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The Influence of Profitability, Leverage, and Company Size on Profit Quality with Managerial Ownership as a Moderating Variable in Manufacturing Companies in Indonesia

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ABSTRACT: *Objective from study this is For find proof empirical about influence profitability, leverage, and size company on earnings quality with ownership managerial as moderating variable. Retrieval technique sample determined with purposive sampling method based on that criteria set by researchers and produce 126 units analysis as object observation. Population in study this is company listed manufactures in the Indonesia Stock Exchange period 20 19 up to 20 21. Data was collected using the documentation method. The research data used descriptive and moderate statistical analysis regression analysis using the IBM SPSS Statistics 21 program. The results of this study prove empirically that profitability and leverage affect earnings quality. While company size does not affect earnings quality. Furthermore, managerial ownership is able to moderate the effect of profitability, leverage and capital structure on earnings quality. Future research is suggested to broaden the sample of companies from various sectors and increase the research period. In addition, it is recommended to add other variables that may affect earnings quality. Regarding variable measurement it is also suggested to use another method of measuring each variable.*

Keywords *Earning Quality, Profitability, Leverage, Firm Size, Managerial Ownership.*

I. INTRODUCTION

Report finance that is something very important information from results accounting process analysis with objective for now report position finance as well as can measure performance. For party management report finances are very important used that is as tool in evaluate results performance in activity operational something company. In measure results performance something company can use information profit, because for party external profit as indicator For evaluate performance, and reflect future profits (Puspitowati & Mulya , 2014). Producing company high profit can said that objective company the has reached. Besides that profit too used in know health his finances as well as reflect condition real economy. Profit can said quality if company produce optimal profitability as well explain accurate information To use For help in making decision. Information profit is very important used as center attention for investors so manager will take various method For presentation report finance. For That management more wide know related something information company compared to with holder stock. Because it resulted manager will do manipulation report finance. Manipulation report finance is intervention management in compile something report finance To use

For obtain profit personal, so will happening practice manipulation profit as well as cause low quality profit.

one example company manufactures do manipulation report in Indonesia, namely PT Garuda Indonesia (persero) Tbk in 2018 reported profit of USD 809.85 thousand or The same with IDR 11 billion in the month December 2018. There are two commissioners of Garuda Indonesia namely Chairal Cape and Dony Oskaria No agree exists report Garuda Indonesia 's finances. They object in confession Garuda Indonesia's top income exists agreement cooperation provision service connectivity in flights between PT Mahata Aero Teknologi with PT Citilink. With Thus, PT Garuda Indonesia (persero) Tbk record profit net in 2018 after in years previously experience loss. It can see in 2017, with case airline plate red this experience loss up to 3 trillion.

Example case the cause report finance become doubt because exists practice manipulate profit, so make it difficult for investors for believe or No exists desire in embed share at the company the because that show exists performance between principal and agent rated in a manner unprofessional, because want to get maximum profit. If case manipulation profit Keep going growing in Indonesia, then it can be said that happen failure company in explain condition real economy. So that with exists practice manipulation profit can misleading in taking something decision.

With thereby will make A objective with combine a number of suspected variable capable influence quality profit, among others there is a number of study about quality profits supported by Kurniawan & Suryaningsih (2019), Budiani (2019), Haryani et al, (2019), Khafid (2012), Dewi et al, (2020), Sadiah & Priyadi (2015). Study the use various type variable like profitability, capital structure, Size Company, ownership managerial, leverage, growth profit and so on. With exists no results consistent and still there is exists difference between researcher One with another, then researcher add variable renewal that is ownership managerial as deep moderating variable influence quality profit.

II. MATERIALS AND METHODS

2.1. Profit Quality

Quality profit is information where quality profit is earnings that occur actually or reported earnings information that is not far different with real profit. Quality profit state that impact economics that takes place in a company is own function base from business is run and how presentation earning profit impact economy in report finance. Quality good profit is quality earning profit report real finances and produce good profit (Tisnawati , 2013).

2.2. Profitability

Profitability is ability company in produce profit in period time certain (Munawir 2002). Profitability is must factor get information important, because useful for continuity life A company in obtain profit. Company with percentage tall will tend use more Lots loan, because with more Lots loan so also more tall percentage owned by the company. Profitability describe ability company For get more profit tall to holder stock.

2.3. Leverage

Leverage is something describing ratio connection between company debts to capital, where ratio the can see how much Far company financed by debt or party outside with ability companies described by capital (Sofyan Syafri Hope 2013). The company 's high leverage have can result in a decrease quality profit company. It because high leverage shows height debt company to party external. High debt make report finance company seen No interesting, so manager can do fraud For make report finance seen interesting for owning parties necessity with company the.

2.4. Company Size

Size company is scale big its small company that can classified based on various method among others with size income, total assets, and total equity (Brigham and Houston, 2001). Size the company is also information that can useful investors For evaluate profit earned company To use take decision. Size company related with quality profit Because the more tall continuity business company so the more low for do manipulation profit made in something company. Because it, rate return share company more big compared to level return share more company small. Asset create source owned economy useful company in Century will come, asset the consists from asset fixed, asset No tangible, asset current and assets No smoothly.

2.5. Managerial ownership

Ownership managerial is amount ownership shares by parties management company to the total amount share circulating (Indrawati & Yulianti, 2010). Presence participation management in proportion ownership something company, then management in a manner direct will active follow in every taking decision. Taking decision made management will too based interest company, so mark company can generated in a manner max and quality presented profit become quality. Ownership managerial own negative relationship to management profit, and with thereby will make quality reporting finance more tall and of course with quality more profit high (Alzoubi , 2016). So with the more tall ownership management behavior negative practice management profit will the more decreased. Circumstances the trigger height level quality profit.

Influence Profitability to Quality Profit

Profitability That Alone aim For now generated net profit company when do activity operation (Nurhayati , 2013). If company produce relative advantage tall so show that quality reflected profit company is also high, besides it also exists many investors will join with company the can said that company the capable prove exists level effectiveness with utilise enough assets well, in order to produce optimal profit quality (Ardianti & Sisdayani , 2016; Gaol , 2014; Ardianti , 2018) shows that profitability influential positive significant to quality profit.

H 1 : Profitability influential to quality profit

Effect of Leverage on Quality profit

According to Irham (2015:72) leverage is measure how much big company financed with debt. Based on theory agency (agency theory) that explains that management will do deviant action For maximizing interest personal from party manager. So from that's it, manager will do increase in debt company, together That profit company must consistent so company will considered Good in do management debt . According to Irham (2015:72), high leverage in companies causing less investors believe in presentation report published financials company. Highly leveraged company will cause quality low profit. Statement This in line with study Yanto & Metalia (2021); Setiawan (2017) who concluded that leverage has influence negative to quality profit.

H 2 : Leverage has an effect to quality profit

Influence Company Size to Quality Profit

Size company is something scale big its small something company that can grouped with various type that is like amount sales, total assets and ratios level sales (Butar & Sudarsi , 2012). For know size company with category big or its small company can analyzed from all total assets or amount income. Because That company with size big will more Lots own related information as well as reflect high performance, so company the No need do manipulation report finance. There is good performance will obtain optimal profit or as reference that company the will produce quality high profits (Marsela & Maryono, 2017; Putra & Subowo, 2016; Pratama & Sunarto, 2018).

H 3 : Size company influential to quality profit.

Ownership managerial moderate influence Profitability to Quality Profit

Objective main in a company that is want that performance performance can done with ok. Companies can rated good or No when something company capable produce maximum profit. In agency theory stated that exists difference interest between objective agent with the principal that happened consequence given mandate owner company to party management in activity management something company. So that with exists ownership management to share company expected can adapt difference interest and assumed will reduce when a manager as well part company owner. Agree with study Aryanti & Sisdayani (2016), Gaol (2014) and Ardianti (2018). With so, researchers suspect exists variable ownership managerial capable strengthen connection between profitability with quality profit.

H 4 : Ownership managerial moderate influence profitability to quality profit.

Ownership managerial Moderate Leverage effect on Quality Profit

Leverage can utilized for see how many big debt companies used for fund assets (Febriani et al, 2020). Company leverage with mark tall can effect on the decline quality profit. However, with ownership low management debt big company can managed with more ok. Where is the ownership low management relate with management so low profit resulted increasing quality profit. Ownership managerial will make manager become more be careful in Act in make decision. However ownership high managerial can make weakening supervision to management, because can make manager will focus on the profit earned with objective For increase the stock returns it gets. If management No notice level debt or not followed with good performance, then company potentially experience more bankruptcy high. The results of research conducted by (Morck et al. (1989) in Yunita and Suprasto (2018)) stated interest managers and holders share can aligned when manager own share more company big. Hypothesis alternative study about ownership managerial moderate influence *leverage* to to quality profit can stated as following:

H 5 : Ownership managerial capable moderate leverage effect on quality profit .

Ownership managerial Moderate influence Company Size to Quality Profit

Size company can associated with emerging agency theory from gift authority to agent, problem the will reduce if agent is also a principal at a company. So that company will apply procedure in a manner health for well-being holder share as well as happening potency management profit will decreased. So that management will spared from practice manipulation report finance. A number of study conducted by Marsela & Maryono (2017), Putra & Subowo (2016), and Pratama & Sunarto (2018) show that variable size company influential positive to quality profit. Because that researcher suspect exists ownership managerial capable strengthen connection between size company to quality profit.

H 6 : Ownership managerial moderate influence size company to quality profit.

III. RESEARCH METHOD

Study this use type method quantitative with take a number of sample originating research from manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. Research data as much 101 units selected with purposive sampling technique. Table 1 explains criteria sample study that is as following:

Table 1 Procedure Determination Sample

	Information	Amount
Population	Manufacturing companies listed on the Indonesia Stock Exchange in 2019 -2021	193
Criteria Sample	1) Manufacturing companies that don't listed on the Indonesia Stock Exchange successively during period 2019-2021.	(22)
	2) Manufacturing companies that don't experience loss and delisting during period 2019-2021.	(38)
	3) Manufacturing companies that do not use currency in rupiah during period 2019-2021.	(55)
	4) Companies that don't provide all the data needed in study This during period 2019-2021.	(36)
	Sample study	42
	Observation data (x 3 year)	126
	data outliers	(25)

	Amount sample	**101**

Source : Processed data , 2023

Variable dependent or free in study This that is quality profit, meanwhile variable independent or bound among them is profitability, leverage, size company, as well exists moderating variable ie ownership managerial. Following definition of each of every variable presented in table 2.

Table 2. Definitions and Indicators Variable Study

Opera t ional Variables

Dependent t Variable	Indicators	References
Profit Quality (KL)	$QIR \frac{CFOit}{NIit}$	Putra and Subowo , 2016
Variable Independent		
Profitability (P)	$\frac{\text{Jumlah Saham Manajer}}{\text{Jumlah Saham yang Beredar}}$	Reyyan , 2014
Leverage (L)	$DER = \frac{Total\ Hutang}{Total\ Ekuitas}$	Marpaung , 2019
Company Size (UP)	$Size = Logarithm\ natural\ of\ total\ assets$	Almilia , 2008
Moderating Variable Managerial Ownership (KM)	$\text{Kepemilikan Manajerial} = \frac{\text{Total saham manajer}}{\text{Total saham yang beredar}}$	Siallagan and Machfoedz , 2006

Data collection techniques using based documentation to report finances and reports annual. Results of data analysis obtained and analyzed use analysis descriptive with tool help IBM SPSS Statistics. Testing hypothesis use analysis moderate regression after the data meets assumption assumption test criteria classic .

IV. RESULT

Analysis Statistics Descriptive Testing statistics descriptive on the results study This showed For analyze minimum, maximum, mean and deviation values raw variable research. Result of analysis descriptive described in table 3 viz as following:

Table 3. Descriptive Statistical Results

	Minimum	*Maximum*	*Means*	*std . Deviation*
Profit Quality	- 3,789	7,291	1,71284	1,753067
Profitability	,003	,364	,07231	,057990
leverage	,088	2,392	,68628	,518259
Company Size	11,233	19,722	14,73176	1.553035

Source: Processed data , 2023

Assumption Test Classic

Assumption test classic used for complement normative requirements before he did analysis hypothesis research. Normality test done with using the indicated Kolmogrov – Smirnov (KS) test with residual value of 0.631 (α > 0.05) then signify that research data distributed normally. Furthermore with multicollinearity test show VIF numbers < 0.10 then assumed that data free from multicollinearity. Testing to Durbin Watson test values for test autocorrelation in spread value data obtain mark as big 2,076 with dU < d < 4- dU where 1.7374 < 2.3847 < 2.266 is defined that data free from autocorrelation. Whereas mark heteroscedasticity show number significant > 0.05 then can concluded that the data is free from symptom heteroscedasticity.

Coefficient test determination aim for now influence from research models to variable dependent. The adjusted R2 value is 0.75, so from results analysis the concluded that influence profitability, leverage, size company, and ownership managerial to quality profit own influence as big 75 % meanwhile the rest 25 % is influenced by variables outside the research model. Analysis Regression Moderation (Moderate Regression Analysis) Results of the analysis regression moderation useful For prove exists influence deep moderating variable something method research. Study in analysis regression moderation using the interaction test. The results of the analysis are presented in the el tab 4 ie as following:

Tabel 4. Analisis Regresi Moderasi

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1,731	1,618		1,070	,287
	Profitability	-11,041	3,126	-.365	-3,532	,001
	leverage	-.550	,351	-,163	-1,570	,091
1	Company Size	,079	, 114	,070	,695	,489
	X1Z	,353	1,064	,507	,332	,741
	X2Z	,002	,125	,011	,018	,986
	X3Z	-.003	,014	-,496	-,251	,803

Source: SPSS output, 202 3

Conclusion of the results of hypothesis testing study contained in table 5 namely as following:

Table 5. Summary hypothesis Researcher

	hypothesis	**t**	***Sig .***	**Information**
H1	Profitability affects the quality of earnings	-3,532	, 001	H1 Accepted
H2	Leverage affects the quality of earnings	-1,570	, 091	H2 Accepted
H3	Firm size has no effect on earnings quality	,695	,4 89	H3 Rejected
H4	Managerial ownership does not moderate the effect of profitability on earnings quality	,332	, 741	H4 Rejected
H5	Managerial ownership does not moderate the influence of leverage on earnings quality	,018	, 986	H5 Rejected
H6	Managerial ownership does not moderate the effect of firm size on earnings quality	-,251	, 803	H4 Rejected

Source: SPSS output, 202 3

Profitability affects the quality of earnings

The first hypothesis which states that Profitability affects the quality of earnings is accepted. In line with theory agency stated exists indication that party manager the do manipulation profit with method increase profitability. it caused Because there is one motivation responsible management answer full on company as well as at a time on duty For manage company To use Forget the biggest bonus. withd thus manager will try do management action profit to get fulfil desire party management as well as manage company with ok. So that can interpreted that earning company amount high profit will the more quality. Research results This consistent with results research conducted by (Ardianti & Sisdayani 2016), (Ardianti 2018), (Gaol 2014), and (Salma & Riska 2019) where the results study show that profitability influential to quality profit.

Leverage affects the quality of earnings

The second hypothesis states that leverage affects the quality of earnings for manufacturing companies in 2019-2021. Company with more debt tall considered own quality no profit so ok. If debt added to the position capital structure exists on optimal point then every addition debt will lower quality profit company. Results the aligned with theory agency type III. Leverage affects tall low quality profit can level generated the company 's debt have in optimal state. Company with good finances wo n't do manipulation report finance. Besides that's the height leverage rate can be bring up intention management For Act cheat in report profit, if accepted risk company big. Research results This consistent with results research conducted by (Listyawan 2017) where results study show that leverage influential to quality profit.

Firm size has no effect on earnings quality

The third hypothesis has no effect on firm size on earnings quality is rejected. Study This No aligned with the assumed agency theory that manager as manager as well as owner company will remove problem agency. Basically manager will Act in a manner opportunist To use obtain results positive to be seen good up front owner. Due to its size small will more difficult For develop as well as performance company the No too seen by the public in comparison with sized company big, so in a manner No direct manager will more Lots in practice manipulation profit company and quality generated profit low (Warianto & Rusiti, 2016). The results of this study are consistent with the results of research conducted by (Nurlailia & Pertiwi 2020) and (Soly & Wijaya 2017) where the results study show that company size does influential to quality profit.

Managerial ownership does not moderate the effect of profitability on earnings quality

The fourth hypothesis of managerial ownership does not moderate the effect of profitability on earnings quality. Result of study the not compatible with theory agency explained about difference interest between agents and principals. Where ownership management to share company can't adapt difference interest and assumed will reduce when a manager as well part owner company. Company that owns lots of assets not necessarily impact to activity maximum operational, so company it is not capable produce quality profit. Findings This supported with study previously disclosed by (Novieyanti & Kunia 2016), (Siallagan & Machfoedz 2006), (Arryanti & Sisdayani 2016), and (Gaol 2014). With so on the results study This proven that role ownership managerial capable moderate influence from profitability to quality profit.

Managerial ownership does not moderate the influence of leverage on earnings quality

Hypothesis of managerial ownership does not moderate the influence of leverage on earnings quality. The results of this study are of interest managers and holders share can aligned when manager own share more company big. With so, researchers assume that height level ownership managerial one accompanying company with height level of a leverage company No cause company the have prospect good growth in Century future. Result of study This No aligned with results research conducted by (Morck et al. 1989) and (Yunita and Suprasto 2018) stated interest managers and holders share can aligned when manager own share more company big.

Managerial Ownership does not moderate the effect of firm size on earnings quality

The sixth hypothesis of managerial ownership does not moderate the effect of firm size on earnings quality is rejected. Study This No in line with theory assuming agency that management more Lots know information than the principal will more benefited. No capable ownership managerial moderate influence size company to quality profit because lack of good corporate governance practices in companies in Indonesia such as percentage ownership share by managerial still below average so resulted how difficult For growing. this especially happened to the company with size big that will tend do manipulation profit To use For increase income in fulfil interest personal as well as guard Name Good company. These findings i No aligned with study earlier (Novieyanti & Kunia 2016), (Siallagan & Machfoedz 2006), (Marsela & Maryono 2017) and (Putra & Subowo 2016). With so on the results study This proven that ownership managerial No capable moderate influence size company to quality profit.

V. CONCLUSION

Study this prove that exists influence between variable profitability and leverage to quality profit. Different with variable size companies that don't give influence to quality profit, because relatively small company seldom seen by the public as well possibility exists difficult for growing. Meanwhile That Variable ownership managerial unable influence profitability, leverage, and firm size to quality profit. Suggestions for researcher next can add sample company from various sector and period study as well as choose other measurements for represent each variable dependent, independent, and moderating.

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