

The Moderating Role of Good Corporate Governance on the Influence of Company Size, Share Value, Profitability, and Financial Leverage on Income Smoothing (Study of Primary Consumer Goods Companies listed on the BEI in 2020-2022)

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ABSTRACT

This research aims to determine the influence of company size, share value, profitability, and financial leverage on income smoothing and the moderating role of GCG on the influence of company size, share value, profitability, and financial leverage on income smoothing. This research uses quantitative method, purposive sampling, and logistic regression analysis with SPSS 20. This research shows that profitability has a negative effect on income smoothing. company size, share value, and financial leverage do not affect incomes smoothing. GCG cannot moderate the influence of company size and share value on income smoothing. GCG can strengthen the influence of profitability and financial leverage on income smoothing.

INTRODUCTION

Financial reports are prepared to inform the company's financial data report and the company's accountability to the parties concerned (Harianto et al., 2020). Financial reports are prepared to inform financial report data and company accountability report data to interested parties (Harianto et al., 2020). Financial reports are information companies use to communicate with interested parties containing financial records and transactions for one year. Financial reports are used by interested parties to determine the company's performance results, especially regarding profits. The information provided is expected to describe the company's performance as a consideration for investing. Interested parties tend to pay more attention to financial reports, especially profit information. This aims to determine whether the information the company submitted is trustworthy. This can be related to behavior that should not occur in recording financial reports, mainly profits, namely income smoothing (Nurani, 2021).

Income smoothing is a company management activity that manages profits to maintain the company's profit level and remain stable. This is because investors will prefer companies with a stable profit level so that the company can be said to be stable and strong and has low risk (Safitri, 2021). Many factors can trigger income smoothing, as stated in previous research. This research uses company size, share value, profitability, and financial leverage, which are thought to trigger income smoothing (Pradnyandari & Putra Astika, 2019). Another factor likely to strengthen or weaken the dependent variable in this research is good corporate governance (GCG) (Nurani, 2021). The first factor that triggers income smoothing is company size. Large companies tend to smooth profits because external parties will pay more attention to the performance of large companies. Company management carries out income smoothing so that company profits look stable and the company is seen as having good performance, which is considered to have a good image by external parties. This is in line with the research (Harianto et al., 2020), which states that company size positively affects income smoothing. However, there is a different opinion in research (Pradnyandari & Putra Astika, 2019), which states that large companies tend to be more careful to refrain from carrying out income smoothing to reduce risks in preparing financial reports that will be submitted to external parties.

The second factor that is thought to trigger income smoothing is share value. High share value reflects high company value. One of the company's goals is to increase company value. The increase in company value is related to share prices and stock fluctuations, which are influenced by investors' responses to the company's profit results. Investors will prefer companies that generate stable profits. Thus, investors will choose to invest in that company. This can affect the value of the company's shares, meaning that high share prices reflect a positive response to the financial reports prepared by the company so that management performance is considered good. The value of shares has a negative influence on income smoothing; companies will choose to practice income smoothing if the value of their shares is low (Pradnyandari & Putra Astika, 2019). The share value does not influence income smoothing because companies with high share values

indicate high share prices. For investors, high share prices are considered less profitable (Nugroho et al., 2021).

The third factor that is thought to trigger income smoothing is profitability. Companies with low profitability will trigger income smoothing by increasing income to remain stable and maintain the company (Nurapiah, 2019). Different results can be seen in research by (Putri, 2022) and (Florentina & Hastuti, 2022), which state that profitability does not influence income smoothing. The fourth factor that triggers income smoothing is financial leverage. Companies that have high leverage cause investors to be reluctant to invest in these companies. This is because the company will use profits to pay the company's debts. This way, the company management can smoke its income so external parties can view its performance favorably. The explanation is in line with research conducted by (Istikasari & Wahidahwati, 2022), which states that the higher the financial leverage, the more it will trigger the company to carry out income smoothing, which means that financial leverage has a positive effect on income smoothing. However, this is different from the results of research conducted by (Megarani et al., 2019) and (Setyaningsih et al., 2021), which state that financial leverage does not affect income smoothing.

Income smoothing smoothing can be triggered by gaps in management information with external parties. This is related to agency theory, which states that information gaps are due to the personal interests of company management and the personal interests of external parties. This is related to corporate governance or what is usually called Good Corporate Governance (GCG). Based on this explanation, GCG is one aspect that can trigger income smoothing. GCG can moderate the relationship company size and income smoothing. This happens because large and small companies must implement GCG thoroughly and optimally. Companies that have implemented GCG well will influence company management in income smoothing. GCG has the potential to moderate the relationship profitability and income smoothing. Good implementation of GCG in a company can monitor the company's performance so that it meets expectations. One of them is being able to suppress opportunistic management. GCG can potentially moderate the relationship financial leverage and income smoothing. This is because if the company implements GCG well, it can prevent management from being opportunistic, so its performance will run as expected (Nurani, 2021). The measurement of GCG in this research uses the number of board of commissioners whose role is to supervise and advise the directors to ensure that the company has implemented GCG practices. Based on this background, this research examines the relationship between company size, share value, profitability and financial leverage with income smoothing. The moderating role of GCG on the relationship between company size, share value, profitability and financial leverage with income smoothing.

LITERATURE REVIEW

Agency Theory

Agency theory is an agreement between shareholders and managers with differences in interests, which can give rise to conflicts known as agency problems. Company managers receive more information as internal parties. So, managers are motivated to use this information for personal gain (Mulyati & Mulyana, 2021). Jensen and Meckling (1976) stated that agency theory is an agency relationship between one or more people giving authority to other parties in providing services or agents with the power to make decisions. An agent works for the principal and conveys information to the principal. The principal is a person who invests in the company (Zulaikha, 2021). The relationship between agency theory and income smoothing is regarding personal interests. Managers want their welfare so that managers can take actions for their benefit, one of which is carrying out income smoothing actions (R. Sari & Darmawati, 2021). Based on this explanation, agency theory is related to company size, share value, profitability, financial leverage, income smoothing, and GCG. If your work is quantitative, please provide previous research that agrees or rejects your proposed hypothesis.

Income Smoothing

Income smoothing is an income management activity carried out by company management to maintain the profit level and remain stable. Investors will prefer a company's stable profit level, meaning that the company is strong and stable and has low risk. Income smoothing is a method of reducing profit fluctuations so that financial reports look stable. Profit fluctuation occurs when the profit generated does not match the company's target (Inayah & Izzaty, 2021). Eckel Index Formula = $\frac{CV\Delta I}{CV\Delta S}$, coefficient of variation of income and net sales is a formula that can measure income smoothing. In the calculation results using the Eckel index formula, companies are categorized into non-profit smoothing and income smoothing (Saputri & Suwarno, 2023).

Company Size

Company categories are divided into three categories: large, medium, and small. A company is said to be a large company if the total assets owned by the company are significant, whereas a small company is a company whose total assets are small. Company size can be calculated using Ln total assets. (Putri, 2022). Company size has various proxies, including total assets, number of employees, share market value, and log size. Company size calculations use the natural logarithm for total assets (Ekadjaja, 2020). The size of a company's assets is called company size. The public will view a company as having a good image if the company has large total assets or is called a large company. (Angreini & Nurhayati, 2022).

Share Value

The increasing value of a company's shares can trigger the company to increase its profits. To measure income smoothing, the formula share value = share price: book value per share can be used (Angreini & Nurhayati, 2022). The value of shares can trigger income smoothing. The stable value of company shares will attract investors to invest. A high share price can reflect a positive response so that company management is considered to have good performance. A high company share price will provide benefits, and the company has a good image, making it easier to obtain funds from outside the company to improve its operational activities (Pradnyandari & Putra Astika, 2019). According to Tandelilin's (2001) research (Nugroho et al., 2021), share value is the relationship between market price and book value per share.

Profitability

Profit is a company's ability to gain profits in a certain period. The performance of company managers is considered good when they successfully manage the company's increasing profitability. Increased profitability reflects the company's high profits, so investors will be interested in investing. However, if the company has low profitability, it can trigger income smoothing. (Florentina & Hastuti, 2022). Profitability is the company's ability to gain profits, which can be measured using the formula Return on Assets (ROA) = profit after tax: total assets (Setyaningsih et al., 2021).

Financial Leverage

The scale of total debt to total assets, which states how large a share of asset ownership is used to guarantee the company's debt, is called financial leverage (Nugroho et al., 2021). *Financial leverage* is an aspect that can influence income smoothing. Financial leverage shows the scale of debt used to finance investments. The high leverage of a company can result in high company risk because the company needs more assets for the obligations that must be paid (R. Sari & Darmawati, 2021). Financial leverage describes a company's ability to utilize its assets to fulfill its obligations. If the company's financial leverage is high, the financial risks faced by the company will also be higher. One financial risk companies face is failure to pay debts (Nurapiah, 2019).

Good Corporate Governance

A system that directs and manages a company to provide added value for management, creditors, employees, government, and investors, as well as the company's internal and external interests regarding rights and obligations, is called good corporate governance (GCG). (Istikasari & Wahidahwati, 2022). GCG can provide company regulation and control to create added value. Thus, GCG can be measured using the size of the board of commissioners, namely the number of board of commissioners (Nurani, 2021).

H1: Company size has a positive effect on income smoothing

Company size is one aspect that is considered to influence average income. Company size is a variable that determines the company's total assets. Companies that have significant total assets are categorized as large companies. According to Moses (1987), companies with significant total assets tend to smooth their profits (I. et al., 2019). This is in line with research (Pradnyandari & Putra Astika, 2019), (Indrawan & Damayanthi, 2020), (Nurani, 2021), and (Saputri & Suwarno, 2023). Thus, the first hypothesis is that company size positively affects profits.

H2: Sharezz value has a negative effect on income smoothing

The share value describes the value of the company. If the company value is high, the share value is also high. One of the company's goals is to increase company value. Efforts to increase the company's value are related to the value of shares, and the rise and fall of shares are influenced by investors' responses to the company's profits. If the share value of a company is low, the company tends to choose to smooth profits (Pradnyandari & Putra Astika, 2019). Thus, the second hypothesis is that share value has a negative effect on income smoothing.

H3: Profitability has a negative effect on income smoothing

Profitability is considered the cause of income smoothing. This is because if the company's profitability is low, it will trigger the company to carry out income smoothing (Maotama & Astika, 2020). This is in line with the statement that profitability influences income smoothing contained in research conducted (Khoirul Kabib et al., 2020), (Nugroho et al., 2021) and (Setyaningsih et al., 2021). Thus, the third hypothesis is that profitability has a negative effect on income smoothing.

H4: Financial Leverage has a positive effect on income smoothing

Financial leverage is considered to affect income smoothing because a company uses more debt than the capital the company has. In this way, the company's debt burden is getting bigger and can trigger companies to carry out income smoothing (Pradnyandari & Putra Astika, 2019). This is in line with the statement that financial leverage has a positive effect on income smoothing contained in research (Khoirul Kabib et al., 2020), (R. Sari & Darmawati, 2021), and (Istikasari & Wahidahwati, 2022). Thus, the fourth hypothesis is that financial leverage positively affects income smoothing.

H5: Good Corporate Governance moderates the influence of company size on income smoothing

GCG can potentially moderate the relationship between company size and income smoothing. If a company has implemented GCG thoroughly and optimally, it will influence its income smoothing (Nurani, 2021). Thus, the fifth hypothesis is the moderation of good corporate governance on the influence of company size on income smoothing.

H6: Good Corporate Governance moderates the influence of share value on income smoothing

GCG can trigger a moderation between share values and income smoothing. Implementing good GCG in a company will improve the company's performance for the better. So, the company value will increase. Company value is a reflection of share value. Thus, the sixth hypothesis of this research is the moderation of good corporate governance on the influence of share value on income smoothing.

H7: Good Corporate Governance moderates the influence of Profitability on Income Smoothing

GCG has the potential to moderate the relationship between profitability and income smoothing because GCG can suppress management that behaves opportunistically and can help monitor company performance so that the company performs as it should (Nurani, 2021). Thus, the seventh hypothesis is the moderation of good corporate governance on the effect of profitability on income smoothing.

H8: Good Corporate Governance moderates the influence of Financial Leverage on Income Smoothing

Company financing comes not only from its capital but also from external parties. Financing from external parties or loans that continue to increase can result in risks for the company. High company risk results in investors' need for more interest in investing. This can trigger company management to carry out income smoothing (R. Sari & Darmawati, 2021). Thus, the eighth hypothesis is the moderation of good corporate governance on the effect of financial leverage on income smoothing.

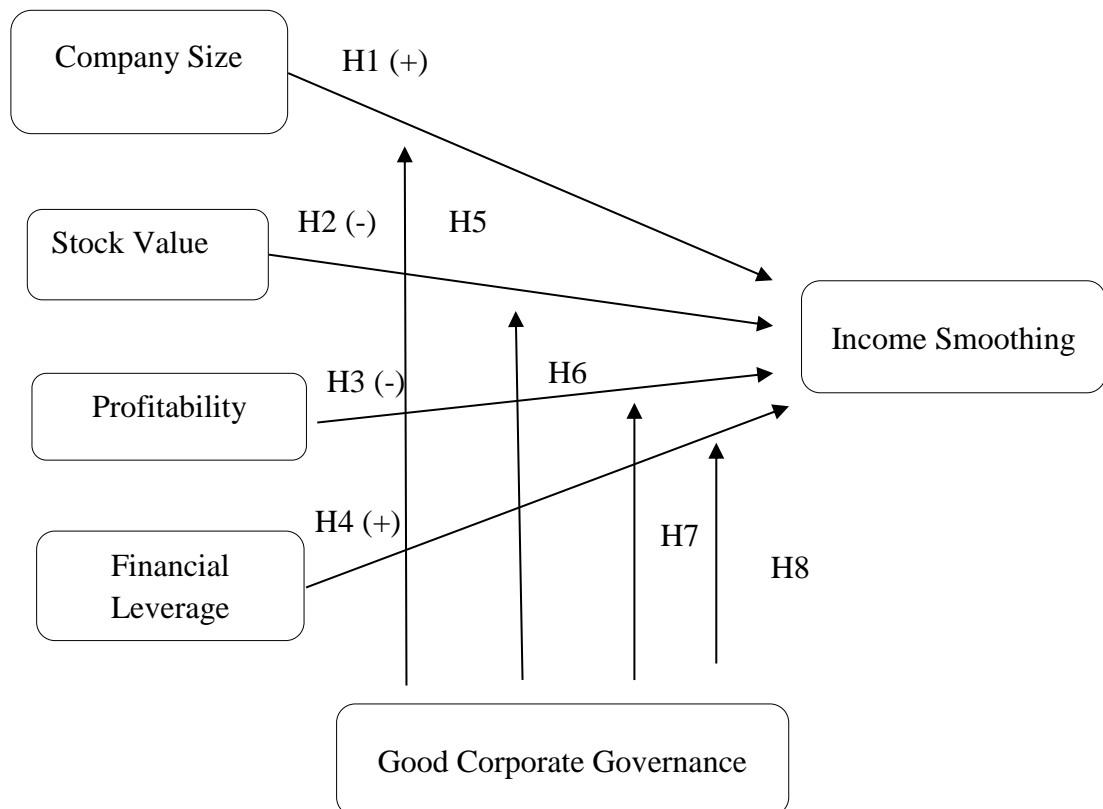


Figure.1 Conceptual Network

METHODOLOGY

This research was conducted using quantitative methods. Research data uses a purposive sampling method. The 96 observation data come from 32 companies with three years, namely 2020 - 2022, listed on the Indonesian Stock Exchange (IDX). Data processing in this study used SPSS 20 by conducting descriptive statistics and binary logistic regression analysis.

Table.1 Variable Calculation Formula

No	Variable	Explanation	Indicator
1	Company Size	The company which can be categorized as a small firm, medium firm, and large firm (Dini & Fau, 2022)	$Ln \text{ total asset}$ (Ekadjaja, 2020)
2	Share Value	Measuring share value can be done using the market price formula and book value per share (Saputri & Suwarno, 2023)	Price to Book Value = $\frac{\text{Share Price}}{\text{Book Price Share}}$ (Angreini & Nurhayati, 2022)
3	Profitability	The company's ability to gain profits is called Profitability. Profitability can be measured using the Return on Assets (ROA) formula (Setyaningsih et al., 2021)	Return On Assets = $\frac{\text{Net Profit}}{\text{Total Assets}}$ (Setyaningsih et al., 2021)
4	Financial Leverage	Financial leverage is the comparison of total debt with total assets, which states what portion of asset ownership is used to guarantee the company's debt (Nugroho et al., 2021),	Debt Equity Ratio = $\frac{\text{Total Debt}}{\text{Total Assets}}$ (Nurapiah, 2019)
5	Income Smoothing	The activities carried out by company management to manage profits are called income smoothing. Profit management is carried out to maintain the profit level and remain stable. Investors prefer a company's profit level to be stable, meaning that the company is solid and stable and has low risk (Safitri, 2021).	Eckel Index = $\frac{CV\Delta I}{CV\Delta S}$ (Saputri & Suwarno, 2023)
6	Good Corporate Governance	GCG are the principles applied in companies, such as company regulation and control, to create added value. GCG can be measured using the size of the	Number of Board of Commissioners (Nurapiah, 2019)

		board of commissioners, namely the number of board of commissioners (Nurani, 2021)	
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RESEARCH RESULT
Statistic Descriptive

Table.2 Statistic Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ukuran Perusahaan	96	25.7034	32.8264	29.331547	1.5417139
Nilai Saham	96	.3093	16.1898	2.265895	2.2740573
Profitabilitas	96	.0024	.4930	.093058	.0842801
Financial Leverage	96	.0004	3.6093	.457932	.3968399
Perataan Laba	96	.0000	1.0000	.687500	.4659456
Good Corporate Governance	96	2.0000	8.0000	3.843750	1.5377915
Valid N (listwise)	96				

Source: Secondary data research (2023)

The data processing results in Table 2 show that the company size has a minimum value of 25.7034, a maximum value of 32.8264, and an average of 29.331547. This means there is a difference in the size value of the companies studied compared to the average value of 1.5417139. This means that the average company has a company size value of 29.3318. The minimum value of shares is 0.3093, the maximum value is 16.1898, and the average value is 2.265895, so it can be concluded that the company has good performance on average. A good company has a PBV value of >1. This means there is a difference in the value of the shares studied compared to the average value of 2.2740573. Profitability has a minimum value of 0.0024, a maximum value of 0.4930, and an average value of 0.093058, so it can be concluded that the average ROA of this company is good. In general, a good ROA value is 5%. This means there is a difference in the profitability value studied compared to the average value of 0.0842801. Financial Leverage has a minimum value of 0.0004, a maximum value of 3.6093, and an average value of 0.457932. This means there is a difference in the financial leverage value studied compared to the average value of 0.3968399. Income smoothing has a minimum value of 0.0000, a maximum value of 1.000, and an average value of 0.687500, so it can be concluded that the financial leverage (DER) of the company in this study has an ideal DER. This means there is a difference in the income smoothing value studied compared to the average value of 0.4659456. GCG has a minimum value of 2.0000, a maximum value of 8.0000, and an average of 3.843750. This means that there is a difference in the GCG value studied compared to the average value of 1.5377915, and the average company has a board of commissioners of 3-4 people. Compared with the minimum number of commissioners in a company of 3 people.

Assessing the Feasibility of Regression Models

Table.3 Hosmer and Lemeshow Test 1

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	10.879	8	.209

Source: Secondary data research (2023)

Table.4 Hosmer and Lemeshow Test 2

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	4.653	8	.794

Source: Secondary data research (2023)

Table 3 displays the Hosmer and Lemeshow Test results for the direct influence of independent variables on independent variables, showing that the significance value is $0.209 > 0.05$, meaning that the regression model is suitable for further analysis. Then, in Table 4, the test results of the Hosmer and Lemeshow Test on the role of the moderating variable on the influence of the independent variable on the dependent variable show a significance value of $0.794 > 0.05$, meaning that the regression model is suitable for use in the next stage of analysis.

Table.5 Iteration History Block Number 0

Iteration History^{a,b,c}

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	119.279	.750
	2	119.249	.788
	3	119.249	.788

Source: Secondary data research (2023)

Table.6 Iteration History Block Number 0

Iteration History^{a,b,c,d}

Iteration	-2 Log likelihood	Coefficients						
		Constant	X1	X2	X3	X4	M	
Step 1	1	91.438	-6.406	.353	.097	-28.692	-2.736	2.372
	2	85.480	-3.760	.315	-.107	-45.124	-3.618	2.323
	3	82.289	.767	.200	-.608	-55.901	-4.142	1.661
	4	81.917	1.808	.186	-.743	-63.328	-4.592	1.642
	5	81.912	1.942	.185	-.756	-64.512	-4.647	1.638

6	81.912	1.945	.185	-.756	-64.533	-4.648	1.638
7	81.912	1.945	.185	-.756	-64.533	-4.648	1.638

Source: Secondary data research (2023)

Table 5 shows the initial -2LL value, namely the data processing results before being influenced by the dependent variable, which is 119.249, and Table 6 shows the final -2LL value of 82.182. Processing this data shows that the -2LL value has decreased, meaning the regression or hypothesized model fits the data.

Table.7 Coefficient of Determination Test Results
Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	81.912 ^a	.322	.453

Source: Secondary data research (2023)

Table 7 shows the value of the coefficient of determination test results with a Nagelkerke R Square value of 0.453 or 45.3%, meaning that 45.3% in this study was influenced by the factors contained in the research. Meanwhile, the remaining 54.7% was influenced by other variables not included in this study.

Table.8 Hypothesis Results

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a X1	-.163	.210	.598	1	.439	.850
X2	.300	.175	2.943	1	.086	1.350
X3	-10.197	3.775	7.298	1	.007	.000
X4	-.207	.583	.126	1	.723	.813
Z	.022	.213	.011	1	.918	1.022
Constant	5.941	5.749	1.068	1	.301	380.400

a. Variable(s) entered on step 1: X1, X2, X3, X4, Z.

Source: Secondary data research (2023)

Table 8 shows the results of hypothesis model 1, showing that company size (X1) has a significance value of 0.439, so it does not affect income smoothing. Share Value (X2) has a significance value of 0.86, so it does not affect income smoothing. Profitability (X3) has a significance value of 0.007, affecting income smoothing. Financial Leverage (X4) has a significance value of 0.723, so it does not affect income smoothing. Based on Table 8, it can be estimated that the estimated parameters of the logistic regression model for this research are:

$$Y = 5,941 - 0,163X1 + 0,300X2 - 10,197X3 - 0,207X4$$

Table.9 Hypothesis Results

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	X1	.160	.521	.094	1	.759	1.173
	X2	-.718	.668	1.157	1	.282	.488
	X3	-62.229	22.910	7.378	1	.007	.000
	X4	-4.679	2.041	5.256	1	.022	.009
	Z	1.453	3.838	.143	1	.705	4.278
	M1	-.121	.119	1.036	1	.309	.886
	M2	.355	.197	3.239	1	.072	1.426
	M3	17.893	7.088	6.373	1	.012	59001831.96
	M4	1.914	.768	6.218	1	.013	6.782
	Constant	2.529	16.056	.025	1	.875	12.538

a. Variable(s) entered on step 1: X1, X2, X3, X4, Z, M1, M2, M3, M4.

Source: Secondary data research (2023)

The results of Table 9 show the results of hypothesis model 2, stating that the significance value of the company size variable (X1) is 0.759, so it does not affect income smoothing. The significance value of the share value variable (X2) is 0.282, so it does not affect income smoothing. The significance value of the profitability variable (X3) is 0.007, which affects income smoothing. The significance value of the financial leverage variable (X4) is 0.022, which affects income smoothing. The effect of GCG moderating company size on income smoothing (M1) has a significance value of 0.309, so GCG cannot moderate the effect of company size on income smoothing. The effect of GCG moderating share value on income smoothing (M2) has a significance value of 0.072, so GCG cannot moderate the effect of share value on income smoothing. The effect of GCG moderating profitability on income smoothing (M3) has a significance value of 0.012, so GCG is considered capable of moderating the effect of profitability on income smoothing. The effect of GCG moderating financial leverage on income smoothing (M4) has a significance value of 0.013, so GCG is considered capable of moderating the effect of financial leverage on income smoothing. Based on Table 9, it can be estimated that the parameter estimates for this research's logistic regression model are:

$$Y = 2,529 + 0,160X1 - 0,718X2 - 62,229X3 - 4,679X4 - 0,121M1 + 0,355M2 + 17,893M3 + 1,914M4$$

DISCUSSION

H1: The influence of company size on income smoothing

The research test results in Table 8 show that the significance value of the Company Size variable (X1) is $0.439 > 0.05$, and H1 is rejected, meaning that company size has no influence on Income Smoothing. This is in line with research (Safitri, 2021), (Putri, 2022); and (Angreini & Nurhayati, 2022), which states that company size does not affect income smoothing. Large companies tend to refrain from carrying out income smoothing because large companies pay more attention to users of financial reports, so they report financial conditions more carefully. Managers of large companies apply better corporate governance to benefit company performance. Suppose it is linked to agency theory, namely

managers who provide financial reports without gaps between outside parties and the company. In that case, this makes investors interested in investing, so that investors will increase.

H2: Influence of share value on income smoothing

The results of the research test in Table 8 show that the significance value of the Stock Value variable (X2) is $0.086 > 0.05$, and H2 is rejected, meaning that Stock Value does not influence Income Smoothing. This aligns with research (Angreini & Nurhayati, 2022) and (Nugroho et al., 2021), which states that share value does not affect income smoothing. This is because high share values prevent companies from smoothing profits and make investors reluctant to invest due to high share prices.

H3: Effect of Profitability on Income Smoothing

The research test results in Table 8 show the significance value of the Profitability variable (X3) of $0.007 < 0.05$. H3 is accepted, meaning that Profitability negatively influences Income Smoothing. This is in line with research (Pradnyandari & Putra Astika, 2019) and (Susanti et al., 2022), which states that Profitability has a negative effect on income smoothing. If a company practices excessive income smoothing, it will be in the public spotlight, and its performance will be seen. So that company management minimizes the need for smooth income. When linked to agency theory, if a company has good performance, investors will tend to pay attention to the company's performance in generating profits to consider the investments made.

H4: The effect of financial leverage on income smoothing

The research test results in Table 8 show that the significance value of the Financial Leverage variable is $0.723 > 0.05$, and H4 is rejected, meaning that there is no influence of Financial Leverage on Income Smoothing. This is in line with research (Aemanah & Isywardhana, 2019), (Setyaningsih et al., 2021), and (Megarani et al., 2019) which states that financial leverage does not affect income smoothing. Financial leverage does not affect the company's income smoothing. This is because investors want to avoid bearing the risk of investing if financial leverage is high; this is related to actions reflected in income smoothing and agency theory regarding parties with their interests.

H5: Good Corporate Governance moderates the influence of company size on income smoothing

The research test results in Table 8 show a significance value of $0.309 > 0.05$; H5 is rejected, meaning that good corporate governance cannot moderate the influence of company size on income smoothing. The implementation of corporate governance cannot affect company size. This is different from research results (Nurani, 2021), which state that good corporate governance can moderate good corporate governance based on the influence of company size on income smoothing.

H6: Good Corporate Governance moderates the influence of share value on income smoothing

The research test results in Table 8 show a significant value. The results of the research table show a value of 0.072; H6 is rejected, meaning that good corporate governance cannot moderate the influence of share value on income smoothing. Implementing corporate governance does not necessarily reduce the information gap regarding the value of company shares.

H7: Good Corporate Governance moderates the influence of Profitability on Income Smoothing

The research test results in Table 8 show a significant value. The results of the research table show a value of $0.012 < 0.05$ and show a positive direction; H7 is accepted, meaning that good corporate governance can strengthen the influence of profitability on income smoothing. With positive results, good corporate governance can strengthen the moderation between profitability and income smoothing. This is in line with research (Nurani, 2021), which states that good corporate governance can moderate the influence of profitability on income smoothing. If it relates to corporate agency theory, implementing good corporate governance can help monitor company performance so that the company performs as expected and suppress opportunistic parties. This is related to agency theory, which explains that certain parties try to fulfill their respective interests.

H8: Good Corporate Governance moderates the influence of Financial Leverage on Income Smoothing

The research test results in Table 8 show a significant value. The results of the research table show a value of $0.13 < 0.05$ and show a positive direction; H8 is accepted, meaning that good corporate governance can strengthen the influence of financial leverage on income smoothing. With positive results, good corporate governance can strengthen the moderation between financial leverage and income smoothing. This is in line with research (Nurani, 2021), which states that good corporate governance can moderate the influence of profitability on income smoothing. This is associated with agency theory, meaning that the implementation of corporate governance can pressure management to behave opportunistically and help monitor company performance so that it meets expectations.

CONCLUSIONS AND RECOMMENDATIONS

The test results in this study stated that company size, share value, and financial leverage were proven not to affect income smoothing. In contrast, the profitability factor was proven to have a negative effect on income smoothing. Another factor, namely the moderation of Good Corporate Governance (GCG), has proven unable to moderate the influence of company size and share value on income smoothing. GCG can strengthen the influence of profitability and financial leverage on income smoothing.

ADVANCED RESEARCH

The limitation of this research is that the sample only examines consumer goods companies. Therefore, it is hoped that future researchers can expand the research sample. Other variables not listed in this research can be added in future research.

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