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Determinants of Earnings Management in IDX Property and Real Estate Sector: Faktor-Faktor Penentu Manajemen Laba di Sektor Properti dan Real Estate BEI

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General Background: Earnings management remains a critical concern in financial reporting, especially in sectors with high capital intensity like property and real estate. **Specific Background:** In Indonesia, such practices are increasingly scrutinized due to inconsistent findings regarding the roles of tax planning, deferred tax burden, leverage, firm size, and institutional ownership. **Knowledge Gap:** Few studies explore the moderating effect of profitability on these variables in earnings management, particularly in the post-pandemic period. **Aims:** This study investigates the influence of tax planning, deferred tax burden, firm size, leverage, and institutional ownership on earnings management, with profitability as a moderating variable, using 549 firm-year observations from 183 IDX-listed companies (2020–2023). **Results:** Results show leverage and deferred tax burden significantly affect earnings management. Profitability moderates the effects of deferred tax burden, leverage, and institutional ownership, while it has no moderating effect on tax planning or firm size. **Novelty:** This study provides new insights into the contingent role of profitability in shaping earnings management behaviors in emerging markets. **Implications:** The findings contribute to refining financial governance strategies, guiding investor risk assessments, and informing regulators on industry-specific supervisory frameworks that enhance financial reporting transparency.
Highlight :

- Profitability as Moderator – Profitability affects the strength of the relationship between key financial factors and earnings management.
- Sector Focused – The study targets property and real estate companies listed on the Indonesian Stock Exchange.
- Tax and Leverage Role – Tax planning and leverage significantly influence earnings management practices.

Keywords : Earnings Management, Profitability, Moderating Variable, Property and Real Estate, Indonesian Stock Exchange

INTRODUCTION

(Dama et al., 2021)The Indonesian real estate and property sector plays a key role in the country's economic growth, especially when it comes to building infrastructure and creating jobs. However, when looking at how market trends and economic situations affect business activities, this industry can be very profitable. One way the company tries to keep or improve its financial performance in the eyes of investors and those in the capital market is through profit management. Since profit management involves shaping profit numbers to meet certain goals, it is often a topic of debate. This means that to understand how effective and responsible management is, it's important to look at how profit is presented in financial statements. (Hidayat et al., 2023)

This earnings management issue is not just for big companies; it also occurs in businesses listed on the Indonesia Stock Exchange, especially in the real estate and property sectors. Earnings management methods are affected by several factors, such as tax planning, delayed tax responsibilities, ownership by institutions, company size, and debt. Tax planning can aid in earnings management, as companies try to lower their tax payments to increase reported earnings, based on previous studies. (Rioni et al., 2021). However, there is also a lack of agreement in the research findings, as some studies say that tax planning does not influence earnings management. (Beno et al., 2022). Likewise, even though deferred tax expense has been shown to impact reported profits, the details of its connection with earnings management need more study. Also, the influence of company size, debt, and institutional ownership on earnings management still present mixed and unclear results in the current research. (Haryanto, 2015).

Although there have been many studies on earnings management, there has not been a detailed study looking at how tax planning, deferred tax burden, institutional ownership, firm size, and debt relate to earnings management, with profitability acting as a middle factor. This gap is especially important in the Indonesian property and real estate sector after the pandemic (2020-2023), as economic changes might have changed how earnings are managed. Therefore, this study aims to:

1. Examine the effect of tax planning, deferred tax obligations, company size, use of debt, and ownership by institutions on managing earnings.

2. Study how profitability acts as a factor that affects the connection between these elements and earnings management.

3. Offer fresh perspectives on how earnings are managed in the property and real estate industry in Indonesia, particularly from 2020-2023.

LITERATURE REVIEW

The literature review in this study targets various concepts and theories related to earnings management, as well as the factors that influence it. Earnings management is an action taken by a company's management to influence reported earnings, which can sometimes create the impression of economic benefits that are not actually received by the company emphasized that earnings information in financial statements is crucial in assessing management performance and accountability (Fitriani, 2018). Earnings management practices often involve the use of judgment in financial reporting and the creation of transactions to change financial statements in order to manipulate the amount of earnings, which has the potential to have negative consequences in the long term (Feryansyah et al., 2020). Various commonly used earnings management strategies include increasing earnings in the current period, reducing earnings through the "big bath" method, and income smoothing (Sari et al., 2022).

One of the factors that influences earnings management is tax planning. The tax planning process is carried out by management to optimize the management of taxpayers' businesses so that the tax burden that must be paid can be minimized (Chairil Anwar Pohan, 2014). Tax preparation improves earnings management, according to a number of earlier research. Effective tax planning companies typically use earnings management to increase reported profits (Sari et al., 2022). However, there are also findings that state that tax planning has no impact on earnings management (Fitriani, 2018), this shows inconsistency in research results in this field.

In addition, deferred tax burden is also an influential factor, where this burden is deferred and can reduce reported profits. Deferred tax burden can be a motivation for companies to make tax savings, so the higher the deferred tax burden, the more likely the company is to carry out earnings management (Hidayat et al., 2023). Company size is also an important factor; usually, larger companies have more resources and capacity to implement earnings management (Adyastuti et al., 2022). However, several studies show that company size does not affect earnings management (Hidayat et al., 2023), which indicates the need for further research in this context.

The Debt to Asset Ratio (DAR), which measures leverage, is another factor that affects earnings management. In order to satisfy debt commitments and preserve investor confidence, companies with significant levels of leverage may be encouraged to participate in earnings management (Beno et al., 2022). Nevertheless, other studies also demonstrate that leverage has little bearing on earnings management. Last but not least, institutional ownership might affect earnings management practices as it represents institutional investors' scrutiny. Several studies have shown that institutional ownership can reduce earnings management practices (Atmamiki et al., 2023), while other studies have shown that it has no effect (Lavenia et al., 2023).

Based on the literature review that has been conducted, this study formulates the following hypothesis:

H1a: Tax planning has a positive influence on earnings management.

H1b: Deferred tax burden also has a positive effect on earnings management.

H1c: Firm size contributes positively to earnings management.

H1d: Leverage has a positive influence on earnings management.

H1e: Institutional ownership actually has a negative effect on earnings management.

H2: Profitability functions as a moderating variable that influences the relationship between tax planning, deferred tax burden, firm size, leverage, and institutional ownership on earnings management.

It is envisaged that this study would significantly advance our understanding of the dynamics of profits management in Indonesia's real estate and property industry and offer insightful information to help investors and corporate management make decisions.

RESEARCH METHOD

This study uses an explanatory quantitative approach to examine the influence of several factors on how companies manage profits, with the level of profit as a moderating variable. The study was conducted on property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2023. This approach was chosen because it makes it easier for researchers to collect and analyze data in the form of numbers regularly, so that it can provide a clear and objective picture of how companies manage profits in the context of the property and real estate sector. In addition, this approach also allows researchers to test the relationship between variables.

Using purposive sampling technique, 183 companies were obtained as samples from a total of 223 companies that met specific criteria, such as the availability of complete financial report data and consistent reporting during the research period. From these samples, 549 observational data were obtained from the companies' annual financial reports over three years, allowing for a more in-

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depth and accurate analysis of the influence of factors on earnings management with profitability as a moderating variable.

No.	Description	Quantity
Research population: Property and Real Estate Companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period.		223
1.	Property and Real Estate Companies that are not consecutively listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period	18
2.	Property and Real Estate Companies that do not have or publish Financial Reports and Company Annual Reports consecutively for the 2020-2023 period	22
Number of samples		183
Number of observations : 3×183		549

Table 1. *Sample Selection Criteria*

The data used in this study were collected through two methods, namely literature study and documentation study. Literature study was conducted by reviewing literature, journals, articles, and other reading sources related to the research topic in order to strengthen the theoretical basis. Meanwhile, documentation study was conducted by collecting and analyzing company financial report data that had been published on the official BEI website, namely www. idx. co. id, as well as other relevant sources. The data collected includes information on tax planning, deferred tax burden, company size, leverage, institutional ownership, and profitability as measured by Return on Asset (ROA).

Following data collection, multiple linear regression techniques were used to analyze the data and examine the simultaneous and partial effects of independent factors on dependent variables. In addition, the absolute difference value test was used to analyze the role of moderating variables in influencing the relationship between independent and dependent variables. The regression model used in this study is the Discretionary Accruals Model (DAM), which is written like this: Y = a + ÿ1X1 + ÿ2X2 + ÿ3X3 + ÿ4X4 + ÿ5X5 + e, where Y represents management income, X1 to X5 are independent variables, and e is the error term. To examine the effect of the moderating variable, a more detailed regression model is applied that includes interactions between the independent variables and the moderating variables. Multiple regression analysis and Moderated Regression Analysis (MRA) were selected because they allow for testing of linear moderation effects, which means how the moderating variable (profitability) affects the strength or direction of the relationship between the independent and dependent variables.

Before conducting the regression analysis, classical assumption tests were conducted to ensure that the data met the requirements for valid regression analysis. Normality, multicollinearity, heteroscedasticity, and autocorrelation tests were conducted to ensure that the regression model used did not violate the basic assumptions. In addition, to ensure data validity, outlier checks were also carried out on the main results. The results of this analysis are expected to provide clear insight into the influence of factors that affect earnings management and the role of profitability as a moderating variable in the context of property and real estate companies in Indonesia. Thus, this study is expected to provide not only academic contributions but also practical benefits for company management and investors in making better decisions.

RESULTS AND DISCUSSION

A. Results

According to the study's findings, tax planning, deferred tax burden, firm size, leverage, and

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institutional ownership all have a big impact on how earnings are managed in real estate and property firms that are listed on the Indonesia Stock Exchange.

1.Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Planning (X1)	183	-3.7754	103.9233	.679975	7.6860347
Deferred Tax Expense (X2)	183	-.1789	.8766	.063553	.1181096
Company Size (X3)	183	.0018	.9932	.344324	.2538445
Leverage (X4)	183	22.7558	33.4945	28.808080	1.6979538
Institutional Ownership (X5)	183	.0000	.8469	.097949	.1625264
Profitability (Z)	183	.1230	35.1987	2.011134	3.0605719
Earnings Management (Y)	183	.0373	6.8475	1.349044	1.1725739
Valid N (listwise)	183				

Table 2. *Descriptive Statistics*

Source : Processed Research Data

This table presents descriptive statistics for 183 observations. Tax Planning (X1) shows high variation (mean 0.68, standard deviation 7.69). Deferred Tax Expense (X2) tends to be low and does not vary much (mean 0.06, standard deviation 0.12). Firm Size (X3) varies (mean 0.34, standard deviation 0.25). Leverage (X4) is relatively high with small variation (mean 28.81, standard deviation 1.70). Institutional Ownership (X5) varies with an average of about 9.8% (standard deviation 0.16). Profitability (Z) shows significant differences across firms (mean 2.01, standard deviation 3.06). Earnings Management (Y) also varies (mean 1.35, standard deviation 1.17). In general, there are various variations in the variables of this study. From the Table 2, it can be seen that there are significant variations in several variables such as Tax Planning (X1) and Earnings Management (Y), which are indicated by relatively large standard deviation values compared to their averages. This indicates that there are diverse practices or conditions among property and real estate sector companies during the study period. Meanwhile, Deferred Tax Expense (X2) tends to have a low average value and limited variation, indicating higher consistency. The Leverage variable (X4) shows a relatively high average value but with a small standard deviation, indicating that companies in the sample tend to have relatively similar debt levels. Finally, Profitability (Z) also shows quite large differences between companies, underlining the importance of its role as a moderating variable in the analysis.

2.Classical Assumption Test of First Hypothesis

a. Normality Test

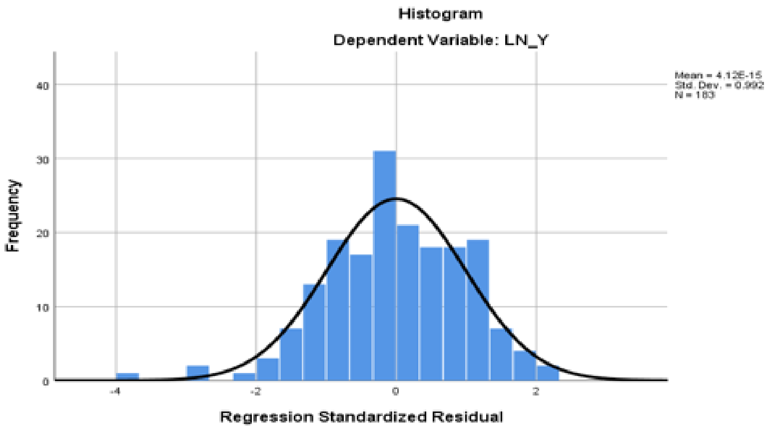

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Figure 1. *First Hypothesis Histogram Graph*

The histogram after transformation shows that the distribution of standard residuals is now closer to a normal curve than before. The peaks of the histogram appear more centered around zero, while the frequency distribution is more symmetrical on both sides of the mean. Although there is still a slight sign of a longer tail on the left side, overall, the distribution has improved towards normality. The mean of the standard residuals remains very close to zero (4.12e-15), and the standard deviation has increased slightly to 0.992. This indicates that the data distribution has become slightly wider, but the shape of the distribution is now more symmetrical and closer to a normal pattern.

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			183
Normal Parameters a,b	Mean		.0000000
	Std. Deviation		.88715735
Most Extreme Differences	Absolute		.051
	Positive		.036
	Negative		-.051
Test Statistics			.051
Asymp. Sig. (2-tailed)			.200c,d
Monte Carlo Sig. (2-tailed)	Sig.		.707e
	99% Confidence Interval	Lower Bound	.695
		Upper Bound	.718

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Based on 10000 sampled tables with starting seed 299883525.

Figure 2. *Results of Kolmogorov-Smirnov (KS) Test of Second Hypothesis*

The results of the One-Sample Kolmogorov-Smirnov (KS) test for the second hypothesis show that the Asymp. Sig. (2-tailed) value is 0.200. This number is higher than the 0.05 general significance level. Therefore, it may be said that there is no major difference between the normal distribution and the residual distribution. To put it another way, the second hypothesis regression model's residuals satisfy the normality condition. A 99% confidence interval between 0.695 and 0.718, which is all over 0.05, is also supported by the Monte Carlo Sig. (2-tailed) value of 0.707. The residual data is clearly regularly distributed, according to the KS test findings.

Coefficientsa

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-10,069	4.046		-2.489	.014		
	LN_X3	-.034	.058	-.044	-.588	.558	.974	1,026
	LN_X4	3.021	1.218	.197	2,479	.014	.850	1.176
	LN_X5	.042	.023	.143	1,826	.070	.868	1.152

a. Dependent Variable: LN_Y

Figure 3. *Results of Multicollinearity Testing of the Second Hypothesis*

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Based on Table 4 in the Second Hypothesis Multicollinearity Test, the tolerance value for each of the independent variables (LN_X3, LN_X4, and LN_X5) is more than 0.10, with respective values of 0.974, 0.850, and 0.868. Accordingly, the values of the Variance Inflation Factor (VIF) for each of the independent variables 1.026, 1.176, and 1.152, respectively are less than 10. The second hypothesis regression model's independent variables do not significantly exhibit multicollinearity, according to these two criteria. Therefore, it may be said that there isn't a strong enough correlation between the independent variables to influence how the regression findings are interpreted.

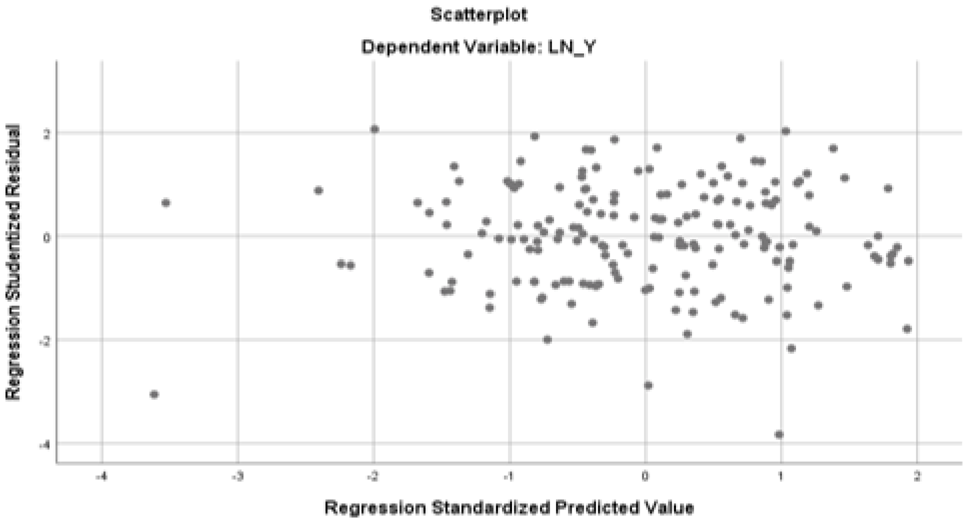

Figure 4. *Scatterplot Graph of Second Hypothesis*

The scatterplot of the studentized residuals against the standardized predicted values for the second hypothesis shows that the distribution of points tends to be random without forming a clear pattern such as a systematic curve or funnel. Most of the points are concentrated around the residual value of zero, with a relatively even distribution above and below the zero line. There is no indication of significant heteroscedasticity, where the residual variance will increase or decrease systematically along with changes in the predicted value. Some extreme points are seen, but overall, this random pattern indicates that the assumption of homoscedasticity in the second hypothesis regression model tends to be met.

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	5.218	10.346		.504	.615		
	LN_X3	-.045	.147	-.023	-.303	.762	.974	1.026
	LN_X4	-2.155	3.116	-.056	-.692	.490	.850	1.176
	LN_X5	-.084	.058	-.114	-1.429	.155	.868	1.152

a. Dependent Variable: Test_Park2

Figure 5. *Results of Heteroscedasticity Testing of the Second Hypothesis*

Based on Table 6 Results of the Second Hypothesis Heteroscedasticity Test using the Park test, it can be seen that the significance value (Sig.) for all independent variables (LN_X3, LN_X4, and LN_X5) is far above 0.05, which are 0.762, 0.490, and 0.155, respectively. This means that the squared residual value is not significantly impacted by any of the independent factors. As a result, regardless of the magnitude of tzhe independent variable, the residual variance remains relatively constant. Therefore, it can be concluded that the assumption of homoscedasticity (no heteroscedasticity) in the second hypothesis regression model is met based on this Park test.

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Runs Test

	Unstandardized Residual
Test Valuea	-.01578
Cases < Test Value	91
Cases >= Test Value	92
Total Cases	183
Number of Runs	85
Z	-1.112
Asymp. Sig. (2-tailed)	.266

a. Median

Figure 6. *Results of the Second Hypothesis Autocorrelation Test*

Based on Table 7 Results of the Second Hypothesis Autocorrelation Test using Runs Test, the Asymp. The 2-tailed significance level is 0.266. The standard threshold for significance is 0.05, and this result is far higher. Thus, it is evident that the residuals of the second hypothesis regression model do not exhibit any substantial autocorrelation.

The number of runs (changes in residual signs) observed is 85, which compared to the number of cases above and below the median value, produces a Z value of -1.112 with a significance of 0.266. These results indicate that the residual pattern tends to be random and does not show any serial dependence between residuals, so that the non-autocorrelation assumption is met.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6,361	3	2.120	2,650	.050b
	Residual	143.243	179	.800		
	Total	149,604	182			

a. Dependent Variable: LN_Y

b. Predictors: (Constant), LN_X5, LN_X3, LN_X4

Figure 7. *Simultaneous Test Results Simultaneous Test (F Statistic Test)*

Based on Table 8 the F test's significance value (Sig.) is 0.050, according to the Simultaneous Test Results (F Statistic Test). This result falls exactly under the 0.05 significance level. Therefore, it can be said that the independent variables (LN_X3, LN_X4, and LN_X5) have a considerable impact on the dependent variable (LN_Y), either separately or in combination. With degrees of freedom (df) of 3 for regression and 179 for residual, the computed F value is 2.650, yielding a significance level of precisely 0.05. This indicates that changes in the dependent variable may be significantly explained by the regression model as a whole.

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-10,069	4.046		-2.489	.014		
	LN_X3	-.034	.058	-.044	-.588	.558	.974	1,026
	LN_X4	3.021	1.218	.197	2,479	.014	.850	1.176
	LN_X5	.042	.023	.143	1,826	.070	.868	1.152

a. Dependent Variable: LN_Y

Figure 8. *Partial Hypothesis Testing Results (t-Test)*

Based on Table 9 Results of Partial Hypothesis Testing (t-Test) makes it possible to draw conclusions about the relative contributions of each independent variable to the dependent variable (LN_Y).

1. The partial test results show that Company Size (LN_X3) does not have a statistically significant effect on Earnings Management (LN_Y), with a regression coefficient of -0.034 and a p-value of 0.558. This finding indicates that in the context of property and real estate companies in Indonesia during the period 2020-2023, company size alone may not be the main driver of earnings management practices. Although large companies often have more resources and capacity to engage in earnings management, they also face stricter scrutiny from regulators and the public, which may limit such practices. This inconsistency or absence of a significant effect was also found in several previous studies .

2. Leverage (LN_X4) is proven to have a positive and significant effect on Earnings Management (LN_Y), with a regression coefficient of 3.021 and a p-value of 0.014. This finding indicates that the higher the level of a company's debt, the greater its tendency to engage in earnings management practices. The economic mechanism behind this relationship is often related to pressure to fulfill debt covenants. Companies with high levels of leverage may be motivated to manipulate earnings in order to show satisfactory financial performance to creditors, avoid violating covenants, or maintain their credit ratings. This condition is exacerbated by the unique post-pandemic market dynamics, where companies may face greater financial pressures.

3. The Institutional Ownership variable (LN_X5) does not have a statistically significant impact on Earnings Management (LN_Y), with a regression coefficient of 0.042 and a p-value of 0.070. Since the p-value is above the threshold of 0.05, then at the 95% confidence level, Institutional Ownership is not proven to have a significant impact on earnings management. However, this value is relatively close to the significance limit, so interpretation needs to be done carefully. This insignificant result may indicate that the influence may exist but is not strong enough in this sample or research period, or that there are other factors that are more dominant in influencing earnings management. Inconsistency of results related to the influence of institutional ownership is also found in the existing literature.

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Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.206a	.043	.026	.89456

a. Predictors: (Constant), LN_X5, LN_X3, LN_X4
b. Dependent Variable: LN_Y

Figure 9. *First Hypothesis Testing Results Coefficient of Determination R2*

Based on Table 10 according to the R2 Determination Coefficient's First Hypothesis Testing results, the R Square value is 0.043. This indicates that the independent variables (LN_X3, LN_X4, and LN_X5) may all account for around 4.3% of the variance in the dependent variable (LN_Y). Other factors outside of this model account for the remaining 95.7%. The percentage of variance explained after taking into account the number of independent variables in the model is also shown by the Adjusted R Square value of 0.026. The size of the standard error in estimating the LN_Y value with this model is shown by the Standard Error of the Estimate value of 0.89456. All things considered, the model does a rather poor job of explaining the variance in the dependent variable.

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.305	.117		11.114	.000		
	InteractionX1_Z	.004	.004	.077	1,055	.293	.968	1,033
	InteractionX2_Z	-1.053	.294	-.293	-3,578		.779	1.284
	InteractionX3_Z	-.093	.128	-.085	-.730	.466	.383	2,609
	InteractionX4_Z	.006	.003	.461	2.311	.022	.131	7,649
	InteractionX5_Z	-.427	.159	-.416	-2.681	.008	.217	4.612

a. Dependent Variable: Profit Management (Y)

Figure 10. *Moderation Variable Test Results*

Based on Table 11 Results of Moderation Variable Testing, the effect of the interaction of each independent variable with the moderation variable (Z) on the dependent variable (Earnings Management (Y)) can be explained as follows:

a. Interaction X1_Z: The results of the moderation regression analysis show that Profitability (Z) does not moderate the relationship between Tax Planning (X1) and Earnings Management (Y), with a significance value of 0.293 interaction which is greater than 0.05. This indicates that the effect of tax planning on earnings management is not substantially strengthened or weakened by the level of company profitability. Possibly, tax planning strategies and earnings management decisions related to tax operations are more independent of the level of profit achieved by companies in the property and real estate sector in Indonesia during the 2020-2023 period, or there are other factors that are more dominant in influencing this interaction. This finding is in line with previous studies that show inconsistencies in the relationship between tax planning and earnings management.

b. Interaction X2_Z: The interaction between Deferred Tax Expense (X2) and Profitability (Z) shows a significant and negative effect on Earnings Management (Y), with an interaction coefficient of -1.053 and a p-value of 0.000. This means that Profitability (Z) significantly weakens the relationship between Deferred Tax Expense (X2) and Earnings Management (Y). The higher the profitability of the company, the smaller the incentive for management to conduct earnings management related to deferred tax expenses. Conversely, when profitability is low, the effect of deferred tax expenses on earnings management becomes more prominent. This implies that more profitable companies may have greater financial flexibility, reducing the need to manipulate earnings through deferred tax expenses.

c. Interaction X3_Z: Moderation analysis revealed that Profitability (Z) was not proven to moderate the relationship between Firm Size (X3) and Earnings Management (Y), with a significance value of 0.466. This indicates that the role of firm size in influencing earnings management does not significantly depend on the level of firm profitability. This may indicate that both small and large firms may have earnings management incentives that are not substantially influenced by their level of profitability. This result is consistent with the finding that firm size does not always influence earnings management.

d. Interaction X4_Z: The interaction between Leverage (X4) and Profitability (Z) shows a significant and positive effect on Earnings Management (Y), with an interaction coefficient of 0.006 and a p-value of 0.022. This means that Profitability (Z) significantly strengthens the positive relationship between Leverage (X4) and Earnings Management (Y). When a company has high profitability, the impact of leverage on earnings management incentives becomes stronger. This may be because companies that are very profitable but also have high debt may feel more pressured to maintain a positive image in the eyes of creditors and investors in order to continue to enjoy access to low-cost funding sources. The pressure to maintain this reputation can encourage earnings management, especially when there is a slight change in profitability that has the potential to trigger concerns.

e. Interaction X5_Z: Profitability (Z) has a significant moderating effect on the relationship between Institutional Ownership (X5) and Earnings Management (Y), with a negative interaction coefficient of -0.427 and a p-value of 0.008. This indicates that the higher the profitability of the company, the weaker (or even negative) the effect of institutional ownership on earnings management. This means that when the company is very profitable, supervision from institutional investors may be more effective in suppressing earnings management practices, in line with several studies showing that institutional ownership can reduce earnings management..

In summary, the moderating variable Z is proven to moderate the influence of X2, X4, and X5 on Earnings Management (Y), while it does not moderate the influence of X1 and X3 on Earnings Management (Y). The direction of moderation varies, with Z weakening the influence of X2 and X5, but strengthening the influence of X4 on Earnings Management (Y).

According to this study, which tested real estate and property firms from 2020 to 2023, deferred tax burden, tax planning, company size, leverage, and institutional ownership all had a minor impact on earnings management. Additionally, the findings of the moderation test demonstrate that the link between these independent factors on profitability and earnings management may be moderated by company size. In particular, the link between Deferred Tax Burden, Tax Planning, Company Size, Leverage, and Institutional Ownership on Earnings Management cannot be moderated by profitability as a moderating variable. These results are partly in line and partly different from previous studies related to the effect of tax variables, company size, leverage, and institutional ownership on profitability, which then tested the role of profitability as a moderator of earnings management.

Overall, the comprehensive findings of this research provide essential insights for various stakeholders within the Indonesian property and real estate sector, particularly in the dynamic post-pandemic landscape. For company management, a deep understanding of how leverage and deferred tax burdens directly influence earnings management practices, as well as how profitability (as a moderating variable) can strengthen or weaken these relationships, becomes crucial. This insight is highly beneficial in formulating more cautious financial strategies, making informed decisions, and developing transparent accounting policies to maintain the trust of investors and creditors. Additionally, these findings can also assist in implementing internal control mechanisms that are more responsive to market dynamics.

For investors, the research results serve as valuable supplementary information for conducting more comprehensive risk analysis related to potential earnings management practices when evaluating company performance and making investment decisions. By understanding the determinants and the moderating role of profitability, investors can more accurately interpret financial statements and identify signals that might indicate earnings manipulation.

Meanwhile, for regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (BEI), these results can form a strong foundation for developing a more adaptive and industry-specific supervisory framework. For instance, stricter oversight might be necessary for companies with high leverage, especially if their profitability shows significant changes, in order to enhance the quality of financial reporting and protect overall market integrity. This research is expected to encourage more transparent and responsible business practices in this strategic sector.

B. Discussion

The Effect of Deferred Tax Expanse on Earnings Management with Profitability as a Moderating Variable, in this study it is known that Deferred Tax Expanse has an effect on Profitability. The results of this study are in line with research stating that Deferred Tax has no effect on Profitability (Subhan, 2022) However, this study is not in line with research stating that Deferred Tax has to effect on Profitability (Wobowo, 2021). The result of this study indicate date Deferred Tax Expanse is unable to moderate the relationship between Profitability and Earnings Management.

The Effect of Tax Planning on earnings Management with Profitability as a Moderating Variable, in this study, it is known that Tax Planning has no effect on Profitability. The result of this study are in line with research stating that Deffered Tax has no effect on Profitability (Wobowo, 2021). However this study is not in line with research stating that Tax Planning has no effect on Profitability (Fatchan et al., 2017). The result of this study indicate that Tax Planning is unable to moderate the relationship between Profitability and Earnings Management.

The Effect on Company Size on Earnings Management with Profitability as a Moderating Variable, in this study, it is known that Company Size has an effect on Profitability. The result of this study are in line with research stating that Company Size has an effect on Profitability (Dama et al., 2021). However, this study is not in line with research stating that Company Size has no effect on Profitability (Permatasari, 2021). The result of this study indicate that Company Size is unable to moderate the relationship between Profitability and Earnings Management.

The Effect of Leverage on Earnings Management with Profitability as a Moderating Variable, in this study, it is known that Leverage has no effect on Profitability. The result of this study are in line with research stating that Leverage has no effect on Profitability (Dama et al., 2021). However, this study is not in line with research stating that Leverage has no effect on Profitability (Permatasari, 2021). The result of this study indicae that Leverage is unable to moderate the relationship between Profitability and Earnings Management.

The Effect of Institutional Ownership on Earnings Management with Profitability as a Moderating Variable, in this study, it is known that Institutional Ownership has no effect on Profitability. The result of this study are in line with research stating that Institutional Ownership has no effect on Profitability (Wobowo, 2021). However, this study is not in line with research stating that Institutional Ownership has no effect on Profitability (Dama et al., 2021). The result of this study indicate that Intitutional Ownership is unable to moderate the relationship between Profitability and Earnings Management.

CONCLUSION

The study's findings indicate that, for property and real estate businesses listed on the Indonesia Stock Exchange between 2020 and 2023, tax planning, deferred tax burden, firm size, leverage, and institutional ownership all have a major impact on profits management. The positive relationship between tax planning and deferred tax burden and profits management suggests that businesses with large deferred tax loads and effective tax planning are more likely to control reported earnings. Leverage and company size also show a favorable impact, suggesting that larger, more indebted businesses are more prone to manipulate their results. On the other hand, institutional ownership has a detrimental impact on earnings management, suggesting that ethical earnings management methods can be curbed by stricter institutional investor oversight. Furthermore, the link between a number of independent factors and earnings management can be moderated by profitability as shown by Return on Assets (ROA), with more profitable organizations typically exhibiting greater transparency in their financial reporting.

Research Implications.

This study aims to examine the determinants of earnings management in property and real estate companies on the Indonesia Stock Exchange for the period 2020-2023, with profitability as a moderating variable. Based on the analysis that has been carried out, several main conclusions can be summarized as follows:

Main Findings

Tax Planning and Deferred Tax Expenses are proven to have a significant influence on earnings management, indicating the importance of taxation aspects in influencing earnings management decisions of companies in this sector.

Leverage significantly and positively affects earnings management, highlighting debt pressure that can encourage earnings manipulation practices.

Firm Size and Institutional Ownership do not show a significant influence on earnings management in the context and period of this study.

Profitability has a diverse and significant moderating role. Specifically, profitability weakens the effect of Deferred Tax Expenses on earnings management, but strengthens the effect of Leverage on earnings management, indicating that the level of company profitability is very influential in changing earnings management incentives related to the two variables. Profitability does not moderate the relationship between Tax Planning and Firm Size with earnings management.

Implications

The findings of this study provide important implications for corporate management in formulating more transparent financial strategies and accounting policies. For investors, these results enrich the analysis of risks related to potential earnings management. Meanwhile, for regulators, these results can be the basis for developing a more adaptive and industry-specific supervisory framework, especially for companies with high leverage.

•Further Research Recommendations:

Further research is advised to expand the observation period to capture more stable market dynamics post-pandemic, or consider the addition of other relevant independent variables and the use of alternative earnings management measurement methods to provide a more comprehensive perspective.

This research is expected to provide real contributions in encouraging more transparent and responsible business practices, as well as improving the quality of financial reporting in the Indonesian property and real estate sector.

LIMITATION AND IMPLICATION

This study has several limitations that need to be acknowledged, which can be directions for future research:

1. Research Period: This study covers the period 2020-2023. This period may not fully reflect normal market conditions due to the significant impact of the COVID-19 pandemic. The unusual economic conditions during this period have the potential to affect corporate earnings management behavior, so generalization of the findings needs to be done with caution to different market conditions.

2. Independent Variables: This research model uses a number of relevant independent variables, but it is recognized that the factors that influence earnings management are very complex. It is possible that other relevant variables (e.g., deeper corporate governance quality, specific industry characteristics, or macroeconomics) are not included in this model, which may limit the completeness of the explanation of the earnings management phenomenon.

3. Measurement Method of Earnings Management: The measurement of earnings management in this study uses the commonly used discretionary accrual approach. However, this method has inherent limitations in capturing all forms or motivations of earnings management that may occur in the field, as well as sensitivity to the assumptions of the model used.

The findings of this study provide important implications, both theoretically and practically:

1. Theoretical Implications:

Theoretically, this study contributes to the financial accounting literature by enriching the understanding of the determinants of earnings management, especially in the context of an emerging market such as Indonesia and specifically in the property and real estate sector. This study supports and extends Agency Theory and Signaling Theory by showing how leverage and tax burden play a complex role in earnings management decisions, and how profitability can moderate these incentives. It also highlights the importance of considering unique industry characteristics and macroeconomic conditions (e.g., post-pandemic) when examining earnings management practices.

2. Practical Implications:

From a practical perspective, the results of this study are relevant to various stakeholders in the business ecosystem:

a. For Corporate Management:

This study emphasizes the importance of transparency in financial reporting and prudent debt management, especially when companies face financial stress or fluctuations in profitability. Understanding the interaction between leverage, deferred tax burden, and profitability can help in formulating more robust financial strategies and making ethical accounting decisions.

b. For Investors:

These findings can be used as additional information to conduct more critical financial analysis. By understanding the drivers of earnings management and the moderating role of profitability, investors can identify companies that may be susceptible to earnings management practices, thereby helping to make more informed investment decisions and mitigate risks.

c. For Regulators (Financial Services Authority (OJK) and Indonesia Stock Exchange (IDX)): \

The results of this study can be the basis for formulating more effective and industry-specific supervisory policies and guidelines. For example, closer supervision is needed on companies with high leverage levels, especially if their profitability shows significant changes, in order to improve the quality of financial reporting and protect the integrity of the market as a whole.

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