Does Earnings Management Moderate the Effects of Profitability, Capital Structure, and Accounting Conservatism on Firm Value?

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ABSTRACT

This research aims to analyze the influence of profitability, capital structure, and accounting conservatism on firm value, with earnings management as a moderating variable. The data for this research is quantitative and obtained through the annual reports of the 20 largest banks in ASEAN from 2019 to 2022. The data analysis method used in this research is panel data regression analysis with Common Effect Model (CEM) and Moderated Regression Analysis (MRA) with earnings management as moderate variable. The results of this research indicate that profitability and capital structure have a significant negative impact on the firm value. Meanwhile, accounting conservatism does not have a significant impact on firm value. The moderation test shows that the earnings management variable is able to strengthen the influence of profitability, capital structure, and accounting conservatism variables on firm value. Thus, earnings management is considered appropriate as a moderating variable in this research.

Keywords: Profitability; Capital Structure; Accounting Conservatism; Earnings Management; Firm Value

Apakah Manajemen Laba Memoderasi Dampak Profitabilitas, Struktur Modal, dan Konservatisme Akuntansi terhadap Nilai Perusahaan?

ABSTRAK

Tujuan dari penelitian ini untuk menganalisis pengaruh profitabilitas, struktur modal, dan konservatisme akuntansi terhadap nilai perusahaan, dengan manajemen laba sebagai variabel moderasi. Data penelitian ini bersifat kuantitatif dengan sampel diperoleh melalui laporan tahunan 20 bank terbesar di ASEAN pada tahun 2019 hingga 2022. Metode analisis data yang digunakan dalam penelitian ini analisis regresi data panel dengan Common Effect Model (CEM) dan Moderated Regression Analysis (MRA) dengan manajemen laba sebagai variabel moderasi. Hasil penelitian ini menunjukkan bahwa profitabilitas dan struktur modal mempunyai pengaruh negatif yang signifikan terhadap nilai perusahaan. Sedangkan konservatisme akuntansi tidak mempunyai pengaruh yang signifikan terhadap nilai perusahaan. Uji moderasi menunjukkan bahwa variabel manajemen laba mampu memperkuat pengaruh variabel profitabilitas, struktur modal, dan konservatisme akuntansi terhadap nilai perusahaan. Dengan demikian, manajemen laba dinilai tepat sebagai variabel moderasi dalam penelitian ini.

Kata Kunci: *Profitabilitas; Struktur Modal; Konservatisme Akuntansi; Manajemen Laba; Nilai Perusahaan*

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INTRODUCTION

The era of globalization and development of the banking industry will influence national and global economic growth. The open of markets at regional and international levels is an alarm that economic globalization has begun. The banking industry also plays an important role because financial institutions cannot be separated from the business world. Furthermore, a country's economic growth is closely related to the progress of financial performance, especially in the banking sector. Investors will be more careful in choosing the best issuers to invest in, so it is necessary for business actors to improve their performance in order to be able to compete in the global market.

The banking sector, as an intermediary institution, plays a crucial role in advancing the real sector. The instability of the banking sector can undoubtedly have negative impacts on the macroeconomic environment. All banks in ASEAN countries strive to improve their performance to compete domestically and even internationally. One crucial indicator for companies, which is consistently considered by investors, is how an entity can enhance its corporate value. Firm value as the company's performance as reflected by the stock price which is formed by demand and supply on the market stock. Changes in stock prices are a manifestation of investor interest in a share (Harmono, 2017). Firm value in the banking sector in ASEAN is not only important for the bank, but also influences financial system stability, regional competitiveness and economic growth in the region. Therefore, monitoring the increase in firm value is the main focus for banks in general. Based on statistics from Forbes Magazine in 2023, the image 1 shows average rise in Return on Assets (ROA) for the top 20 banks:

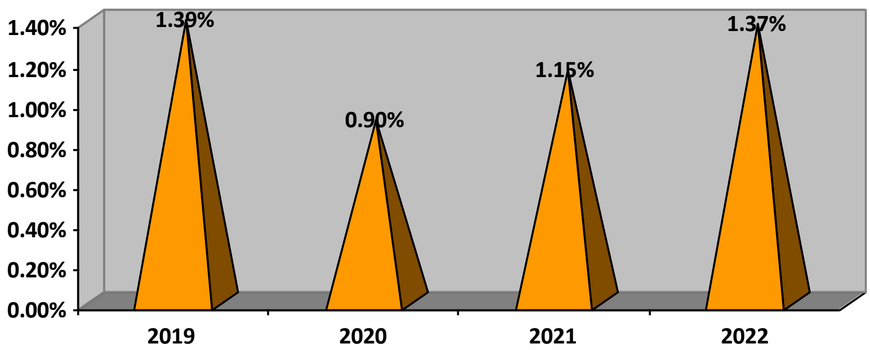

Figure 1. Growth of ROA the Top 20 Banks
Source: Processed Data, 2024

Based on image 1, the average ROA performance of the 20 largest banks in ASEAN actually shows fluctuations during 2020 and 2021. Where the average Return On Assets of the 20 banks in 2019 was 1,39% and in 2020 it fell to 0,90%, then in 2021 it increased to 1,15% and then groth in 2022 to 1,37%. The tendency for fluctuations in 2020 and 2021 as well as a decline in performance is likely due to the impact of the pandemic which is disrupting stability every sector.

Some factors influence the increase in firm value that company management needs to pay attention to, one of which is the profitability ratio which is one of the factors that plays a big role in company value. (Lifessy, 2011) that the better the company's profitability growth means the company's future prospects are considered to be better, meaning that the company's value will also be considered better in the eyes of investors. Profitability refers to a company's ability to generate earnings or profits from its operational activities (Kasmir, 2012). High profitability is an indication that a company is efficient in generating profits from the sale of products or services. When a company consistently generates high profits, it tends to enhance its corporate value. Shareholders are generally more interested in investing in companies capable of providing better returns on their investments. In the research conducted by (Ningsih & Sari, 2019); (Maida et al., 2021); (Rosmegawati et al., 2023), it has been stated that profitability had a positive impact on corporate value. However, in the research by (Leman et al., 2020); (Ardianto, 2023), profitability was mentioned to have a negative impact on corporate value.

Moreover, capital structure is also a factor that influences the financial position of a bank. The larger the debt-to-equity ratio, the more it indicates that the company is financed more by creditors than by its own capital. According to (Sukamulya, 2022), the debt to equity ratio measured the level of business risk that increased with the growth of debt. Research by (Vo & Ellis, 2017); (Mudjijah et al., 2019); (Yana & Purwanto, 2022) stated that there was a significant influence of capital structure on corporate value.

Accounting conservatism was an accounting policy that affected the reduction of the net asset value in accounting compared to the economic net asset value (Basu, 1997). (Watts, 2005), the results of the Survey Fraud Indonesia (SFI) by the Association of Certified Fraud Examiners (ACFE) Indonesia in 2019 indicated 239 fraud cases in Indonesia, including 64.4% corruption cases, 28.9% misuse of state and company assets, and 6.7% financial statement fraud (ACFE Indonesia Chapter, 2020). The Financial Accounting Standards Board (FSAB) did not include conservatism as one of the qualitative aspects of financial reporting because it was considered to bias the information presented and compromise neutrality (FSAB, 2010). However, evaluating the influence of accounting conservatism on firm value could assist financial statement users in decision-making. (Zulfiara & Ismanto, 2019); (Hariyani et al., 2022); (Paydarzarnaghi et al., 2023) (Suwarti et al., 2023) has stated that accounting conservatism has an impact on firm value.

Earnings management, as described by (Scoot, 2009), is an accounting strategy selected by managers or a specific action to affect either growing or reducing reported profits or loss levels in order to achieve specified goals. While it can not provide certainty, earnings management can result in more favorable financial statements in the short term, which in some cases may boost the company's stock price. Investors might be influenced by financial statements that appeared favorable and were more likely to invest in the company, ultimately driving up the stock price. Research by (Reschiwati et al., 2020); (Hariyani et al., 2022) has indicated that earnings management had an impact on firm value. Management as company managers has information about the company faster, more abundantly and more validly than shareholders (information asymmetry) so that management carries out accounting practices oriented towards profit figures, which can increase certain impressions (Rohkmah, 2014). so that the role of earnings management in increasing company value can be seen through the influence of profits and capital structure as well as conservative behavior in accounting. (Huriquduq, 2022) explained that profitability has a positive affect on firm value moderated by earnings management.

Earnings management is related to agency theory due to differences in interests between capital owners and management. Agency theory is relationship between the principal and the agent. The principle is the one who assigns the agent the responsibility of performing a service on the principal's behalf, including transferring decision-making authority and permission from the principal to the agent (Meckling, 1976). The principle is the one who assesses the information, while the agent serves as the one with decision-making authority. When there is a separation between the principal and the agent, agency problems arise because both parties have differing interests. Agency conflicts arising from these divergent goals make it difficult and hinder the company from achieving positive performance to increase the firm value through an increase in stock prices. (Ghozali & Chariri, 2007) have explained that if management holds fewer shares compared to other shareholders, managers are inclined to report higher or conservative profits. Earnings management involves a principal and agent relationship, so it is closely related to agency theory. Principals (shareholders) are not always present in the company's operational activities, while agents (management) have an interest in the company. (Pietoyo et al., 2022) revealed that earnings management strategies are triggered by differences in interests between principals and agents, so it is necessary to consider whether earnings management is good for the company. (Meckling, 1976) explained that companies with higher debt in the capital structure will have greater monitoring costs. These monitoring costs arise because there is an owner's interest in the company to monitor management actions in managing funds and profits so that the company's performance is good.

Profitability is a variable that is closely related to company value, profitability is the net income from a set of activity and investment, (Bringham & Houston, 2006) A variety of pertinent benchmarks can be calculated to measure profitability. The higher the level of profit obtained, the better it is for the company. Additionally, investors tend to respond positively to signals that encourage good profitability growth. The well-being of shareholders is influenced by the company's performance and the investment decisions it makes. Companies with higher profit levels have the opportunity to distribute larger dividends to shareholders. Thus, there is a greater potential to attract the interest of investors to invest their capital in the company. (Primarkus et al., 2019); (Khotimah et al., 2020) (Mercyana et al., 2022); (Imnana et al., 2023) the research explains that profitability has a significant influence on firm value.

H_1: Profitability has an significant affect on Firm Value.

Additionally, Capital Structure is also considered a variable related to company value, (Fahmi, 2018) has mentioned that capital structure is a form of the financial proportion of a company, representing the company's investment derived from long term debt and its equity used as a source of company financing. This implies that the capital structure is a comparison between foreign capital in the form of loans and the company's own equity. A high leverage level in the

capital structure is used as a signal to distinguish between good and bad companies. Only healthy and strong companies can manage risks through debt. Although all capital structures are considered good, investors assume that the company's performance will be better if the debt to equity ratio is lower. This perspective leads investors to consider choosing such investments, thereby driving up the company's stock prices and influencing an increase in firm value. (Vo & Ellis, 2017); (Mudjijah et al., 2019); (Ainiyah & Sinta, 2019); (Yana & Purwanto, 2022) the research explains that capital structure has a significant influence on firm value. Based on the above theory, the developed hypothesis is:
H_2: Capital Structure has an significant affect on Firm Value.

Accounting conservatism can be beneficial in financial statement presentation, as it helps reduce the possibility of fraud or manipulation in financial reporting conducted by management (LaFond & Watts, 2008). If a company consistently presents conservative accounting information, it signals to investors that they are receiving reliable and high quality information. Conservatism will affect the firm value through its impact on financing, investments, and various other roles such as risk reduction, availability of financing, investment efficiency, and increased cash flow. These roles provide a real activity channel through conservatism that can prevent the loss of firm value during crises. The research of (Zulfiara & Ismanto, 2019); (Hariyani et al., 2022); (Paydarzarnaghi et al., 2023); (Suwarti et al., 2023) explaine that accounting conservatism has a significant influence on firm value. Based on the above theory, the developed hypothesis is:
H_3: Accounting Conservatism has an significant affect on Firm Value.

The relationship between profitability and company value can change due to moderation from a factor, Return on assets (ROA), a ratio that gauges a company's capacity to earn a profit from its assets, is a proxy for profitability. The amount of earnings distributed to shareholders as dividends will rise with high profit margins. It is possible to forecast unanticipated circumstances with the use of earnings management. For example, the COVID-19 epidemic decreased corporate profits since bank credits were not collected. Therefore, company management must pay attention to the quality of profitability by considering the short-term and long-term value of the company to maximize its value. (Huriquduq, 2022) evaluates that earnings management can strengthen the impact of profitability on firm value. (Siregar & Utama, 2008) the research conclude that investors still react positively to companies that carry out earnings management with the aim of increasing company value so that investors are interested in the company. Based on the above theory, the developed hypothesis is:
H_4: Earnings Management moderate the Profitability on firm Value.

Apart of that, Debt to Equity Ratio (DER), which is a stand-in for business capital structure, measures how much of a company's operations are funded by debt from creditors relative to the amount of its own capital. When it comes to investing in businesses with extremely low debt-to-equity ratios, investors are often hesitant. However, if a company manages its debt well, it can be attractive to investors. One strategy for companies to attract investor attention is through earnings management, the management's effort in determining profits to gain advantages for external parties with the aim of benefiting the company (Aditama & Purwaningsih, 2014). Based on the theory, the developed hypothesis is:

H_5: Earnings Management moderate the Capital Structure on Firm Value.

Accounting conservatism occurs because accounting standards in Indonesia allow the selection of accounting methods. (Handojo, 2012) states that conservatism causes reported data to be interpreted inaccurately because the financial statements report figures that range favorably but are relatively high for unfavorable matters. The conservatism principle in financial reporting, intended to recognize and measure assets and profits with caution, is done due to the uncertainty within economic and business activities. The implication of applying this principle is that the choice of accounting methods is directed towards methods that report lower profits or assets or higher debts. Based on the above theory, the developed hypothesis is:

H_6: Earnings Management moderate the Accounting Conservatism on Firm Value.

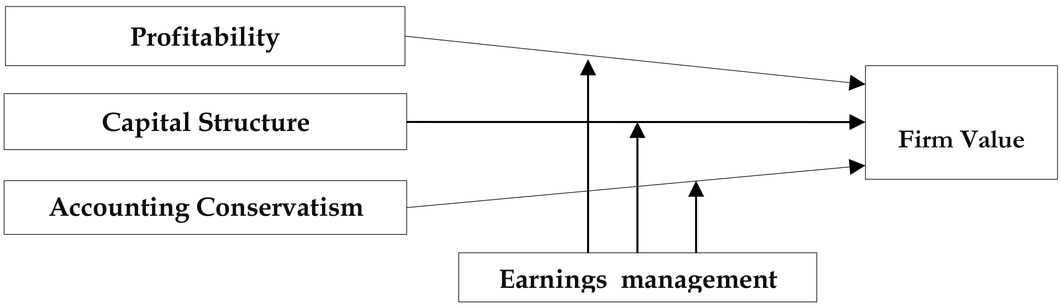

Figure 2. Framework of the research

Source : Data Processed by researchers in 2024

RESEARCH METHODOLOGY

This study adopted a quantitative research approach utilizing secondary data collected in a time series from different subjects. The research analyzed the relationship between variables and the role of a moderate variable, either reinforcing or weakening this relations, employing Moderated Regression Analysis (MRA). The data for this research were secondary data obtained from the annual reports of companies. The analysis of these data was conducted using eviews 10 software. The population for this research comprised banks in ASEAN countries in the year 2023. The sample was selected using purposive sampling, where the population chosen as the sample included the top 20 banks according to Forbes magazine in 2023. The data collection technique involved documentation methods. Research variables were traced in annual reports, and historical stock price data from 2019 to 2022 were obtained from each bank's official website and finance.yahoo.com.

In this study, the relationship of independent with dependent variables, moderated by a moderating variable, was measured. The operationalization of variables was detailed below:

Profitability is a ratio that assesses a company's ability to make a profit. This ratio can also provide a measure of the level of a company's ability to seek profits by utilizing total assets as proxied in Return On Assets (Kasmir, 2019).

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Capital structure is a comparison between own capital and debt owned by the company, this aims to assess how big the debt composition is in the company (Kasmir, 2019)

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Accounting conservatism means that in uncertain conditions, the financial report preparers will choose the solution that is least likely to overestimate the reporting of assets or income, and or lower the burden or loss (Givoly & Hayn, 2000)

$$CONACC = \frac{(\text{Net Profit} + \text{Dep} - \text{Net cashflow Opr}) \times (-1)}{\text{Total Assets}} \quad \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Company value is a comparison of the market value of the company's outstanding debt and equity securities plus debt to the total assets owned by the company (Aydoğmuş et al., 2022)

$$\text{Tobin's Q} = \frac{\text{Total Market Value} + \text{Total Liabilities}}{\text{Total Assets}} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Earnings management is a practice carried out by management to influence the numbers in financial reports. aims to make the report appear more attractive to stakeholders (Nassir Zadeh et al., 2023)

$$DAit = (TACit \div Ait\text{-}1) - NDAit \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)$$

$$TACit/Ait\text{-}1 = \beta 1\ (1 \div (Ait\text{-}1) + \beta 2\ ((REVit\text{-}REVit\text{-}1) \div Ait\text{-}1) + \beta 3(PPEit \div Ait\text{-}1) \ldots (6)$$

RESULT AND DISCUSSION

The results of the descriptive analysis between the dependent variable, independent variables, and moderating variable in this research are presented in the following Table 2:

Table 2: Descriptive Analysis of Variables

	Sample	Minimum	Maximum	Mean	Std. Deviation
Profitability	80	0.001	0.031	0.012	0.005
Capital Structure	80	4.249	15.718	8.336	2.533
Accounting Conservatism	80	- 0.065	0.089	0.007	0.028
Earning Management	80	- 0.005	0.003	- 0.001	0.001
Firm Value	80	0.884	1.628	1.013	0.116
Valid N	80				

Source : Secondary data that has been processed, 2023

Based on the descriptive statistics in table 2, for the variable of profitability proxied through Return On Asset (ROA), the lowest value was 0.001 in CIMB in 2020, and the highest value was 0.031 in Bank BCA in 2019. The mean ROA was 0.012 with a standard deviation of 0.005. In the analysis of Capital Structure, represented by Debt to Equity Ratio (DER), the minimum was 4.249 in Bank BCA in 2019, while the maximum was 15.718 in Vietin Bank in 2022. The mean DER was

8.336 with a standard deviation of 2.533. For the Accounting Conservatism variable, the minimum was -0.065 in Vietcom Bank in 2021, and the maximum was 0.089 in Metropolitan Bank in 2020. The mean was 0.007, and the standard deviation was 0.028. The moderating variable, Earnings Management, had a minimum of -0.005 in Vietcom Bank in 2022, a maximum of 0.003 in Metropolitan Bank in 2020, a mean of -0.001, and a standard deviation of 0.001. In the dependent variable, Firm Value, the minimum was 0.884 in Krung Thai Bank in 2019, and the maximum was 1.628 in Bank BCA in 2022. The mean was 1.013, and the standard deviation was 0.116.

Before carrying out the analysis stage, it is necessary to carry out a model selection test that is suitable for the research. The results of the model selection test show the results as in table 3.

Table 3: Model Selection Test

Test	Result	Decision
Chow Test	Prob 0,067 > 0,05	CEM
Hausman Test	Prob 0,139 > 0,05	REM
Lengange Multiplier Test	Prob 0,082 > 0,05	CEM

Source : Processed data with eviews 10

Based on the model selection test, the best-suited model for this research was the Common Effect Model (CEM). Since the selected model is the Common Effect Model, classical assumptions tests are necessary, including the multicollinearity test and heteroskedasticity test (Napitupulu et al., 2021).

Table 4: Multicollinearity Test

	X1	X2	X3	Z
X1	1	-0.430	-0.168	0.573
X2	-0.430	1	-0.102	-0.134
X3	-0.168	-0.102	1	-0.038
Z	0.573	-0.134	-0.038	1

Source : Processed data with eviews 10

Based on the data in table 4, the correlation coefficients for each variable X1, X2, X3, and Z were < 0.85. Thus, it could be concluded that there were no symptoms of multicollinearity (Napitupulu et al., 2021).

Table 5: Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3238.134	874.451	3.703	0.000
X1	0.021	0.021	1.025	0.308
X2	-25.629	39.513	-0.648	0.518
X3	0.008	0.003	2.590	0.101

Source : Processed data with eviews 10

Based on the data in table 5, Heteroscedasticity test using glejser test, it is shown that the probability values for each variable X1, X2, and X3 are > 0.05. Thus, it has been concluded that the model was free from heteroscedasticity (Napitupulu et al., 2021).

Table 6: Results of Common Effect Model Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1040.425	1383.023	0.752	0.454
X1	-0.127	0.033	-3.826	0.000
X2	-305.425	62.494	-4.887	0.000
X3	0.001	0.004	0.268	0.789

Source : Processed data with eviews 10

The equation in this study is represented by the following formula:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$……………………………………………………….(7)

The results of the model test are explained in the following description:

Y = 1040.424 - 0.127X1 - 305.425X2 + 0.001X3 + e…………………………………(8)

The firm value occurred when the constants of profitability, capital structure, and accounting conservatism were valued at 1.040,425 The regression coefficient value was -0.127, indicating that profitability yielded a negative result. If profitability increased by 1 unit, the firm value decreased by 0.127, while keeping capital structure and accounting conservatism constant. The regression coefficient of -305.425 explained that capital structure had a negative effect. This implied that if the capital structure, represented by debt to equity (DER), increased by 1 unit, the firm value would decrease by 305.425, while keeping profitability and accounting conservatism constant. The regression coefficient of 0.001 explained that accounting conservatism had a positive effect. If accounting conservatism increased by 1 unit, the firm value would increase by 0.001, assuming profitability and capital structure remained constant.

Table 7 Moderation Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-197.387	70.618	-2.795	0.00
X1_Z	25.788	2.866	8.997	0.00
X2_Z	0.056	0.004	12.445	0.00
X3_Z	1.951	0.682	2.859	0.00

Source : Processed data with eviews 10

The moderation test results indicate that profitability (X1) multiplied by earnings management (Z) shows a moderation significance of 0.00 < 0.05. This means that earnings management can moderate the impact of profitability on firm value, that earnings management strengthens the influence of profitability on company value. In the second moderation test, the probability value of Capital Structure (X2) on earnings management shows a moderation significance of 0.00 < 0.05, that earnings management is able to strengthen the influence of capital structure on company value. Similarly, in the moderation test results for the variable accounting conservatism (X3) on earnings management (Z) with a probability of 0.00 < 0.05, it means that earnings management can strengthen the influence of the accounting conservatism variable on firm value.

Coefficients of determination shows how much contribution independent variables make to the dependent variable. In this study, it tests the contribution of profitability, capital structure, and conservatism to firm value. Additionally, this research also demonstrates the change in the coefficient of determination when the model is moderated by variable Z, which is earnings management.

Table 8 Coefficients of Determination (R2)

[X1, X2, X3 → Y]		[X1_Z, X2_Z, X3_Z → Y]	
R-squared	0.280	R-squared	0.908
Adjusted R-squared	0.252	Adjusted R-squared	0.905
S.E. of regression	1228.801	S.E. of regression	437.906

Source : Processed data with eviews 10

Based on the coefficient of determination test results in the table 8 in the variabels test of profitability, capital structure, and conservatism on firm value, the Adjusted R-squared value was 0.25 or 25%. Meanwhile, the coefficient of determination test results after being moderated by the variable earnings management obtained an Adjusted R-squared of 90%, while the remaining 10% was influenced by other variables. The significant change in the Adjusted R-squared value indicated that earnings management was a suitable moderating variable for the 20 largest banks in ASEAN.

The test results show that profitability has a significant effect on firm value, where the probability value is smaller than the significance level (0.00 < 0.05). This means that profitability has a negative and significant effect on firm value, The test resulted align with the research by (Primarkus et al., 2019); (Khotimah et al., 2020); (Mercyana et al., 2022); (Imnana et al., 2023) that profitability has a negative and significant effect on firm value. The negative influence on test results is contrary to the theory which states that the higher the company's profit level will increase the value of the company, because in theory investors will be more interested in investing in companies that earn large profits. However, investors often pay attention to the company's long-term business prospects. Even though the profits earned by the company decrease in a certain period which may be caused by external factors such as the Covid-19 pandemic, the history obtained over the years regarding the company profit opportunities will change investors assessments, so that investors will still be interested in buying company shares. so that the company shares remain high in value even though profits are decreasing during a period.

The test of the influence of capital structure on firm value indicated a smaller probability value for capital structure, which is 0.00 < 0.05. This meant that the capital structure, proxied by Debt to Equity Ratio, significantly affected the firm's value. The test resulted align with the research by (Vo & Ellis, 2017); (Mudjijah et al., 2019); (Ainiyah & Sinta, 2019); (Yana & Purwanto, 2022) indicating that capital structure significantly influences the firm's value. This implies that if the amount of debt in the capital structure (Debt to Equity Ratio) is lower, it will increase the firm's value. Conversely, excessively high debt levels may cause negative perceptions among investors. According to Markowitz's theory by (Markowitz, 1952), risk is the most avoided factor by investors. Risky investments, such as high levels of a company's debt, will always instill caution in investors, leading them to choose safer business risk investments. Conversely, if a company has a higher proportion of equity, investors are usually interested in buying its shares because the potential for bankruptcy is lower for a company with a large capital base.

Based on Table 7, the test results for the influence of accounting conservatism on firm value showed that the probability value for accounting conservatism was greater than α, namely 0.78 > 0.05. Thus, accounting conservatism was not proven to have a significant effect on firm value. This indicated that investors had other factors in making investment decisions because, fundamentally, investors did not consider the accounting conservatism practiced by the company, and it did not alter the investors' views. Additionally, the positive paradigm of investors towards the quality of earnings presented by companies with a large capital base would always be assured. The results of this test contradict research (Paydarzarnaghi et al., 2023); (Suwarti et al., 2023) and align with the research of (Putri et al., 2022); (Octaviani & Suhartono, 2021); (Ariyantia, 2022) that accounting conservatism did not significantly affect firm value.

Based on the moderation test results in table 8, earnings management could strengthen the influence of profitability on firm value. The probability value of variable X1 to Y moderated Z was less than α, namely 0.00 < 0.05. While observing the impact of profitability on firm value, there was negative significant influence. Still, after being moderated by earnings management, a positive and significant impact on firm value was evident. Suprianto and Setiawan (2018) in (Riswandi & Yuniarti, 2020) have mentioned that companies use earnings management strategies to provide positive signals to shareholders about the company's future performance. The conveyed information will be positively responded to by investors, keeping the company's stock value high. (Li et al., 2017) stated that management can use earnings management to maximize interests as long as it is within legal accounting boundaries. However, management must be aware that earnings management will increase the firm value in the short term and decrease it in the long run. This research aligned with (Huriquduq, 2022) findings that earnings management significantly influenced firm value.

The moderation test results presented in table 8 indicated that earnings management could strengthen the influence of capital structure on the firm's value. The probability value of variable X2 to Y moderated Z was less than α, namely 0.00 < 0.05. The impact of capital structure on the firm's value had a significant effect, and when moderated by earnings management, it caused a positive and significant impact on the firm's value. This meant that through earnings management, the negative impact of capital structure could turn into a positive effect for increasing the firm's value. Companies with a larger debt portion would face high default risks. However, in the banking business, having more debt than equity is common. A bank can maximize profits if it can ensure low credit risks. Investors only need good news to make investment decisions. A company experiencing a decline in performance can use earnings management options to address short-term risks.

Based on the moderation test results in table 8, earnings management could strengthen the influence of accounting conservatism on the firm's value. The probability value of variable X3 to Y moderated Z was less than α, namely 0.00 < 0.05. Previously, the influence test of the accounting conservatism variable on the firm's value showed no significant influence between variables. Still, after being moderated by earnings management, there was a positive and significant impact between accounting conservatism and the firm's value. Thus, it could be concluded that earnings management could strengthen the influence of accounting conservatism on the firm's value. (Hamson et al., 2022) have stated that the prudence principle from management tends to present high-quality financial reports, increasing investor confidence. Especially if a company has to engage in earnings management to avoid short-term bad news risks, investors will likely still consider the company's stock worth buying. A similar situation is mentioned by (Sa'diyah & Hermanto, 2017) in (Hamson et al., 2022) , stating that accrual based earnings management uses accounting practices that empower management to determine the amount of earnings.

CONCLUSION

Based on the results of the discussion, this research aims to test the ability of earnings management to moderate the influence of profitability, capital structure, accounting conservatism on company value. This study was conducted on the 20 largest banks in ASEAN from 2019 to 2022, according to Forbes 2023. The research results indicate that profitability, capital structure, and earnings management significantly affect firm value, while accounting conservatism does not significantly affect firm value. The moderation test results show that earnings management can strengthen the influence of profitability, capital structure, and accounting conservatism on firm value. Thus, earnings management is considered a suitable moderating variable in this study.

The research implications provide a basis for developing policy recommendations and best practices for financial performance analysis to increase company value. These results can be useful for investors, academics and other stakeholders and can help assess earnings management performance, especially in dealing with complex issues such as conflicts of interest, risk management and transparency. This research has limitations, namely that it only uses leverage and profitability ratios. Apart from that, it is recommended that future researchers use a longer research time to obtain more accurate results.

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