

Cash Holding, Financial Leverage, Profitability, Firm Size, Income Smoothing: Moderating Managerial Ownership

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ABSTRACT

This study aims to empirically demonstrate the effect of cash holding, financial leverage, profitability, and company size on income smoothing in the Indonesia Stock Exchange's primary consumer goods sector from 2017 to 2021. The study population amounted to 98 companies and a sample of 16 companies. This study used logistic regression analysis and moderation regression analysis for hypothesis testing. The findings revealed that cash holding and leverage negatively affect income smoothing, profitability positively affect income smoothing, whereas company size has no effect. Furthermore, the study's findings empirically demonstrate that leverage strengthens managerial ownership's influence on income smoothing.

Keywords: Income Smoothing; Cash Holding; Financial Leverage; Profitability; Firm Size; Managerial Ownership

Cash Holding, Leverage Finansial, Profitabilitas, Ukuran Perusahaan, Perataan Pendapatan: Memoderasi Kepemilikan Manajerial

ABSTRAK

Penelitian ini bertujuan untuk membuktikan secara empiris pengaruh cash holding, financial leverage, profitabilitas, dan ukuran perusahaan terhadap perataan laba pada sektor barang konsumsi primer Bursa Efek Indonesia tahun 2017 sampai dengan tahun 2021. Populasi penelitian berjumlah 98 perusahaan dan sampel sebanyak 16 perusahaan. Penelitian ini menggunakan analisis regresi logistik dan analisis regresi moderasi untuk pengujian hipotesis. Hasil penelitian menunjukkan bahwa cash holding dan leverage berpengaruh negatif terhadap perataan laba, profitabilitas berpengaruh positif terhadap perataan laba, sedangkan ukuran perusahaan tidak berpengaruh. Lebih lanjut, temuan penelitian ini secara empiris menunjukkan bahwa leverage memperkuat pengaruh kepemilikan manajerial terhadap perataan laba.

Kata Kunci: Income Smoothing; Cash Holding; Financial Leverage; Profitability; Firm Size; Managerial Ownership

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INTRODUCTION

Earning management techniques include income smoothing and leveling (Jaya & Dillak, 2019). According to Sanjaya & Suryadi (2018), income smoothing is a practice that aims to minimize profit volatility. This method of income smoothing involves adjusting the reported company's profit by an amount roughly equivalent to the profit made in the prior period (Putri & Budiasih, 2018). According to Setyani & Wibowo (2019), the goal of management's income smoothing practices is to serve the interests of company owners by boosting the company's value so that it is perceived to have a low risk of uncertainty, increasing the share price of the company, as well as pursuing individual interests like holding onto positions and receiving compensation.

One of the most prevalent earning management phenomena is income smoothing (Agitia & Dillak, 2021). Income smoothing is a practice that is still up for dispute as to whether or not it should be used. According to Fitriani (2018), income smoothing is not a problem if no fraud is involved in the implementation. Although the corporation wants to smooth out its income, it can result in erroneous financial statement information, affecting stakeholders' decisions. Thus, stakeholders need to be aware of the data in the financial statements.

The story of PT Kimia Farma Tbk in 2002 represents the outstanding practice of earning management in Indonesia. In its financial statements from 2001, the company stated a net profit of Rp 132 billion. The company's net profit was just Rp 99.56 billion. Nevertheless, after the financial accounts underwent a second audit in 2002, this indicates that PT Kimia Farma overstated its net profit by IDR 32.6 billion when it reported it. This is a result of inaccurate representations of sales and inventory. Inventory prices are marked up and utilized as the basis for inventory value in the 2001 financial statements, and sales are recorded twice (Maotama & Astika, 2020).

The 2018 PT Garuda Indonesia Tbk is another instance of the earning management phenomenon. In contrast to its 2017 financial records, which showed a loss of USD 216.5 million, the corporation declared a net profit of USD 809.85 thousand for 2018. Due to a significant increase of USD 306.88 million in other revenue, this is regarded as being out of the ordinary. Further inquiry revealed that this resulted from the firm recording USD 239.94 million in receivables as revenue in its 2018 financial statements for the partnership transaction of supplying inflight Wi-Fi connections with PT Mahata Aero Teknologi (Sari & Rudy, 2020). These examples demonstrate that earning management is familiar and has been practiced for a long time

A variety of circumstances can influence the occurrence of income-smoothing procedures. Several studies have covered these topics with varying degrees of success. These elements comprise managerial ownership, profitability, financial leverage, cash holdings, and corporate size. With two key distinctions, this study builds on the research of Sanjaya & Suryadi (2018). Adding managerial moderation variables comes first. The number of shares held by management, including managers, the board of commissioners, and the board of directors, is referred to as managerial ownership. In order to have more flexibility in managing the firm's financial statements, management that owns shares in the company plays a dual function as a shareholder and a party that controls the business. Given

the conflicting findings regarding managerial ownership's impact on income smoothing, managerial ownership may function as a moderating factor that strengthens or weakens the impact of each independent variable on income smoothing. In order to expand the research range and improve the accuracy of the research findings so that they accurately reflect the actual situation, the second expansion in the observation time from three to five years was made under the restrictions of Sanjaya & Suryadi (2018) study. Due to the numerous instances of profit management practices used by businesses in Indonesia, including revenue smoothing, this research is crucial.

Based on the background information, the objective of this study is to determine and empirically demonstrate that cash holding, financial leverage, profitability, firm size, and managerial ownership are factors that can affect the practice of income smoothing in the primary consumer goods sector listed on the Stock Exchange Indonesia for the period of 2017–2021. This study can become insight and scientific knowledge regarding the impact of cash holding, financial leverage, profitability, and company size on income smoothing with managerial ownership as a moderating variable. It is anticipated that this study will contribute to the development of literature and research in the field of accounting.

The relationship scheme between variables in this study can be seen in Figure 1.

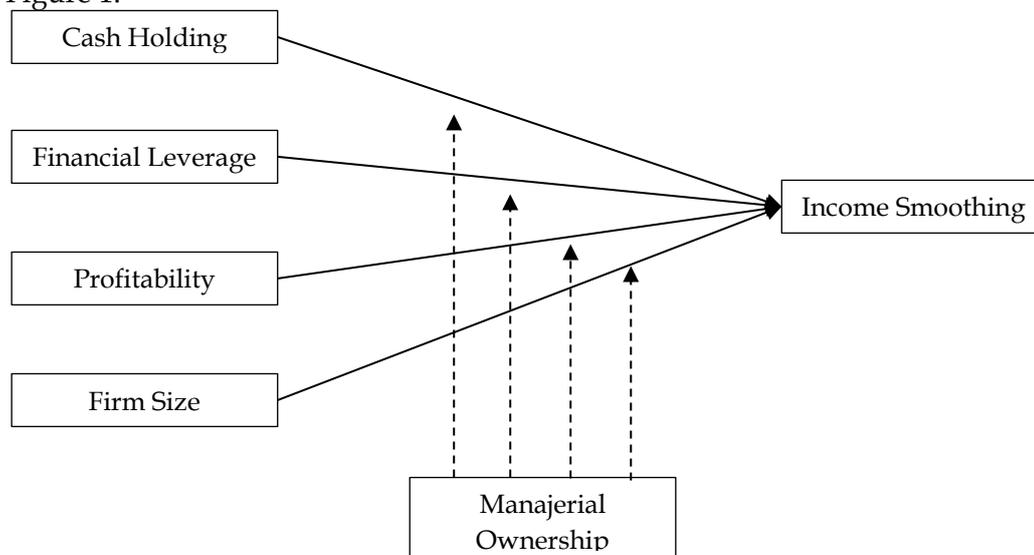


Figure 1. Research Models

Source: Research Data, 2023

This study's conceptual framework aims to give a broad overview of how profitability, company size, financial leverage, and cash holdings affect income smoothing. In addition, the moderating influence of managerial ownership on income smoothing is examined by including the managerial ownership variable as a moderating variable.

According to the framework of signal theory, the corporation's motivation to share information stems from an information asymmetry between its management and outsiders because insiders know more about the company and its prospects for the future than outsiders do (Lestari & Chariri, 2012). Signaling

reliable and positive financial information to outsiders is one strategy to lessen information asymmetry. A signal theory theory outlines how businesses send signals to consumers of financial statements (Yuliani et al., 2017). By disclosing accounting information to the company's owner or other stakeholders, a signal is made regarding the state of the business. The signal has two possible interpretations: favorable and poor (Dewi & Suryanawa, 2019). This may impact the decisions made by stakeholders. The connection between signal theory and income smoothing is that financial statement data can affect how investors choose to invest (Kusno et al., 2022). As a result, the corporation is driven to steady its profitability through income smoothing in order to draw in investors.

As a tool for managers to manage business operations, cash is the most liquid or readily available asset (Riyadi, 2018). Currency has characteristics that make it simple to transfer and conceal or do improper acts. Investors use the company's cash to judge the effectiveness of the managers in maintaining constant cash rises; one strategy is to utilize income smoothing (Putri & Budiasih, 2018). Thus, income smoothing is likely higher if the organization has cash. The management gives cues by disclosing the amount of cash the company has on hand. The corporation limits income smoothing because stakeholders are concerned about the high cash holding rate.

H₁: Cash holding positively affects income smoothing.

Financial leverage is a financial ratio that measures a company's ability to pay all of its obligations, both short-term and long-term (Agitia & Dillak, 2021). In financing their investments, not all companies finance it with their capital but also require borrowed capital (Dewi & Suryanawa, 2019). Debt to equity ratio is a ratio that describes the company's capital structure so that it can find out the company's ability to pay its obligations (Jaya & Dillak, 2019). According to Firth & Smith (1992), the creditor conducts tighter monitoring the more debt it has on its books. Consequently, the company's ability to do income smoothing is decreasing. Therefore, the likelihood of the company's income smoothing decreases as its level of debt increases. According to signal theory, high leverage makes investors less interested in the company.

H₂: Financial leverage negatively affects income smoothing.

A company's capacity to profit over a specific period is known as profitability (Arum et al., 2017). In order to impact investor confidence and draw in new investors, a stable corporate profit presents the company's performance in a positive light (Angelista et al., 2021). According to Purnama (2017), a company's performance is rated as good if its profitability is high and negative if it is low; as a result, profitability might influence the incidence of income smoothing. The likelihood of income smoothing is higher when profitability is high. By disclosing significant profitability, the company conveys to stakeholders that it attracts much attention, which motivates it to implement income smoothing.

H₃: Profitability positively affects income smoothing.

A scale to estimate a corporation's size is called "firm size" or "company size" (Fitriani, 2018). The focus and interest of investors, analysts, and the government in determining a company's future viability are significantly influenced by its size (Maotama & Astika, 2020). According to Sanjaya & Suryadi (2018), a company with many total assets indicates that it has promising long-term

prospects and can turn a profit. Large corporations tend to get stringent regulations from the government and the broader public, making them more vulnerable to income-smoothing techniques (Arum et al., 2017). The possibility of income smoothing increases with the size of the business. While a significant number of assets is undoubtedly a worry for stakeholders, the corporation sends signals by disclosing company assets, and management restricts income smoothing.

H₄: Firm size positively affects income smoothing.

Cash is liquid, short-term, and simple to distribute, it is highly easy for managers to control and is therefore very easy to conceal or engage in improper behavior. In order to maintain a steady increase in cash holding, corporations are motivated by cash holding to implement income smoothing strategies. For management to have a positive reputation with investors, it must have a solid cash holding situation (Putri & Budiasih, 2018). Management that actively participates in business decision-making owns shares of stock under the term "managerial ownership" (Angelista et al., 2021). Management is encouraged to perform better by managerial ownership, both for the benefit of shareholders and for management's benefit. So, the more flexible management is in managing financial statements, the greater the chance that income smoothing will occur and the higher the amount of managerial ownership in the organization.

H₅: Managerial ownership strengthen the effect of cash holding on income smoothing.

Financial leverage is a financial ratio that measures a company's ability to pay all of its obligations, both short-term and long-term (Agitia & Dillak, 2021). When the company's leverage is high, management is encouraged to do income smoothing to stabilize the company's reported profit (Sari & Oktavia, 2019). Stable profit indicates that although funding from company debt is high, management can manage it well to increase assets and income from the company. Managerial ownership is a concern since the amount of managerial ownership will have an impact on both the performance and the value of the organization (Maotama & Astika, 2020). Management is encouraged to perform better by managerial ownership, both for the benefit of shareholders and for management's benefit. So the higher the level of managerial ownership in the company, the more flexible management is in managing financial statements and the greater the opportunity for income smoothing.

H₆: Managerial ownership strengthen the effect of financial leverage on income smoothing

For parties outside of the company, profitability information is significant since it is used to evaluate the operation of the business. Profitability can consequently influence the occurrence of income smoothing because profitability determines how well a company performs, and vice versa if profitability is low (Purnama, 2017). Managerial ownership is the proportion of the company's total share capital that management owns in the form of shares (Febria, 2020). Management is encouraged to perform better by managerial ownership, both for the benefit of shareholders and for management's benefit. As a result, the chance for income smoothing increases with the extent of managerial ownership in the company and management's ability to handle financial statements.

H7: Managerial ownership strengthen the effect of profitability on income smoothing.

One of the management criteria for income smoothing can be the company's size. The larger corporations are more motivated to smooth their income than smaller ones, because they are exposed to more scrutiny from the government and the general public (Sari & Rudy, 2020). Large businesses want to prevent extreme profit swings because a sharp rise in profits will result in a rise in taxation. A sharp drop in profits, on the other hand, would present a less favorable impression (Fitriani, 2018). Managerial ownership has the power to modify a company's direction, which in turn may have an impact on its performance (Maotama & Astika, 2020). Management is encouraged to perform better by managerial ownership, both for the benefit of shareholders and for management's benefit. As a result, the chance for income smoothing increases with the extent of managerial ownership in the company and management's ability to handle financial statements.

H8: Managerial ownership strengthen the effect of firm size on income smoothing.

RESEARCH METHODS

Using data in the form of numbers that are measured using statistics as a calculating test instrument, this research is quantitative. With its official website, www.idx.co.id, the Indonesia Stock Exchange serves as a venue for the dissemination of information regarding the financial statements of the company. The main consumer goods industry listed on the Indonesia Stock Exchange between 2017 and 2021 makes up the study's population. The primary consumer products sector is the second largest sector on the Indonesia Stock Exchange, which is why this sector was chosen. Large-sized enterprises can be found in both of the main consumer goods industries. According to Law No. 20 of 2008, businesses are considered substantial if they have assets of more than IDR ten billion (excluding land and buildings used for business premises) and annual sales of more than IDR fifty billion. The corporation tends to control its profits so that they do not fluctuate by adopting income smoothing since, despite its size, it cannot guarantee that the profit created is true. Lastly, for businesses to do income smoothing, huge corporations require larger finances to increase their earnings. Purposive sampling was used to pick the samples for this study, which included up to 16 firm samples. Companies listed on the Indonesia Stock Exchange, with complete annual and financial reports, no losses, use of rupiah currency, and managerial ownership during the 2017-2021 research period, were the criteria employed in this study.

Table 1. Operational Variables

Variabel	Definition	Indicators
Income Smoothing	By shifting high revenues to periods regarded as less profitable, a corporation can reduce variations in its profits from year to year (Sari & Rudy, 2020).	Income Smoothing Index (Eckel Index) = $\frac{CV\Delta I}{CV\Delta S}$ (Jaya & Dillak, 2019)
Cash Holding	The most liquid asset used by management to conduct daily business operations of the organization is cash (Haniftian & Dillak, 2020).	Cash Holding = $\frac{\text{Cash and Cash Equivalent}}{\text{Total Assets}}$ (Agitia & Dillak, 2021)
Financial Leverage	Financial leverage measures how much debt a firm has taken on to finance its operations and investments (Fitriani, 2018).	Debt to Equity Ratio (DER) = $\frac{\text{Total Debt}}{\text{Equity}}$ (Jaya & Dillak, 2019)
Profitability	The ability of the business to turn a profit is shown by a ratio called profitability (Maotama & Astika, 2020).	Return on Equity (ROE) = $\frac{\text{Earning After Tax}}{\text{Total Equity}}$ (Sari & Oktavia, 2019)
Firm Size	A "firm size" scale is used to gauge a company's size.	Firm Size = Ln (Total Assets) (Fitriani, 2018)
Manajerial Ownership	The percentage of the company's total share capital that the management owns in the form of shares is known as managerial ownership (Febria, 2020).	Manajerial Ownership = $\frac{\sum \text{Shares Owned by Management}}{\sum \text{Outstanding Shares of The Company}}$ (Angelista et al., 2021)

Source: Research Data, 2023

In this study, logistic regression analysis was the method of choice for testing hypotheses 1, 2, 3, and 4. Logistic regression analysis was used in this study because the dependent variable in this study was a dummy variable. The Eckel Index, which can discriminate between businesses that use income smoothing and businesses that do not, was used to test the income smoothing action (Setyani & Wibowo, 2019). If the company does income smoothing, its index will be less than one (1), conversely, if it does not, its index will be more than one (>1) (Sari & Rudy, 2020). Companies that do income smoothing are then awarded a score of 1, while those that do not are given a score of 0. Moreover, moderated regression analysis is used in hypotheses 5, 6, 7, and 8. (MRA). SPSS Statistic 25 for Windows is used to assist with this test. The following is the regression equation used in this study: $INSMOOTH = \alpha + \beta_1CHOLD + \beta_2FLEV + \beta_3PROF + \beta_4FSIZE + e \dots\dots\dots (1)$

In this investigation, the moderated regression analysis equation is as follows.

$$INSMOOTH = \alpha + \beta_1CHOLD + \beta_2FLEV + \beta_3PROF + \beta_4FSIZE + \beta_5*MOW + \beta_6CHOLD*MOW + \beta_7FLEV*MOW + \beta_8PROF*MOW + \beta_9FSIZE*MOW + e \dots\dots (2)$$

Information:

INSMOOTH	= Income Smoothing
α	= Constant
$\beta_1 - \beta_9$	= Regression Coefficient
CHOLD	= Cash Holding
FLEV	= Financial Leverage
PROF	= Profitability
FSIZE	= Firm Size
MOW	= Manajerial Ownership
e	= Error

RESULT AND DISCUSSION

The descriptive statistical test summarizes data on the research variables, including income smoothing, cash holding, financial leverage, profitability, business size, and management ownership, as viewed from each research variable's average, maximum, minimum, and standard deviation values. The results of the descriptive statistical test of the study can be seen in Table 2.

Table 2. Descriptive Statistical Test Results

	Minimum	Maximum	Mean	Std. Deviation
Income Smoothing	0	1	0,38	0.487
Cash Holding	0.005	0.532	0,117	0.114
Financial Leverage	0.122	4.286	1,194	1.049
Profitability	0.001	1.451	0,197	0.309
Firm Size	27.081	32.820	29,516	1.534
Manajerial Ownership	0.000	0.485	0,083	0.135
Valid N (listwise)	80			

Source: Research Data, 2023.

Based on the Table 1, it is possible that the income smoothing Variable's data distribution can be characterized as having a minimum value of 0 and a maximum value of 1. In this instance, income smoothing is a dummy variable with a score of 0 signifying a company that does not employ it and a score of 1 signifying a company that does. Businesses in the sample, with an average value of 0.38, used income smoothing techniques. The income smoothing standard deviation is 0.487. Income smooting has a mean smaller than standard deviation which can mean that the variable data is not grouped or varied.

The cash holding variable ranges from 0.005 to 0.532, with 0.005 being the least value and 0.532 being the maximum value. So, the average value of the cash holding variable is 0.117, and the standard deviation is 0.114. The cash holding variable has a mean value greater than the standard deviation which can mean that the variable data is grouped or does not vary.

The financial leverage variable has a range of values, from a minimum of 0.122 to a high of 4.286. The standard deviation is 1.049, and the variable financial leverage has an average value of 1.194 overall. The average value of the variable exceeds the standard deviation, it may indicate that the data is grouped or that the value of the variable is constant.

The profitability variable ranges from 0.001 to 1.451, with 0.001 being the least value and 1.451 being the maximum value. As a result, the profitability

variable's standard deviation is 0.309, and its average value is 0.197. Since profitability has a mean that is less than the standard deviation, the data for these variables may not be grouped or varied.

The firm size variable ranges from 27.081 to 32.820 as its minimum and maximum values. Hence, the firm size variable's average value is 29.516, while its standard deviation is 1.534. The firm size variable has a mean value greater than the standard deviation which can mean that the variable data is grouped or does not vary.

Ownership, a management variable, is said to have a minimum value of 0.000 and a maximum value of 0.485. The managerial ownership variable's average value is 0.083, and its standard deviation is 0.135. Managerial ownership has averages that are less than standard deviation, data for these variables may not be grouped or varied.

Hosmer and Lemeshow tests determined whether the regression model's feasibility test passed. This test is used to determine whether or not the regression model created is accurate. The Goodness of Fit value, determined by the Chi-Square value, is the foundation for decision-making. When the significance level exceeds 0.05, H0 is accepted, indicating that the regression model should be used for further analysis. The results of the feasibility test of the regression model can be seen in Table 3.

Table 3. Hosmer and Lemeshow Test Results

Step	Chi-square	df	Sig.
1	3.535	8	0.896

Source: Research Data, 2023.

Based on the Table 2, the Chi-Square value was 3.535 with a significance value of 0.896, meaning that H0 was accepted or the regression model created was accurate. This value was greater than 0.05.

Table 4. Overall Model Fit Test Results

Iteration	-2 Log likelihood	Constant	Iteration History a,b,c,d					
			Cash Holding	Financial Leverage	Profitability	Firm Size	Manajerial Ownership	
Step 1	66.669	-2.293	-6.658	-1.268	3.354	0.121	-1.890	
1								
	2	56.017	-4.368	-10.466	-2.349	6.222	0.223	-2.241
	3	51.652	-5.653	-13.529	-3.452	9.764	0.293	-2.662
	4	50.018	-5.757	-15.832	-4.187	14.486	0.307	-3.352
	5	49.573	-5.153	-17.329	-4.445	18.918	0.285	-4.035
	6	49.565	-5.177	-17.682	-4.529	19.515	0.288	-4.152
	7	49.565	-5.179	-17.692	-4.532	19.529	0.288	-4.155
	8	49.565	-5.179	-17.692	-4.532	19.529	0.288	-4.155

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log-Likelihood: 105.850

d. Estimation terminated at iteration number 8 because parameter estimates changed by less than 0.001.

Source: Research Data, 2023.

Whether the proposed model fits the data or not, the overall test of the fit model is run. In order to conduct this test, the initial -2 Log Likelihood (-2LL) value

and the end -2 Log Likelihood (-2LL) value were compared. The regression model is deemed accurate or in line with the postulated data if the value of -2 Log Likelihood (-2LL) drops. The results of the overall test of the model can be seen in Table 4.

Based on the Table 3, the initial -2 Log Likelihood (-2LL) value of 105.850 and the final -2 Log Likelihood (-2LL) value of 49.565 indicates that there has been a decline in value. The regression model is good or matches the hypothesized data if the value of -2 Log Likelihood (-2LL) decreases.

The coefficient of determination test is used to gauge the extent to which independent variables employed in the study impact their dependent counterparts. Regarding the results of the coefficient of determination test, it can be seen in Table 5.

Table 5. Coefficient of Determination Test Results (Nagelkerke R Square)

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	49.565 ^a	0.505	0.689

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than 0,001

Source: Research Data, 2023.

Based on the Table 4, the dependent income smoothing variable in this study, which is expressed as a percentage, can be explained by the independent variables in this study, namely cash holding, financial leverage, profitability, and company size, by a coefficient of determination of 0.689 or 68.9. While additional factors not examined in this study accounted for the remaining 31.1% of the explanation.

The partial hypothesis test, often known as the z test, determines the impact of each independent Variable on the dependent Variable. The significance value of this test can be used to make decisions. The hypothesis is accepted if the significance value is less than 0.05 and rejected if the significance value is more than 0.05. In this study, up to eight hypotheses were put forth, and the logistic regression z-test was used to examine the first, second, third, and fourth hypotheses. The results of the z-test can be seen in Table 6.

Table 6. Z Test Results

		Variables in the Equation					
		B	S.E	Wald	df	Sig.	Exp(B)
Step 1 ^a	Cash Holding	-17.692	5.649	9.810	1	0.002	0.000
	Financial Leverage	-4.532	1.325	11.703	1	0.001	0.011
	Profitability	19.529	7.842	6.202	1	0.013	302998817.9
	Firm Size	0.288	0.247	1.361	1	0.243	1.333
	Manajerial Ownership	-4.155	2.678	2.408	1	0.121	0.016
	Constant	-5.179	6.733	0.592	1	0.442	0.006

a. Variable (s) entered on step 1: Cash Holding, Financial Leverage, Profitability, Firm Size, Manajerial Ownership

Source: Research Data, 2023.

According to the test findings, the fourth hypothesis was rejected since the company size had a significance value of 0.243, which was greater than 0.05.

Based on the Table 5, the first hypothesis was rejected since the cash holding had a significance value of 0.002 where the value is less than 0.05 and the

cash holding variable regression coefficient's value of -17.692 indicates that income smoothing procedures are negatively impacted. This implies that having cash has an negatively impact on income smoothing. This demonstrates that businesses with a low cash holding rate have high scope to implement income-smoothing strategies. The corporation solely intends to utilize its cash to cover operational costs, settle debts, and distribute dividends to its shareholders. So that personal interests cannot be served by using money. This backs up studies by Haniftian & Dillak (2020) found that cash holding has a significant positive effect on income smoothing. Haniftian & Dillak (2020) came to the conclusion that the company's large enough cash holdings demonstrate the company's excellent performance in managing cash internally and serve as a measure of the ability of its managers to manage cash in a stable manner, in order to encourage managers to put their own interests first.

According to the second hypothesis test results, financial leverage has a regression coefficient value of -4.532 and a significance value of 0.001, which is less than 0.05 and is therefore accepted as true. This implies that income smoothing is negatively impacted by financial leverage. Financial leverage's regression value of -4.532 indicates that income smoothing procedures are negatively impacted. This demonstrates that businesses with high financial debt have less opportunity to use income smoothing. High financial leverage is an example of how much debt the company has. Companies with significant levels of leverage may find it challenging to foresee their future, and because creditors closely monitor them, income smoothing becomes more and more challenging for them as well. Consistent with Savitri & Priantinah (2019) who conclude that financial leverage negatively impacts income smoothing. Dwiputri & Murni (2022) conclude that financial debt negatively impacts income smoothing, low levels of financial leverage encourage an organization to use income-smoothing techniques. The company tries to obtain further loans from creditors when its debt is low. Due to the company's excessive profit variations, creditors turned down the company's request for a loan; as a result, the company implemented income smoothing to reduce it is not persistent earnings and get a loan.

The third hypothesis was tested, and the results indicate that profitability has a regression coefficient value of 19.529 and a significance value of 0.013, which is smaller than 0.05, meaning that H_3 is accepted. This result implies that income smoothing is positive influenced by profitability. The variable profitability regression coefficient has a value of 19.529 percent. If there is a positive influence, it means that the company has a greater opportunity to implement income-smoothing practices because it always wants to be viewed favorably by investors. This is done by either increasing or decreasing the company's actual profit in a given period to stabilize the company's profit. The company's strong performance is described by a constant corporate profit, which influences investor confidence and can draw in new investors. Stable revenues also help managers, who may keep their jobs and advance within the organization. These findings are consistent with Riyadi (2018) and Nurapiah (2019), which found that profitability significantly influences income smoothing. According to the research, the company tends to do income smoothing the higher its level of profitability since management is confident in the business' potential to turn a profit in the future.

According to the test findings, the fourth hypothesis was rejected since the company size had a significance value of 0.243, which was greater than 0.05. This indicates that income smoothing is unaffected by the company's size. The company size's regression coefficient has a value of 0.288. This means that a company's size does not affect whether it engages in income-smoothing tactics. Because both large and small businesses receive oversight from outside parties. All businesses must follow the guidelines in order to raise their enterprise value. This backs by research by Setyani & Wibowo (2019) and Dwiputri & Murni (2022) that found that income smoothing is unaffected by the organization's size. According to Setyani & Wibowo (2019), the likelihood level of enterprises with lesser total assets is less likely to undertake profit leveling, hence the size of the company has no bearing on the smoothing of profits.

The ability of management ownership characteristics to moderate the impact of cash holding, financial leverage, profitability, and firm size on income smoothing is assessed using the moderation test. This method tests the fifth, sixth, seventh, and eighth hypotheses. The results of the moderation test can be seen in Table 7.

Table 7. Moderation Test Results

		Variables in the Equation					
		B	S.E	Wald	Df	Sig.	Exp(B)
Step	Cash Holding *	-14.703	23.032	0.407	1	0.523	0.000
1 ^a	Manajerial Ownership						
	Financial Leverage *	10.860	5.330	4.151	1	0.042	52026.306
	Manajerial Ownership						
	Profitability* Manajerial	-17.052	27.685	0.379	1	0.538	0.000
	Ownership						
	Firm Size * Manajerial	7.416	4.104	3.265	1	0.071	1661.854
	Ownership						

Source: Research Data, 2023.

The interaction between management ownership and cash holding on income smoothing has a regression coefficient value of -14.703 and a significance value of 0.523, where the value is greater than 0.05. It is clear from the results of the fifth hypothesis test above that H_5 is not supported. This suggests that management ownership does not affect how income smoothing is affected by retaining cash. Because there are only 32 businesses with managerial ownership in the primary consumer goods category studied. The limited number of shares owned by management is considered low managerial ownership. Due to its minimal percentage of ownership, it has little impact on the company's decisions.

The interaction between managerial ownership and financial leverage on income smoothing has a significance value of 0.042, which is less than 0.05, as can be seen from the results of the sixth hypothesis test discussed above. As a result, H_6 is accepted. The impact of financial leverage on income smoothing is strengthened by managerial ownership. The regression coefficient is 10.860 in value. If a positive effect exists, managerial ownership enhances financial leverage's impact on income smoothing. Managerial ownership is seen to have the power to influence how a company is operated, which would subsequently affect how well the company performs. The company's tendency to undertake income

smoothing increases with the level of managerial ownership in the business since management may handle financial statements with greater flexibility. In contrast, management ownership does not attenuate the influence of financial leverage on income smoothing, according to a study by Sellah & Herawaty (2019).

The interaction between management ownership and profitability to income smoothing has a regression coefficient value of -17.052 and a significance value of 0.538, which is greater than 0.05 and indicates that H7 is rejected, according to the findings of the seventh hypothesis test discussed above. So, managerial ownership does not mitigate the impact of profitability on income leveling because there are only 32 businesses with managerial ownership in the primary consumer goods category studied. The limited number of shares owned by management is considered low managerial ownership. Low ownership has little impact on the decisions that the company makes. This is in line with a study done by Putra (2018), who found that management ownership has no effect on the voices of decision-makers and has no moderating effect on the relationship between profitability and income smoothing.

The interaction between management ownership and firm size on income smoothing has a regression coefficient value of 7.416 and a significance value of 0.885, which is greater than 0.05 and indicates that H8 is rejected, according to the findings of the eighth hypothesis test discussed above. So, managerial ownership does not offset the impact of business size on the leveling of income, because there are only 32 businesses with managerial ownership in the primary consumer goods category studied. The limited number of shares owned by management is considered low managerial ownership. Low ownership has little impact on the decisions that the company makes. This complements research by Sellah & Herawaty (2019), which found that managerial ownership had no impact on the income-smoothing effect of company size.

CONCLUSION

Based on research findings on how cash holding, financial leverage, profitability, and company size affect income smoothing with managerial ownership as a moderating variable, it can be concluded that cash holding has a negative affects income smoothing, financial leverage has a negative affects income smoothing, profitability has a positive affects income smoothing, firm size partially does not affect income smoothing, managerial ownership does not moderate the influence of cash holding on income smoothing, managerial ownership strengthens the relationship between financial leverage and income smoothing, managerial ownership does not moderate the effect of profitability on income smoothing and, managerial ownership does not moderate the effect of firm size on income smoothing.

This study can become insight and scientific knowledge regarding the impact of cash holding, financial leverage, profitability, and company size on income smoothing with managerial ownership as a moderating variable. It is anticipated that this study will contribute to the development of literature and research in the field of accounting and and can provide information to the company as consideration for managers in deciding whether or not the company needs to take income smoothing. This analysis is limited because at least earlier

studies have examined the impact of management ownership moderation on the connection between cash holdings and income smoothing, because there is still little study, managerial ownership as a moderating variable for factors affecting income smoothing, particularly regarding cash holding. According to the study's findings, the researcher recommends that the next study retest inconsequential variables such as firm size, alter using different proxies, test additional variables that affect income smoothing such as institutional ownership, firm value, firm age, and etc.

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