bursa Efek Indonesia periode 2016-2020. Sampel penelitian dipilih dengan menggunakan teknik *purposive sampling* didapatkan 33 perusahaan yang memenuhi kriteria dengan tahun pengamatan selama 5 tahun sehingga terdapat 165 observasi penelitian. Metode analisis yang digunakan adalah analisis regresi berganda. Berdasarkan hasil dari penelitian yang telah dilakukan dapat disimpulkan bahwa asimetri informasi dan profitabilitas berpengaruh positif terhadap manajemen laba, sedangkan ukuran perusahaan berpengaruh negatif terhadap manajemen laba.

Keywords: Asimetri Informasi, Profitabilitas, Ukuran Perusahaan, dan Manajemen Laba.

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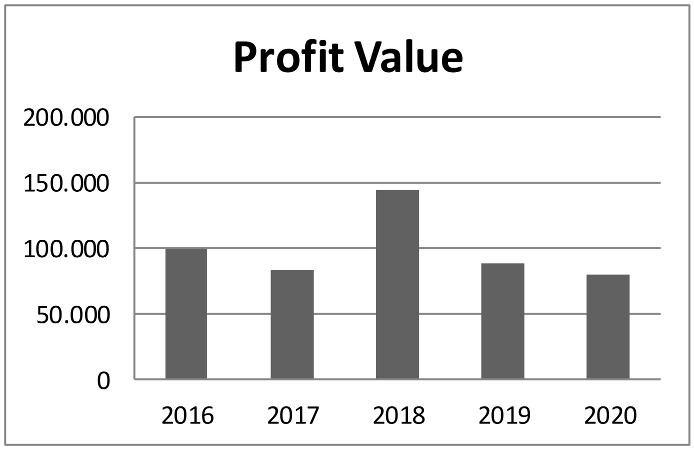
PENDAHULUAN

Financial statement is crucial for a company. It provides information is used to measure financial condition, and allow people to make decisions. The most important information in financial statements is information in the form of profit. Kusuma & Mertha (2021), found that if management fails to meet previously set profit targets, management will use the flexibility inherent in financial statement accounting standards to act. This is done by the management in order to show the company's performance both in terms of achieving the maximum profit from its activities. Because in situations like this, management usually uses accounting methods so that profit information can be conveyed better. This activity is what we know as profit management (Astari & Suputra, 2019).

Astari & Suputra (2019), explained that the phenomenon of profit management is the most common problem. This happens due to negligence and errors in the management of finance itself, which is directly or indirectly influenced by various external and internal factors. One of the phenomena that has occurred regarding profit management practices is the company PT Timah (Persero) Tbk which lies to the public through the media, during the press release of financial statements in the first semester of 2015. In this semester, the operating profit loss was IDR 59 billion. In addition to the decline in profits, the company recorded an increase in debt of nearly 100 percent from 2013. The existing debt in 2013 amounted to Rp263 billion. However, this amount increased in 2015 by Rp2.3 trillion. PT Timah (Persero) Tbk allegedly presented fictitious financial statements in the first half of 2015. This happens because the company wants to cover financial performance that has not been able to get out of the losses experienced (Soda, 2016).

Another case that occurs in Indonesian companies regarding profit management is the state-owned PT Waskita Karya (WSKT). This company allegedly engineered the contents of the financial statements because it re-examined the value of the balance sheet in the context of issuing shares. The president director of this company found a discrepancy in the listing, where an excess listing of IDR 400 billion was found by including the projected revenue of the multiyear project in the future as revenue for a certain year Not only that the companies that had been the center of attention in the case regarding profit management included, PT Toshiba Tbk, PT Inovisi Infracom (INVS), PT Tiga Pilar Sejahtera Food Tbk, fictitious fund reserves of PT Bank Negara Indonesia Tbk (BBNI), as well as information manipulation cases carried out by managers of PT Bakrie & Brother Tbk (BNBR), Sumatra Plantations Tbk (UNSP), and PT Energi Mega Persada Tbk (ENRG).

Basically, there are many factors that can affect profit management including assets, information asymmetry, corporate social responsibility, dept equity ratio, free cash flow, good corporate governance, IFRS convergence, leverage, profitability, return on equity, company size and much more. However, this study will discuss three variables in the form of information asymmetry, profitability, and company size due to the existence of a research gap in the form of differences in the results of several previous studies that motivate researchers to retest these variables as in previous research on information asymmetry Kori & Rasmini (2017), stating that information asymmetry affects profit management, Mahawyahrti & Budiasih (2017), stated a positive effect, while in the research of Yanti & Setiawan (2019), and Patriandari & Fitriana (2019), stated that information asymmetry has no effect on profit management. The differences in the results of research on profitability contained in the research of Yanti & Setiawan (2019), and Agustia & Suryani (2018), show that profitability has a significant influence, while in the research of Yasa et al. (2020), and Gunawan et al. (2015), concluded that profitability has no effect on profit management. The difference in the results in previous studies on company size can be seen in research conducted by Wijaya et al. (2017), and Cahyono & Widyawati (2019), which shows that company size has a positive effect. However, this is not in accordance with the research of Bintara (2019), Agustia & Suryani (2018), and also Jeni & Satria (2020), which shows that the size of the company has no effect on profit management.



Source: Indonesia Stock Exchange 2016-2020

Picture 1. Fluctuations in Profits of Manufacturing Companies in Indonesia in 2016-2020

This research was conducted on manufacturing companies (basic and chemical industry sectors) listed on the Indonesia Stock Exchange (IDX), because manufacturing companies (basic and chemical industry sectors) in accordance with the research of Cahyono & Widyawati (2019) which suggested to expand the sample in the research and companies included in the manufacturing sector are large standard companies and are very influential in the development of the country's economy and the profit component contained in the The financial statements of manufacturing companies are presented in detail, the existence of increasing competition makes the possibility of profit management even greater (Yanti & Setiawan, 2019). Another thing is due to the many phenomena of profit management actions that occur in manufacturing companies in Indonesia such as PT Timah (Persero) Tbk, PT Tiga Pilar Sejahtera Tbk, and PT Toshiba Tbk. In this case, the study uses the object of manufacturing companies for the 2016-2020 period because in that year the value of the company's profit was relatively more volatile as shown in 2016 and 2017 experienced a decrease in the value of profit. However, it experienced an increase in 2018, while in 2019 and 2020 the company tended to experience a decline coupled with the covid-19 pandemic which made the company relatively loss. As in the chart above which shows the occurrence of fluctuations in the value of profits in manufacturing companies in Indonesia.

BIBLIOGRAPHY REVIEW

Agency Theory

According to Muslim & Widyastuti (2019), agency theory can explain the existence of profit management activities. An agency relationship is a form of contract between one or more people that directs another person to do something in the form of merit using the principal name, and the principal authorizes the agent so as to get the best decision for the principal (Jensen & Meckling, 1976). Wijaya et al. (2017), stated that the perception that exists between the agency theory approach and profit management actions is due to a conflict that occurs between shareholders (principals) and management interests (agents) due to both parties trying to get their welfare.

Positive Accounting Theory

Positive accounting theory is a theory that seeks to make more accurate assumptions about current events. Managers of an enterprise respond to accounting principles to the proposed accounting standards, so their forecasts are still related to positive accounting theories. According to Astari & Suputra (2019), positive accounting theory is an event related to phenomena in accounting that are still being observed. Investors, creditors, accountants, capital market managers, and government agencies explain and predict that this has to do with agency theory. According to Maronrong & Setiani (2017), positive accounting theory can be divided into two types: describing and predicting accounting actions. To explain is to give a reason to observe and practice accounting, and to predict is to explain that this theory does not make observations, but only predicts phenomena.

Information Asymmetry

Information asymmetry is a condition where managers have access to more information or company information than other parties. Information asymmetry can result in the occurrence of profit management activities. Mahawyahrti & Budiasih (2017), argue that information asymmetry and profit management are systematically related. The presence of information asymmetry can motivate managers to make incorrect statements, especially when the information describes a measure of financial performance. Better quality and more detailed information about financial statements for external parties can reduce efforts to occur profit management actions.

Profitability

According to Agustia & Suryani (2018), profitability is a ratio that helps measure a company's ability to make a profit. This indicator of profitability can be used to assess the effectiveness of enterprise management. This can be seen from the realization of profits from sales and investment results. This profitability can represent the performance of the enterprise over a specified period of time. Thus, the ratio analysis carried out to show the company's profitability is the return on assets (ROA), as used in previous research by Yanti & Setiawan (2019), and Agustia & Suryani (2018), because a company's profit can be seen through ROA measurements.

Firm Size

According to Riyanto (2010), firm size is a size that can be categorized based on the size of the company using various methods, one of which is total assets. In general, large companies that already have a variety of shares are more willing than small companies to issue new shares in order to meet their sales needs. As a result, the larger the company, the greater the likelihood of using external funds. This is because the need for financing increases along with the size of the company. One alternative that can be taken to meet financing is to use external funding, namely debt. Therefore, the larger the company, the greater the opportunity for the company to use debt to meet its financing needs (Agustia & Suryani, 2018).

Earning Management

According to Subramanyam & Wild (2010), earning management is an effort made by management in reporting to influence profits and so that it can provide information in the form of economic benefits that have not actually occurred to the company or will suffer losses if done in the long term. Profit management activities can occur when managers make an assessment of the company's financial statements for the purpose of cheating on profits that can have an impact on the performance of a company. According to Agustia & Suryani (2018), explaining profit management as an instruction in management that has planned to carry out activities in determining profits, which aims to provide welfare to themselves.

Hypothesis

The Effect of Information Asymmetry on Earning Management

Conceptually, information asymmetry is a situation when a manager has more information than other parties, so that the managers chances of doing profit management are increasing (Sulistiyanto, 2008). This gap between the amount of information makes managers opportunistic when communicating important information about the company. The opportunistic attitude of managers will be greater when the asymmetry of information is even greater. The existence of this opportunistic attitude makes profit management actions increase. Based on the explanation of several previous studies, it was found that the results of research by Kori & Rasmini (2017), showed that information asymmetry had a positive effect on earning management and the same results were shown in the research of Mahawyahrti & Budiasih (2017), which stated that information asymmetry had a positive effect on profit management supported by the results of research conducted by Wijaya et al. (2017), which explained that information asymmetry has a positive effect to profit management. Thus, the explanation produces a hypothesis in the form of:
H_1 : Information asymmetry has a positive influence on earning management.

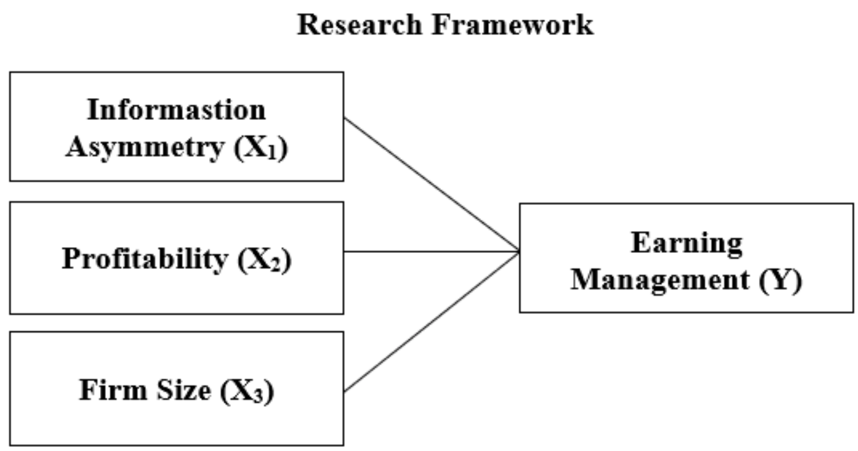
The Effect of Profitability on Earning Management

Yanti & Setiawan (2019), profitability can be described as the companys ability to make a profit. The relationship between profit management and profitability is that profitability can have an impact on manager performance in profit management activities, or if the company achieves relatively high profitability over a specified period of time, the greater the chances of profit management activities occurring (Sari et al., 2021). Previous research found the results that profitability according to research conducted by Yanti & Setiawan (2019), had a significant effect on profit management and in the research of Cahyono & Widyawati (2019), it showed that profitability has a positive influence on profit management as well as research conducted by Patriandari & Fitriana (2019), which showed that profitability has a positive effect on profit management. From the explanation of the results of previous researchers, hypotheses can be taken, namely:
H_2 : Profitability has a positive influence on earning management.

The Effect of Firm Size on Earning Management

Firm size is a similar company in one industry and can be classified in the size of a company. Cahyadi & Mertha (2019), explained that the size of the company can be calculated using the company's total assets as the standard for calculation. Companies that have relatively larger total assets are generally more stable and have a greater profit than companies that have lower total assets. Indraswono (2015), explained that large companies tend to incur greater costs due to the large number of political costs used, so that with the size of a company, it can reduce the company in carrying out profit management actions by presenting financial statements in accordance with applicable standards. In Widayanti et al. (2019), explaining that large companies are more concerned by external parties in carrying out their management actions such as the government, investors, and creditors so that in reporting large companies tend to be more transparent and minimize profit management actions. Based on previous research on company size, it was found that the research of Deviyanti & Sudana (2018), and Mahawyahrti & Budiasih (2017), showed that company size had a negative effect on profit management supported by research conducted by Yanti & Setiawan (2019), which found results that company size negatively affects profit management. From the explanation based on previous researchers get a hypothesis in the form of:
H_3: Firm size has a negative influence on earning management.

Research Framework



Picture 2. Research Framework

RESEARCH METHODS

This study uses secondary data in the form of annual reports of manufacturing companies (basic and chemical industry sectors) that have been listed on the IDX. The data has been collected by other parties sourced from the official website of the IDX. The population in this study is manufacturing companies which include basic and chemical subsectors that have been listed on the IDX for the 2016-2020 period that use the purposive sampling method. The population in this study was 75 manufacturing companies covering the basic industrial and chemical sectors. The selected sample amounted to 33 companies listed on the IDX with the number of research observations being 165 companies. As well as using analytical techniques in the form of descriptive analysis and multiple linear regression analysis with hypothesis tests using determinence coefficient tests, model feasibility tests (F tests), and T tests (t-tests) assisted by SPSS 21.

Earning Management (Y)

In the calculation of earning management, namely using a modified jones model. With the following equation:

Set the Total Accrual (TAC) value:

$$TAC_{it} = N_{it} - CFO_{it} \quad \text{...(1)}$$

Accrual totals estimated by the following OLS (Ordinary Least Square) regression equation:

$$\frac{TAC_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{REV_{it} - REV_{it-1}}{A_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{A_{it}}\right) \quad \text{...(2)}$$

Determining Non Discretionary Accruals (NDAC):

$$NDA_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{(REV_{it} - REV_{it-1}) - (REC_{it} - REC_{it-1})}{A_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right) \quad \text{...(3)}$$

Calculating the Discretionary Accrual value:

$$DA_{it} = \left(\frac{TAC_{it}}{A_{it-1}}\right) - NDA_{it} \quad \text{...(4)}$$

Information Asymmetry (X_1)

On information asymmetry using bid-ask spread measurements on an annual basis. By equation:

$$Spread = \frac{ask\ price - bid\ price}{(ask\ price + bid\ price)/2} x\ 100\% \quad \text{...(5)}$$

Profitability (X_2)

The calculation on profitability is using Return on Asset (ROA). By equation:

$$Return\ on\ Asset = \frac{Net\ Income}{Total\ Asset}\ x\ 100\% \quad \text{...(6)}$$

Firm Size (X_3)

Firm size is proxied with total assets as the standard for its calculation. By equation:

$$Size = Ln\ (Asset) \quad \text{...(7)}$$

DISCUSSION AND ANALYSIS OF DATA

Descriptive Statistical Analysis

Descriptive statistical analysis is a data analysis carried out to provide a preliminary overview of research variables to determine the type of sample in the study. This test describes the data sought using nominal scale operational variables and ratios such as median, mean or standard deviation, frequency, percentage, maximum and minimum values. The descriptive statistical results of this study are as follows:

Table 1 Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Information Asymmetry	165	.00	22.05	3.4921	3.79362
Profitability	165	-.03	.17	.0497	.03972
Firm Size	165	9.87	16.26	13.7569	1.73322
Earning Management	165	-.07	.06	-.0066	.01954
Valid N (listwise)	165				

Source: Secondary Data Processed, 2022

Multiple Linear Regression Analysis

This study uses multiple linear regression analysis techniques with the aim of determining the relationship between variables whether information asymmetry, profitability, and company size affect profit management. The calculations in this study used SPSS 21 software which is presented in the table below:

Table 2 Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.871	.639
	Information Asymmetry	.125	.073
	Profitability	.992	.797
	Firm Size	-.237	.113

a. Dependent Variable: Manajemen Laba

Source: Secondary Data Processed, 2022

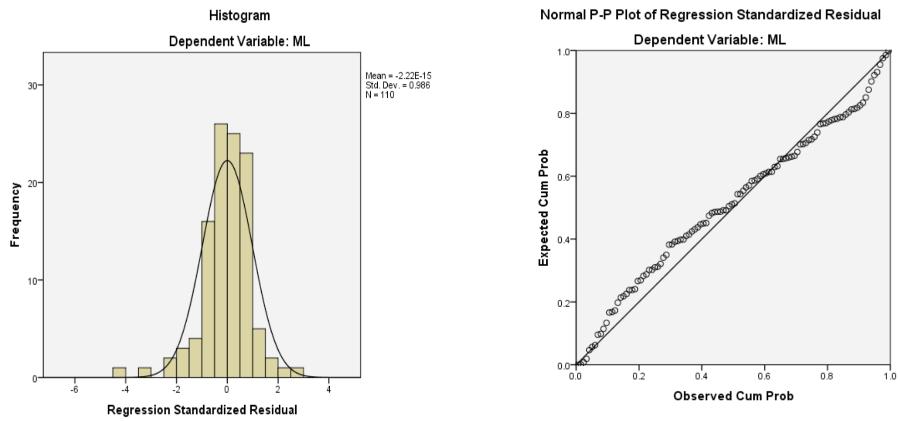
Based on table 2, the multiple regression equation in this study is as follows:

$ML = 0,871 + 0,125X_1 + 0,992X_2 - 0,237X_3 + \varepsilon$

Classical Assumptions Test

Normality Test

The Normality Test is carried out with the aim of determining the residual value that has been standardized in the normal distribution regression model or not.



Source: Secondary Data Processed, 2022
Picture 3. Histogram Chart & Normal P-P Chart plot

Based on both graphs, it can be seen that the graph shows a perfect and average bell shape following the normal shape of the curve, so it can be stated that the spread of data has been distributed normally and the points are still around the normal line, so it can be concluded that the residual values that have been generated from the regression have been distributed normally. In the Kolmogorov-Smirnov non-parametic statistical method (K-S) the value is said to have been normalized if the value in Asymp.Sig is greater than 0.05. Here is a table of the results of the Kolmogorov-Smirnov Test (K-S):

Table 3 Kolmogorov-Smirnov Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		165
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.01474572
Most Extreme Differences	Absolute	.090
	Positive	.081
	Negative	-.090
Kolmogorov-Smirnov Z		.940
Asymp. Sig. (2-tailed)		.339

a. Test distribution is Normal.
b. Calculated from data.
Source: Secondary Data Processed, 2022

Since table 3 shows the Asymp.Sig value of 0.339 which means that the value is greater than 0.05, it can be concluded that the residual has been distributed normally.

Multicholinearity Test

The Multicholinearity test is carried out to test whether in the regression model a choleration between independent variables is found, if there is no choleration between independent variables then the regression model will be better. The existence of multicholinearity can be seen from the Tolerance and VIF (Variance Inflation Factor) values, if the Tolerance value is above 0.10 and the VIF value is below 10, it can be stated that multicholinearity does not occur. Here's a table of Tolerance and VIF values:

Table 4 Multicholinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Information Asymmetry	.990	1.010
	Profitability	.946	1.057
	Firm Size	.938	1.066

a. Dependent Variable: Earning Management

Source: Secondary Data Processed, 2022

Based on table 4, the results of Tolerance were obtained from the three variables, namely information asymmetry of 0.990, profitability of 0.946, and company size of 0.938 which means greater than 0.10 and VIF value of information asymmetry of 1.010, profitability of 1.057, and company size of 1.066 which means that the value of VIF is smaller than 10. Based on these data, it can be concluded that there is no occurrence of multicholinearity in the regression model.

Autocholeration Test

The autocollaboration test is carried out to test whether in the regression model there is a correlation between the disruptor error in the t period (now) and the disruptor error in the t-1 period (earlier). To detect the presence of autocholeration can use the Durbin-Watson test (DW-Test). Here is a table of autocholeration test results:

Table 5 Autocholeration Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.732[a]	.536	.523	.01495	1.897

a. Predictors: (Constant), Information Asymmetry, Profitability, Firm Size

b. Dependent Variable: Earning Management

Source: Secondary Data Processed, 2022

Based on table 5 which shows the results of the autocorrelation test on Durbin Watson's value of 1.897. It is known that the dU value is 1.7825 and the value of 4-dU is 2.2175 (according to Durbin Watson's table) so it is due to the dU<DW<4-dU value. Then it can be concluded that there is no autocholeration problem in the regression model.

Heteroskedasticity Test

The heteroskedasticity test is carried out to find out whether in the regression model there are inequalities between variables with one another. This can be detected if the signifkan value is greater than 0.05 then heteroskedasticity does not occur. However, if the value is smaller than 0.05, heteroskedasticity will occur. Here's a heteroskedasticity test table:

Table 6 Heteroskedasticity Test Results

Coefficients[a]

Model		Sig.
1	(Constant)	.000
	Information Asymmetry	.572
	Profitability	.601
	Firm Size	.334

a. Dependent Variable: Earning Management

Source: Secondary Data Processed, 2022

Based on table 6 which shows that the significant values in the three variables are information asymmetry of 0.572, profitability of 0.601, and company size of 0.334. So that the significant value of each variable is greater than 0.05 which means that there is no heteroskedasticity in the regression model.

Hypothesis Test

Determence Coefficient Test (R_2)

The determence coefficient (R_2) is a useful value for measuring the extent of a model's ability to explain independent variables against dependent variables. The value of the determence coefficient test can be seen from how much the adjusted R square value is expressed in the table presented. The following is a table of the results of the determinence coefficient test:

Table 7 Determence Coefficient Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square
1	.732[a]	.536	.523

a. Predictors: (Constant), Information Asymmetry, Profitability, Firm Size

b. Dependent Variable: Earning Management

Source: Secondary Data Processed, 2022

Based on table 7 above which shows an adjusted R square value of 0.523 which means that 52.3% of the three independent variables, namely information asymmetry, profitability, and company size can affect the dependent variables in the form of profit management and the remaining 47.7% is influenced by other variables outside this study.

Model Feasibility Test (Test F)

Model feasibility test (Test F) is carried out to determine the feasibility of the model whether it is in accordance with the standards of the fit or not. The regression model will be said to be fit if a significant value indicates smaller than 0.05. However, it is the opposite if the significant value is greater than 0.05. The following is a table of the results of the Model Feasibility Test (Test F):

Table 8 Model Feasibility Test Results (Test F)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.027	3	.009	40.869	.000[b]
	Residual	.024	106	.000		
	Total	.051	109			

a. Dependent Variable: Earning Management
b. Predictors: (Constant), Information Asymmetry, Profitability, Firm Size
Source: Secondary Data Processed, 2022

Based on table 8 it can be seen that a significant value indicates 0.000 which means a significant value is smaller than 0.05. So it can be stated that the three variables in the form of information asymmetry, profitability, and company size can affect profit management.

T-test

The T test (t-test) is carried out to determine each of the independent variables, whether the three independent variables have an influence on the dependent variables. Which means, whether information asymmetry, profitability, and company size affect profit management. Independent variables will have an influence if the significant value is smaller than 0.05 but will not have an influence if the significant value is greater than 0.05. Here's a table of the T-test results:

Table 9 T-test results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.871	.639		3.369	.000
	Information Asymmetry	.125	.073	.055	2.568	.015
	Profitability	.992	.797	.052	2.525	.041
	Firm Size	-.237	.113	-.097	-1.971	.034

a. Dependent Variable: Earning Management

Source: Secondary Data Processed, 2022

Based on table 9 which shows that the significant value of information asymmetry is 0.015 which means that the value is smaller than α (0.05) and it can be stated that information asymmetry affects profit management. While the calculated value which shows a value of 2.568 means that the calculated value has a positive direction so that it can be stated that H_1 is accepted. At profitability a significant value indicates a value of 0.041 which means that the significant value is greater than α (0.05) and it can be stated that profitability has an influence on profit management. While the calculated value on profitability shows that the calculated value is 2.525 which means that the calculated value has a positive direction so that it can be concluded that H_2 is accepted. Meanwhile, in the size of the company, the significant value states that the significant value is 0.034 which means that the significant value is smaller than 0.05 and it can be stated that the size of the company affects profit management. However, the calculated value on the size of the company shows a value of -1.971 which can be stated that the calculated value has a negative direction and it can be concluded that H_3 is accepted.

The Effect of Information Asymmetry on Earning Management

Based on table 9 it can be concluded that the calculated value on information asymmetry is 2.568 which means that the calculated value has a positive direction and at a significant value indicates that the information asymmetry of 0.015 means less than the α value (0.05). So that H_1 is accepted and can be stated information asymmetry has a positive influence on profit management. Thus, the greater an asymmetry in the company, the greater the possibility of profit management. According to Cahyono & Widyawati (2019), stated that this happened because of the large amount of information owned by the manager so that it further motivated the manager to take profit management actions in the form of hiding some information from shareholders, so that some information did not match the actual company information.

Effect of Profitability on Earning Management

Based on table 9, it shows that the calculated value on profitability is 2.525 which means that the calculated value has a positive direction and the significant value shows a value of 0.041 means less than the α value (0.05) which means that profitability has an influence on profit management. So that H_2 is accepted and it can be concluded that profitability has a positive influence on profit management. This means that the greater the profitability of a company, the greater the possibility of profit management. According to Patriandari & Fitriana (2019), explaining that profitability is one of the important indicators for the performance of a company. In addition, if the profitability value tends to be low, it can make a loss of trust from shareholders or external parties and be considered a company to have poor performance.

The Effect of Firm Size on Earning Management

Based on table 9 which shows the calculated value of the company size is -1.971 meaning that the calculated value has a negative direction and the significant value on the company size is 0.034 which means it is smaller than the α value (0.05) so that the size of the company has an influence on profit management. Thus H_3 is accepted and it can be concluded that the size of the company has a negative influence on profit management. This means that the larger a company is, the less likely it is to take profit management actions. According to Deviyanti & Sudana (2018), large companies tend to be paid more attention to by the public so that large companies will be more careful in conducting financial reporting that has an impact on large companies will present data in more accurate conditions and in accordance with existing standards.

CONCLUSIONS AND SUGGESTIONS

Conclusion

This study aims to obtain empirical evidence regarding the influence of information asymmetry, profitability, and company size on profit management. Based on the results, it can be concluded that information asymmetry has a positive influence on profit management in manufacturing companies (basic and chemical industry sectors) listed on the IDX for the 2016-2020 period. This means that the greater the level of information asymmetry in a company, the greater the possibility of profit management actions; Profitability has a positive influence on profit management in manufacturing companies (basic and chemical industrial sectors) listed on the IDX for the 2016-2020 period. Thus, the existence of a higher profitability value in a company will make profit management actions higher as well; The size of the company negatively affects profit management in manufacturing companies (basic and chemical industrial sectors) listed on the IDX for the period 2016-2020. So that the larger a company is, the less likely it is to take profit management actions; The contribution of this research is to be able to find out that information asymmetry, profitability, and company size have an influence on the actions of profit management in manufacturing companies (basic and chemical industry sectors) listed on the IDX for the 2016-2020 period with this research can also be used as a reference and add references for future researchers who are interested in discussions about profit management and can be used as material consideration by investors, creditors, and other interested parties to make relevant decisions and can be utilized by the company's management so that it can present financial statements in accordance with applicable standards.

Research Limitations

This research still has limitations and it is hoped that this limitation can be something that can be considered by subsequent researchers. The limitation in this study is that this study only uses three independent variables including information asymmetry, profitability, and company size. The period of observation carried out in the study was only 5 years. Furthermore, this study only uses samples from manufacturing companies covering the basic industrial and chemical sectors.

Suggestion

In this case, there are several suggestions to be considered for the further research: it is suggested to add moderating and independent variables such as leverage and good corporate governance, because it allows other variables to also have an influence on profit management. Furthermore, increasing the period by employing the latest period to make observations so as to produce a more recent analysis. In addition, further study may increase the number of samples and use samples with other IDX-listed company sectors so that research results can be generalized.

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