

Volume: 5
 Number: 3
 Page: 441 - 446

Article History:

Received: 2025-04-25
 Revised: 2025-05-13
 Accepted: 2025-05-27

THE EFFECT OF PROFITABILITY, LEVERAGE, AND AUDIT QUALITY ON EARNINGS MANAGEMENT OF ENERGY SECTOR COMPANIES ON THE INDONESIA STOCK EXCHANGE 2019-2023

Ni Kadek Sintiya Purnama DEWI¹, Ni Made Intan PRILIANDANI², Putu Yudha Asteria PUTRI³, I Gusti Ngurah Agung Kepakisan MANDALA⁴

^{1,2,3}Faculty of Economics and Business, Warmadewa University, Indonesia

⁴Institute of Design and Business (IDB) Bali, Indonesia

Corresponding author: Ni Kadek Sintiya Purnama Dewi

E-mail: purnamadewi090902@gmail.com

Abstract:

This study aims to observe and explore every aspect listed on the IDX since 2019 - 2023. This problem arises because of the characteristics of profit manager actions and the inconsistency of the results of the initial study. The approach used is quantitative by applying panel data regression, including classical assumption tests, descriptive analysis, f tests, t tests, and testing the coefficient of determination. The total sample is 21 companies determined from a purposive sampling of 64 companies. The information is obtained from secondary sources, and panel data regression analysis is carried out using the Eviews tool. The study results if each independent variable contributes to earnings management. It shows that each aspect determined and selected in this study does not contribute to earnings management actions. This study shows that profitability, leverage, and audit quality have no significant effect on earnings management in energy sector companies on the IDX. Profitability and leverage do not determine earnings management practices, while audit quality is more utilized to increase investor confidence than to limit manipulation of financial statements.

Keywords: Earnings Management, Profitability, Leverage, Audit Quality.

INTRODUCTION

Earnings management can be viewed as an opportunistic action that harms stakeholders or as an efficiency strategy to reduce information asymmetry (Faukha & Suwarno, 2024). Managers may manipulate financial statements for personal gain, which, in the long run, may reduce investor confidence. In contrast, from an efficiency perspective, this practice can help stabilize earnings and increase shareholder value.

A case of earnings management occurred at PT Timah Tbk in 2019, where the company revised its 2018 financial data from a net profit of Rp 531.35 billion to Rp 132.29 billion, which reduced its 2018 profit by 73.67% compared to 2017 (Firjatulloh et al., 2023). This revision shows indications of manipulation to cover up the decline in financial performance.

PT Timah Tbk's 2019 financial statements also showed indications of corruption that cost the state more than IDR 300 billion through various manipulation methods, such as the recovery of provisions for receivables and adjustments to asset depreciation (RiauKontras, 2021). This practice highlights the close relationship between earnings management and corruption.

The negative impacts of earnings management include loss of stakeholder trust, legal risk, as well as a decrease in the company's ability to raise funds in the future. If proven to have manipulated financial statements, companies can face legal sanctions, fines, and shareholder lawsuits.

Profitability and leverage are the main factors that encourage earnings management practices (Purba & Tobing, 2020). Profitability reflects the company's ability to generate profits, while leverage



This open-access article is distributed under a
 Creative Commons Attribution (CC-BY-NC) 4.0 license

indicates the level of financial risk. Companies with low profitability tend to manipulate financial statements to maintain a positive image, while companies with high leverage risk use earnings management to maintain good relations with creditors.

Effect of Profitability on Earnings Management. Based on agency theory, conflicts of interest between shareholders or managers can encourage earnings manipulation, especially when profitability is low. Hardiyanti and Ani (2022) describe if profitability contributes negatively to earnings management. Yovianti & Dermawan (2020) and Hardiyanti et al. (2022) also found that the higher the profitability. H1 = Profitability Contributes Negatively to Earnings Management in Energy Sector Companies Listed on the IDX in 2019-2023.

The Effect of Leverage on Earnings Management. Based on agency theory, managers are responsible for optimizing profits to meet shareholder expectations. A high leverage ratio can reduce the company's ability to generate profits. Jelanti (2020) found that leverage has a significant positive effect on earnings management. Anisya et al. (2023) and Susilowati and Sari (2021) explain that companies with large debts are more prone to earnings management practices to reduce the risk of inability to pay off their obligations. H2 = Leverage Contributes Positively to Earnings Management in Energy Sector Companies Listed on the IDX in 2019-2023.

The Effect of Audit Quality on Earnings Management. According to agency theory, conflicts of interest encourage managers to manipulate earnings, so independent audits are needed to ensure transparency. High audit quality, especially by the Big Four KAP, reduces earnings manipulation. Syarif M. Helmi et al. (2023), Ibrahim & Adhawiyah (2020), and Hadi & Tifani (2020) found that high-quality audits suppress earnings management practices. H3 = Audit Quality Contributes Negatively to Earnings Management in Energy Sector Companies Listed on the IDX in 2019-2023.

METHODS

This study wants to examine "the effect of profitability, leverage, and audit quality on earnings management practices in energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period". The data analyzed comes from financial data published on the IDX and the official websites of related companies. The sample selection was carried out using a purposive sampling technique from some criteria, such as consistency in the presentation of financial statements and earnings during the study period. The approach used is quantitative by applying panel data regression, including classical assumption tests, descriptive analysis, f-tests, t-tests, and testing the coefficient of determination.

RESULT AND DISCUSSION

Panel Data Regression Model Test. From the assumptions of Priyatno (2022: 66), there are 3 models in panel data regression such as fixed effect, common effect, and random effect.

- a) Chow Test. The cross-section probability is $0.0002 < 0.05$, so the model used is FEM. Because the Chow test shows the selection of the FEM model, the next step is to conduct the Hausman test to determine whether the more suitable model is between Random Effect and Common Effect.
- b) Hausman Test. The probability of a random cross-section is $0.6257 > 0.05$, so the REM model will be used. Because the Hausman test selects the REM model, the next step is to carry out the Lagrange Multiplier test to determine the most suitable model between Random Effect and Common Effect.



This open-access article is distributed under a
Creative Commons Attribution (CC-BY-NC) 4.0 license

- c) Lagrange Multiplier Test. This test produces a Breusch-Pagan cross-section of 0.0001 <0.05. It is interpreted that H1 is accepted and H0 is rejected, which means that the most suitable model is REM.

Classical Assumption Test. Since this study uses REM, the test to be carried out is the multicollinearity test. The analysis results in freedom from multicollinearity because the coefficient values of the independent variables are <0.8.

Panel Data Regression Analysis. This analysis will be carried out using the random effect model; the results are listed in the following table:

Table 1. Panel Data Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000601	0.035804	-0.016781	0.9866
X1	0.097931	0.061541	1.591311	0.1147
X2	0.049261	0.065007	0.757784	0.4503
X3	-0.038992	0.023019	-1.693929	0.0934
Effects Specification				
		S.D.	Rho	
Cross-section random		0.044134	0.3253	
Idiosyncratic random		0.063555	0.6747	
Weighted Statistics				
R-squared	0.053830	Mean dependent var	0.005167	
Adjusted R-squared	0.025726	S.D. dependent var	0.063989	
S.E. of regression	0.063160	Sum squared resid	0.402914	
F-statistic	1.915393	Durbin-Watson stat	1.446710	
Prob(F-statistic)	0.131857			

Through Table 1. An equation can be formed as follows:

$$Y = 0,000601 + 0,097931X1it + 0,049261X2it - 0,038992X3it + \varepsilon it$$

- The constant of - 0.000601 means that if each independent variable is fixed, then earnings management is 0.000601.
- The profitability coefficient of 0.097931 means that each increase in profitability can increase earnings management by 0.097931, indicating a positive relationship.
- The leverage coefficient of 0.049261 means that each increase in leverage can increase earnings management by 0.049261, indicating a positive relationship.
- The audit quality coefficient of -0.038992 means that each increase in quality can reduce earnings management by 0.038992, indicating a negative relationship.

Hypothesis Test. Coefficient of Determination. The coefficient of determination of 0.053830 shows that the independent variables can explain 5.38% of the variation in earnings management variables; then, the difference of 94.62% is accompanied by factors outside this study.

Partial Test (t Test). Through table 1. The test results can be summarized as follows:

- The t value is 1.591311 with a probability of 0.1147 (>0.05), it is assumed that profitability does not contribute to earnings management and H1 is rejected.



This open-access article is distributed under a
Creative Commons Attribution (CC-BY-NC) 4.0 license

- b) The t value is 0.757784 with a probability of 0.4503 (>0.05), it is assumed that leverage does not contribute to earnings management and H2 is rejected.
- c) The t value is -1.693929 with a probability of 0.0934 (>0.05). It is assumed that audit quality does not contribute to earnings management and H3.

Simultaneous Test (F Test). The test results show an F-statistic value of 1.915393 with a probability of 0.131857, which indicates that profitability, leverage, and audit quality simultaneously have no significant effect on earnings management.

Profitability on Earnings Management in Energy Sector Companies Listed on the Indonesia Stock Exchange (IDX). The results of this study show that profitability, as measured by ROA, does not contribute significantly to earnings management in energy sector companies on the IDX (t-statistic 1.591311; p-value $0.1147 > 0.05$), so H1 is rejected. Based on agency theory, although conflicts of interest may encourage earnings management, investors focus more on total earnings than ROA. This finding is in line with Meliza (2024) and Sari and Susilowati (2021) but contrary to Ani and Hardiyanti (2022) and Yovianti and Dermawan (2020), who found a negative effect of profitability on earnings management.

Leverage on Earnings Management in Energy Sector Companies Listed on the Indonesia Stock Exchange (IDX). The results showed that leverage had no significant effect on earnings management in energy sector companies on the IDX was rejected. (t statistic 0.757784; p-value $0.4503 > 0.05$), so H2 is rejected. Based on agency theory, the amount of debt does not encourage companies to carry out earnings management because the risk of default cannot be avoided by manipulating financial statements (Umah & Sunarto, 2022). This finding is in line with Hanisa and Rahmi (2021) and Ani and Hardiyanti (2022) but contradicts Sari and Susilowati (2021), who found a negative effect of leverage on earnings management.

Audit Quality on Earnings Management in Energy Sector Companies Listed on the Indonesia Stock Exchange (IDX). The results showed that audit quality had no significant effect on earnings management in energy sector companies on the IDX (t statistic - 1.693929; p-value $0.0934 > 0.05$), so H3 was rejected. Based on agency theory, high-quality auditors should limit earnings management, but this finding indicates that companies use reputable auditors more to increase the credibility of financial statements, not to limit manipulation. This result is in line with Fadillah and Noviyanti (2022), Sari and Susilowati (2021), and Desmy (2022).

CONCLUSION

This study shows that profitability, leverage, and audit quality have no significant effect on earnings management in energy sector companies on the IDX. Profitability and leverage do not determine earnings management practices, while audit quality is more utilized to increase investor confidence than to limit manipulation of financial statements.

REFERENCES

- Ani, F. H., & Hardiyanti, W. (2022). Pengaruh Likuiditas, Profitabilitas, Leverage, dan Ukuran Perusahaan Terhadap Manajemen Laba. *Jurnal Ilmiah Akuntansi dan Keuangan*, 4(6), 2622–2205. <https://doi.org/10.32670/fairvalue.v4i9.1570>
- Anisya, R., Yentifa, A., & Rosalina, E. (2023). Pengaruh Profitabilitas dan Leverage Terhadap Manajemen Laba (Studi Kasus pada Perusahaan Manufaktur Sub Sektor Food and Beverage



This open-access article is distributed under a Creative Commons Attribution (CC-BY-NC) 4.0 license

- yang Terdaftar di Bursa Efek Indonesia). *Akuntansi dan Manajemen*, 18(2), 29–41.
<https://doi.org/10.30630/jam.v18i2.231>
- Ardiyanti Pratika, A., & Nurhayati, I. (2022). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Profitabilitas, Leverage dan Kualitas Audit Terhadap Manajemen Laba. *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan*, 5(2), 762–775.
<https://doi.org/10.32670/fairvalue.v5i2.2074>
- Astuti, P. W. (2017). Pengaruh Profitabilitas, Ukuran Perusahaan, Leverage, dan Kualitas Audit Terhadap Manajemen Laba. *Jurnal Ilmiah*, 11(1), 92–105.
- Fadillah, F., & Noviyanti, S. (2022). Pengaruh Kualitas Audit Terhadap Manajemen Laba Perusahaan (Studi Kasus pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI) pada Periode 2017-2019). *Jurnal Perpajakan, Manajemen, dan Akuntansi*, 14(1), 92–110.
- Faukha, U. Z., & Suwarno. (2024). Pengaruh Financial Distress, Free Cash Flow, dan Earning Power Terhadap Manajemen Laba. *Akuntansi dan Ekonomi Pajak: Perspektif Global*, 1(3), 312–333.
<https://doi.org/10.61132/aeppg.v1i3.416>
- Firjatulloh, F., Dillak, V. J., & Aminah, W. (2023). Pengaruh Profitabilitas, Free Cash Flow, Ukuran Perusahaan Terhadap Manajemen Laba. *E- Proceeding of Management*, 10(2), 1343–1451.
- Hadi, F. I., & Tifani, S. (2020). Pengaruh Kualitas Audit dan Auditor Switching Terhadap Manajemen Laba. *Jurnal Bisnis dan Akuntansi*, 22(1), 95–104. <https://doi.org/10.34208/jba.v22i1.620>
- Hanisa, F., & Rahmi, E. (2021). Pengaruh Financial Leverage, Kualitas Audit dan Pertumbuhan Perusahaan Terhadap Manajemen Laba. *Jurnal Ecogen*, 4(2), 317–326.
<https://doi.org/10.24036/jmpe.v4i2.11056>
- Ibrahim, & Adhawiyah, B. P. R. (2020). Pengaruh Kualitas Audit dan Kepemilikan Manajerial Terhadap Manajemen Laba pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *AkMen Jurnal Ilmiah*, 17(4), 665–680. <https://doi.org/10.37253/gfa.v4i2.1233>
- Jelanti, D. (2020). Pengaruh Rasio Profitabilitas, Free Cash Flow, dan Leverage Terhadap Manajemen Laba. *Jurnal Madani: Ilmu Pengetahuan, Teknologi, dan Humaniora*, 3(2), 289–303.
<https://doi.org/10.33753/madani.v3i2.123>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305–360.
[https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Kasmir. (2019). *Analisis Laporan Keuangan (Edisi Revisi)*. PT Raja Grafindo Persada.
- Kumalasari, P. D. (2021). Pengaruh Profitabilitas Terhadap Manajemen Laba pada Perusahaan Keuangan dan Manufaktur. *Jurnal Keuangan*, 10(9), 809–816.
<https://doi.org/10.24843/EEB.2021.v10.i09.p08>
- Maulidah, R., & Santoso, R. A. (2020). Pengaruh Kualitas Audit, Ukuran Perusahaan dan Leverage Terhadap Manajemen Laba pada Perusahaan Perbankan yang Tercatat di Bursa Efek Indonesia Tahun 2016-2018. *Jurnal Mahasiswa Manajemen*, 1(1), 56–69.
<https://doi.org/10.30587/mahasiswamanajemen.v1i01.1237>
- Meliza, Y. (2024). Pengaruh Ukuran Perusahaan, Leverage, Profitabilitas Terhadap Manajemen Laba (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia). *Jurakunman*, 17(2), 148–157. <https://doi.org/10.48042/jurakunman.v17i2.337>
- Murniati, A. (2023). Profitability, Leverage, Sales Growth and Their Implications for Profit Management. *Jurnal PETA*, 8(2), 150–159. <https://doi.org/10.51289/peta.v8i2.733>



This open-access article is distributed under a
Creative Commons Attribution (CC-BY-NC) 4.0 license

- Oyong, L. (2012). Asimetri Informasi dan Manajemen Laba: Suatu Tinjauan Dalam Hubungan Keagenan. *Jurnal WIGA: Jurnal Penelitian Ilmu Ekonomi*, 2(1), 42–49.
- Purba, H. M., & Tobing, V. C. (2020). Analisis Rasio Profitabilitas dan Rasio Solvabilitas Terhadap Harga Saham pada Perusahaan Manufaktur di Bursa Efek Indonesia.
- Putra, I. N. W. A. (2017). Manajemen Laba: Perilaku Manajemen Opportunistic atau Realistic. *Jurnal Ilmiah Akuntansi dan Bisnis*, 6(1), 1–21.
- Putri, P. Y. A., Saputra, K. A. K., & Santini, N. M. (2024). Optimization Existence Bumdes as Supporter Economy in Village Angantaka Badung. *Akuntansi dan Humaniora: Jurnal Pengabdian Masyarakat*, 3(1), 19–23. <https://doi.org/10.38142/ahjpm.v3i1.992>
- RiauKontras. (2021). Diduga PT Timah Merekayasa Laporan Keuangan Sebesar Rp 386,5 miliar.
- Rosari, R. (2017). Faktor-Faktor yang Mempengaruhi Kualitas Hasil Audit. *Wahana*, 20(1), 1–12. <https://doi.org/10.35591/wahana.v20i1.2>
- Sari, N. A., & Susilowati, Y. (2021). Pengaruh Leverage, Ukuran Perusahaan, Profitabilitas, Kualitas Audit, dan Komite Audit Terhadap Manajemen Laba. *Jurnal Ilmiah Aset*, 23(1), 43–52. <https://doi.org/10.37470/1.23.1.176>
- Sari, P. K., Mudasetia, & Marzuki, A. (2023). Pengaruh Profitabilitas, Likuiditas, dan Ukuran Perusahaan Terhadap Manajemen Laba pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia periode 2017–2020. *Jurnal Riset Akuntansi dan Bisnis Indonesia STIE*, 3(3). <https://doi.org/10.32477/jrabi.v3i3.789>
- Syarif, M. H., Kurniadi, A., Muhammad Khairul Anam, & Soraya Nurfiza. (2023). Pengaruh Profitabilitas dan Kualitas Audit Terhadap Manajemen Laba Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. *Jurnal Akuntansi Trisakti*, 10(1), 51–68. <https://doi.org/10.25105/jat.v10i1.15496>
- Umah, A. K., & Sunarto. (2022). Faktor-Faktor yang Mempengaruhi Manajemen Laba pada Perusahaan Manufaktur Tahun 2015–2020. *Jurnal Ilmiah Mahasiswa Akuntansi*, 13(2), 531–540. <https://doi.org/10.24912/jpa.v2i1.7172>
- Widjayanti, P. F. S., Saputra, K. A. K., & Larasdiputra, G. D. (2024). The Influence of Profitability, Company Size, and Growth Opportunity on The Quality of Profits in Property and Real Estate Companies Listed on the Indonesian Stock Exchange (Bei) Year 2019–2022. *Journal of Governance, Taxation and Auditing*, 2(4), 239–245. <https://doi.org/10.38142/jogta.v2i4.1024>
- Wowor, J. C. J., Morasa, J., & Rondonuwu, S. (2021). Pengaruh Profitabilitas Terhadap Manajemen Laba pada Perusahaan Sektor Consumer Goods Industry di Bursa Efek Indonesia (BEI). *Jurnal*, 9(1), 589–599.
- Yovianti, L., & Dermawan, E. S. (2020). Pengaruh Leverage, Profitabilitas, Ukuran Perusahaan, dan Kepemilikan Institusional Terhadap Manajemen Laba. *Jurnal Paradigma Akuntansi*, 2, 1799–1808. <https://doi.org/10.24912/jpa.v2i4.9376>

