THE EFFECT OF FINANCIAL PERFORMANCE AND FIRM SIZE ON INCOME SMOOTHING
(Empirical Study on Consumer Goods Industry Companies Listed on the Indonesia Stock Exchange 2016-2019 Period)

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***Abstract–** This study aims to determine the effect of Profitability, Financial Risk, and Firm Size on Income Smoothing in Consumer Goods Industry Sector Companies Listed on the Indonesia Stock Exchange for the 2017-2019 Period. This study uses a quantitative method, which is measured using a panel data regression-based method with the help of Eviews 10 software. The population in this study are all consumer goods industry companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. Based on the purposive sampling method , obtained as many as 16 samples in a period of 4 years in order to get 64 total samples. The data collection technique uses the documentation method through the official IDX website: www.idx.co.id and www.sahamok.com and hypothesis testing using the t test and f test. The results showed that profitability had a positive effect on income smoothing, financial risk had no effect on income smoothing, firm size had a negative effect on income smoothing, simultaneously profitability, financial risk and firm size had a positive effect on income smoothing.*

Keywords: *Profitability, Financial Risk, Firm Size and Income Smoothing.*

I. PRELIMINARY

In the current era of globalization, the development of the capital market is increasing in Indonesia, especially the one that most supports the Indonesian economy is the consumer goods industry. The consumer goods industry is one of the industrial sectors that is very much needed, because all consumer goods products are always in demand by the public, especially now that Indonesia is a very large country with a large population. Of course, people need to consume basic necessities such as; food, drink, medicine, and others. The consumer goods industry has 6 sub-sectors, namely the food and beverage sub-sector, the cigarette sub-sector, the pharmaceutical sub-sector, the cosmetics and household needs sub-sector, the household appliances sub-sector, and other consumer goods sub-sectors.

In 2016, the investment portfolio in the company PT Tunas Baru Lampung Tbk. The company grew by 26% from Rp 13.6 trillion on 31 December 2015 to Rp 17.1 trillion on 30 June 2016. The increase in market value 2 of the investment was the result of the company's growth. The company is in the consumer goods industry sector and is supported by strong performance and will be sustainable in investment companies in the consumer goods sector. This company has recorded a successful net profit distributed to shareholders of Rp. 4.8 trillion. This includes a one-off of Rp. 2.2 trillion as a result of changes in the presentation of financial reporting and Rp. 2.6 trillion contributed from an increase in market value for company investment in several companies.

Subsequently, in 2004, he succeeded in disclosing the PT Ades Alfindo case which

occurred when the company's management changed. In this new management change, he found inconsistent sales records for the 2001-2004 period. On July 26, the Indonesian Stock Exchange temporarily suspended stock trading transactions from the Ades company due to a significant price increase, namely Rp. 700.00 with the previous price of Rp. 1,100.00 to Rp. 1,800.00. Then, on August 3, this suspension was lifted and the stock price jumped again from Rp 1,800.00 to Rp 3,000.00.

II.   LITERATURE REVIEW
2.1.   Review of Previous Research Results

Andiani and Astika (2019: 984) argue that managerial ownership structure has no effect on Income Smoothing Practices, institutional ownership structure has a positive effect on income smoothing practices, and company size has no effect on income smoothing. The research was conducted at Telecommunications Companies Listed on the Indonesia Stock Exchange for the 2009-2016 period. In this study using data analysis methods in research, namely logistic regression analysis. The number of samples selected in manufacturing companies is 25 companies, using the purposive sampling method

Ditiya (2019: 52) states that company size has a significant positive effect on income smoothing. Profitability has a significant positive effect on income smoothing. Financial leverage has a significant positive effect on income smoothing. Public ownership has a significant negative effect on income smoothing. The research was conducted at the Manufacturing Industry Sector Companies during the 2013-2015 Period. In this study using a sampling method using purposive sampling in the data analysis technique is multiple linear regression analysis.

Sholikhah & Worokinasih (2018: 1) states that the Return on Assets (ROA) variable has a significant and positive effect on income smoothing practices. Return on Equity (ROE) has no significant effect on income smoothing practices, Net Profit Margin (NPM) has a significant and negative effect on income smoothing practices, Return on Assets, Return on Equity, and Net Profit Margin have a joint / simultaneous effect on practice income smoothing . The research was conducted on 56 companies in the infrastructure, utility and transportation services sector listed on the IDX for the 2014-2016 period.

2.2.   Theoretical Basis
2.2.1. Financial Performance

Rudianto (2013: 189) argues that financial performance is the result or achievement that management has achieved in carrying out its function of managing company assets effectively over a certain period of time. The company's financial capacity is needed to determine and assess the company's success rate based on its financial activities.

2.2.2. Profitability

Ditiya (2019: 58) argues that Profitability is the ability of a company to generate profits both in relation to sales, capital and own assets. Profitability is an indicator of a company's success to be able to generate profits so that the higher the profitability, the higher the company's ability to generate profits for the company.

2.2.3. Financial Risk

Financial risk is the risk associated with various risks regarding the company's finances. Financial risk shows the extent to which the company's assets have been financed by the use of cashmere debt (2016: 151). Sidartha Erawati (2017: 1113) say that the higher the financial risk, the company will tend to practice income smoothing. Management takes income smoothing measures to show creditors that the risks small companies have by trying to stabilize the value of earnings. This is because creditors tend to refuse to provide loans to companies with high profit fluctuations.

2.2.4. Company Size

Company size is a scale where the size and size of the company can be classified in various ways, including: total assets, log size, stock market value, and others. Ginantra and Putra (2015: 605), company size can be expressed in terms of total assets, sales and market capitalization. The greater the total assets, sales and market capitalization, the greater the size of the company, and the size of the total assets, sales and market capitalization are used to determine the size of the company because it can represent how big the company is. The bigger the asset, the more capital that is invested, the more sales, the more circulation of money and the greater the market capitalization, the greater it is known to the public.

2.2.5. Income Smoothing

Belkaoui (2012: 192) argues that income smoothing is a deliberate attempt by management to try to reduce abnormal variations in company profits with the aim of reaching a level that is normal for the company. Setiawan, (2015: 1691) defines that reported income smoothing can be defined as a deliberate effort to fluctuate or fluctuate the level of profit so that at this time it is considered normal for a company.

From some of the definitions above, it can be concluded that income smoothing is an act of deliberate manipulation, which is carried out by management of reported earnings fluctuations so that the company's profits are at the level considered normal by the company or in other words so that the company's reported earnings look stable to the extent permitted by sound accounting and management principles. Income smoothing includes the use of certain techniques to reduce or increase the amount of profit in a period equal to the amount of profit in the previous period.

2.2.6. Agency Theory

Anthony and Govindarajan (2005: 269) argue that the concept of agency theory is a relationship or contract between the principal and the agent. As an agent, the manager is formally responsible for optimizing the profits of the owners (principal) and in return will be compensated according to the contract. Thus, there are two different interests in the company, each company party to achieve or consider the level of prosperity that the manager as company manager wants to know more about internal information and the prospects of the company in the future than the owner (shareholder).

2.3. Relationship Between Research Variables

2.3.1. Effect of Profitability on Income Smoothing

High profitability indicates that the level of company performance is going well, then low profitability can indicate that the performance of a company will be bad. Profitability that gets low results is a concern for management. This happened because of decreased investor confidence. It can be concluded that high profitability will increase the possibility of income smoothing by company management.

In previous research conducted by Zulia and Oviani (2014: 1) stated that profitability has an effect on income smoothing. Based on the theory and research above, the temporary answer is that profitability has an effect on income smoothing.

2.3.2. Effect of Financial Risk on Income Smoothing

An increase in debt followed by a stable profit means that the company is considered good at managing its debt. This is what triggers management to reduce company risk by trying to secure the company's profit level by performing income smoothing. Financial risk in this study uses Debt To Asset (DTA) which is measured by using the ratio between total debt and total assets. Financial risk has a positive effect on income smoothing.

In previous research conducted by Ditiya (2019: 52) stated that financial risk has a positive effect on income smoothing. Based on the theory and research above, the temporary answer is that financial risk has an effect on income smoothing.

2.3.3. Effect of Company Size on Income Smoothing

Company size is the scale to determine the size of the company. Total assets are the most appropriate proxy for measuring company size. The total asset value reflects the assets or assets of the company. This it can be assumed that the greater the total asset value, the greater the size of the company and the company's performance can be said to be good, because the company tries hard to keep increasing the value of its assets. However, large companies are expected to avoid drastic fluctuations in profit, because on the other hand, if the value of the company's assets decreases, profits will also decrease and this will have a negative impact on the company. The larger the size of a company, the company will reduce income smoothing.

Nugraha and Dillak's research (2018: 48) states that company size has a positive effect on income smoothing. Based on the theory and research above, the temporary answer is that company size affects income smoothing.

2.3.4. Effect of Profitability, Financial Risk and Company Size on Income Smoothing

Companies that have high profitability tend to have high income smoothing because if the profits earned by the company are high, then the market will also have a good perspective on the company so that the company will also be more valuable in the eyes of the company. Companies that have good financial ratios will be considered positively by the market because they are considered liquid and able to pay off their short-term obligations. Companies that are large in size can find it easier to obtain funds to develop their business and have profits that tend to be large which can attract investors to invest in these companies so that they can increase the value of the company.

Anisatus Worokinasih's research (2018: 1) shows that simultaneously Profitability, Financial Risk and Company Size have a significant effect on income smoothing practices. Based on the theory and research above, the provisional answer is that profitability, financial risk, and company size affect income smoothing.
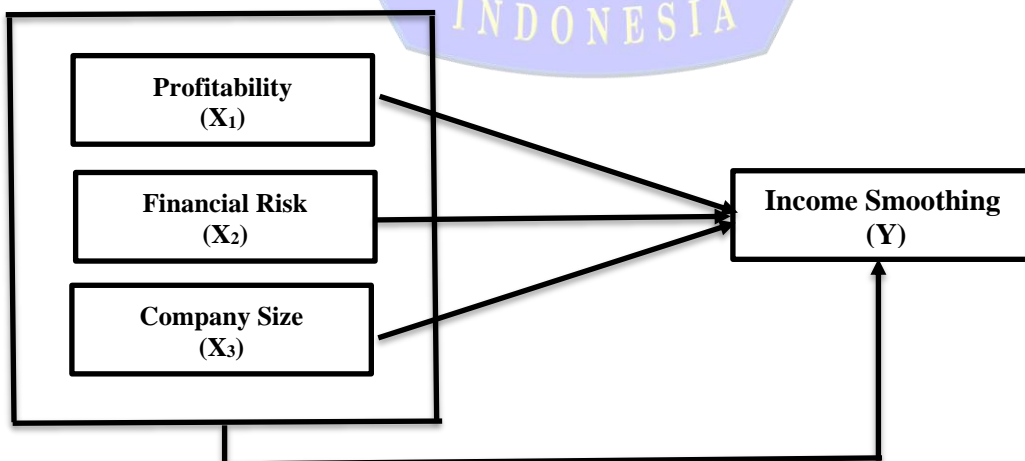
2.4. Research Conceptual Framework

Figure 2.1
Research Conceptual Framework

III. RESEARCH METHODS
3.1. Research Strategy

The research strategy that will be used in this research is associative research with the form of a causal relationship. Associative research with causal relationships is a type of research used to analyze the causal relationship between two variables, namely the independent variable (free) as the influencing variable and the dependent variable (dependent) as the affected variable. The research methodology used in this research is quantitative research, using quantitative methods because it processes data in the form of numbers. Research with a quantitative approach that is objective includes the collection and analysis of quantitative data and uses statistical testing methods.

3.2. Population and Sample

Population is a generalization area consisting of objects or subjects that have a certain quantity and characteristics set by the researcher to study and then draw the "conclusion" Sugiyono (2017: 80). The data used in this study are secondary data based on time series namely using all financial statement data from 52 industrial and consumer goods companies listed on the Indonesia Stock Exchange with the period 2016, 2017, 2018 and 2019 obtained from www.idx.co.id.

The sample is part of the number and characteristics of the population Sugiyono (2017: 81). Sampling in this study was carried out using purposive sampling method. Purposive sampling method is a technique of determining the sample with certain considerations or criteria. The criteria for the companies sampled in this study are as follows:

1) The companies studied were companies in the manufacturing consumer goods industry listed on the Indonesia Stock Exchange (IDX) in 2016-2019.

2) Consumer goods industry companies that publish financial reports on the Indonesia Stock Exchange (IDX) for 2016-2019 consecutively and have complete data according to the variables used.

3) Companies that have profits during the 2016-2019 period.

3.3. Data and Data Collection Methods

The type of data used in this study is secondary data. Secondary data is a source of research data obtained indirectly by providing data to data recipients through intermediaries. In this study, using secondary data obtained from consumer goods industry sector companies listed on the Indonesia Stock Exchange (BEI) in the form of audited financial reports of companies for the period 2016-2019. The data collection technique used in this research is documentation carried out to collect secondary data from existing sources, namely by reading, observing and recording documents related to the research.

3.4. Operationalization of Variables
3.4.1. Independent Variable

Independent variable (free) is a variable that affects or causes the emergence of other variables, namely the dependent variable (dependent). The independent variables in this study are profitability, financial risk and firm size.

3.4.2. Dependent Variable

The dependent variable is often referred to as the dependent variable. The teriakat variable is the variable that is influenced or becomes a result, because of the independent variable. The dependent variable used in this study is income smoothing. The operationalization of the variables in this study is shown in the following table:

Table 3.1 Operationalization of Research Variables

No	Variable	Sub Variable	Indicator	Scale
1.	Profitability	Return on Assets	a. Earning After Taxes b. Total Asset	Ratio
2.	Financial Risk	Debt to Asset Ratio	a. Total Debt b. Total Asset	Ratio
3.	Company Size	Size	Ln Total Asset	Ratio
4.	Income Smoothing	Income Smoothing	a. Coefficient of variation for change in profit b. Coefficient of variation for change in sales	Ratio

3.5. Metoda Analisa Data

The analysis method used in this research is quantitative data analysis method using panel data regression method. Panel data regression is a regression technique that combines time series data with cross section data, where by combining time series and cross section data, it can provide more informative data, low levels of collinearity between variables, greater degree of freedom and more efficiency.

The analysis was carried out by processing the data through the Econometric View (Eviews) version 10 software program and Microsoft Excel to classify the data needed by the researcher. The data analysis method used is descriptive statistical test, classical assumption test, model selection, panel data regression model and hypothesis testing.

3.5.2. Panel Data Regression Analysis

Panel data is a combination of time series data and cross section data. Time series data is data consisting of one or more variables to be examined in one observation unit within a certain period of time, while cross section data is observational data consisting of several observation units at one point in time. The data used in this study are annual time series data for 4 years, 2016-2019 and cross section data, namely 16 companies in the consumer goods sector which are used as research samples.

The panel data regression model used to determine the relationship of Profitability, Financial Risk and Company Size to Income Smoothing is as follows:

$$Y = \alpha + X_1 \beta_1 + X_2 \beta_2 + X_3 \beta_3 + \varepsilon$$

Information:
Y   : Income Smoothing
α : Constant
X_1 : Profitability
X_2 : Financial Risk
X_3 : Company Size
β : Regression Coefficient
ε : *Error Term*

IV. RESULTS AND DISCUSSION
4.1. Data Analysis
4.1.1. Descriptive Statistics

Descriptive statistical analysis is to provide a general description or explanation of data from a variable under study which includes independent variables, namely Profitability, Financial Risk and Company Size and the dependent variable, namely Income Smoothing (income smoothing). With the descriptive statistical table is as follows:

Table 4.1. Descriptive Statistics

	Perataan Laba	ROA	LEV	Firm Size
Mean	2.669375	0.203964	0.392344	22.13422
Maximum	13.88	0.7091	0.74	30.64
Minimum	-1.9	0.0021	0.15	14.64
Std. Dev.	3.479118	0.166464	0.185462	5.411525
Obeservations	64	64	64	64

Source: Eviews data processing results version 10.0

Based on table 4.1. It can be seen that the number of samples used is 64 data from 52 companies in the consumer goods industry sector listed on the Indonesia Stock Exchange 2016-2019. The dependent variable for income smoothing shows an average (mean) value of 2.669375 with a standard deviation of more than 3.479118. greater than the average value, which means that statistically during 2016-2019 the amount of income smoothing has not met the standard which indicates that the data deviation is relatively poor. The minimum value of -1.9 is owned by PT Mandom Indonesia Tbk in the 2016-2019 period while the maximum value of 13.88 is owned by PT Indofood Sukses Makmur Tbk in the 2016-2019 period.

The profitability variable shows an average value of 0.203964 with a standard deviation of 0.166464 which is smaller than the average value, which means that statistically during 2016-2019 the amount of profitability has met the standard which shows that the data deviation is relatively good. The minimum value of 0.0021 is owned by PT Kimia Farma (Persero) Tbk in 2019, while the maximum value of 0.7091 is owned by PT Multi Bintang Indonesia Tbk in 2017.

The financial risk variable shows an average value of 0.392344 with a standard deviation of 0.185462 which is smaller than the average value, which means that statistically during 2016-2019 the amount of financial risk has met the standard which shows relatively good data deviation. The minimum value of 0.15 is owned by PT Delta Djakarta Tbk, while the maximum value of 0.74 is owned by PT Unilever Indonesia Tbk in 2019.

The company size variable shows an average value of 22.13422 with a standard deviation of 5.411525 smaller than the average value, which means that statistically during 2016-2019, the size of the company has met the standard which shows relatively good data deviation. The minimum value of 30.64 is owned by PT Kalbe Farma Tbk in 2019, while the maximum value of 14.64 is owned by PT Multi Bintang Indonesia Tbk in 2016.

4.1.2. Panel Data Regression Model
1. *Common Effect Model*

Common effect model only combines cross section with time series. The least squares approach is used to estimate the combination using the OLS (Ordinary Least Square) approach. This model does not pay attention to the dimensions of the company or time, so it can be assumed that the behavior between companies is the same in various time periods. The following are the results of the regression using the common effect model:

Table 4.2 Result of Panel Data Regression Model Common Effect Model

Variable	Coefficient	Prob.
ROA	-4.931035	0.1051
LEV	1.972422	0.4332
FIRM_SIZE	-0.217580	0.0333
C	**7.717233**	**0.0157**
Adjusted **R-squared = 0.474609**		

Source: Panel Data Regression Output Eviews 10.0

Based on the regression results with the Cemmon Effect Model (CEM), it shows that there is a constant value of 7.717233 with a probability of 0.0157. The CEM regression equation has an adjusted R2 of 0.474609 which means that the variance of ROA, LEV and Firm Size interaction with income smoothing is 47.4609% and the remaining 52.5391% is influenced by other independent variables that are not used in the study.

2. *Fixed Effect Model*

The Fixed Effect Model (FEM) assumes that there are differences in interceptions between companies. The intercept is different for each company, each intercept does not change over time (time variant), but the coefficient (slope) on each independent variable is the same for each company and over time. The following are the results of the regression using the fixed effect model.

Table 4.3 Results of Panel Data Regression Model Fixed Effect Model

Variable	Coefficient	Prob.
ROA	1.196712	0.0000
LEV	1.227613	0.4221
FIRM_SIZE	-9.339814	0.0055
C	**2.669375**	**0.0000**
Adjusted **R-squared = 0.536780**		

Source: Panel Data Regression Output Eviews 10.0

Based on the regression results with the Fixed Effect Model (FEM), it shows that there is a constant value of 2.669375 with a probability of 0.0000. The fixed effect model regression equation has an adjusted R2 of 0.536780 which explains that the variants of ROA, LEV and Firm Size are 53.6780% and the remaining 43.6780% is influenced by other independent variables not examined in the study.

3. *Random Effect Model*

The Random Effect Model is a regression estimation model assuming constant slope coefficients and different interceptions between individuals and over time. The following are the results of the regression using the random effect model. The following are the results of the regression using the random effect model.

Tabel 4.4 Results of Panel Data Regression *Random Effect Model*

Variable	Coefficient	Prob.
ROA	1.652527	1.0000
LEV	1.673527	1.0000
FIRM_SIZE	-1.832428	1.0000
C	**2.664773**	**0.0055**
Adjusted R-squared = 0.456370		

Source: Panel Data Regression Output Eviews 10.0

Based on the results of the regression with the Random Effect Model (REM), it shows that there is a constant value of 2.664773 with a probability of 0.0055. The random effect model regression equation has an adjusted R^2 of 0.456370, explaining that the variants of ROA, LEV, and Firm Size are 45.6370% and the remaining 54.3630% is influenced by other independent variables not examined in the study.

4.1.3. Panel Data Regression Model Selection

1.   Chow Test

The chow test is used to select a better approach between the common effect model and the fixed effect model with the following criteria:

a. If the probability value (P-value) for the cross section $F \geq 0.05$ (significant value) then H_0 is accepted, so the most appropriate model to use is the Common Effect Model (CEM).

b. If the probability value (P-value) for the cross section $F \leq 0.05$ (significant value) then H_0 is rejected, so the most appropriate model to use is the Fixed Effect Model (FEM).

Tabel 4.5 Model Test Results Using the Chow Test

Redundant Fixed Effect Test			
Effects Test	*Statistic*	*d.f.*	*Prob.*
Cross-section F	0000000	(15,45)	0.0000
Cross-section Chi Square	4171.686668	15	0.0000

Source: Panel Data Regression Output Eviews 10.0

Based on the table above, the results of the common effect vs fixed effect chow test are above the probability value (P-value) of cross section F is $0.0000 \leq 0.05$, so the hypothesis H_0 is rejected and H_1 is accepted so that the Fixed Effect Model (FEM) model is more appropriately used.

2.   Hausman Test

The Hausman test aims to determine the choice of the model used, namely between the random effect model and the fixed effect model. The results of this test are to find out which method should be selected with the following criteria:

a. If the probability value (P-value) for the random cross section> 0.05 (significant value) then H_0 is accepted, so the most appropriate model to use is the Random Effect Model (REM).

b. If the probability value (P-value) for random cross section <0.05 (significant value) then H_0 is rejected, so the correct model to use is the Fixed Effect Model (FEM).

Table 4.6 Model Test Results Using the Hausman Test

Correlated Random Effects - Hausman Test			
Test Summary	*Chi-Sq. Statistic*	*Chi-Sq. d.f.*	*Prob.*
Cross-section Random	77.414669	3	0.0000

Source: Panel Data Regression Output Eviews 10.0

Based on the table above on the results of the Hausman test, random effect vs fixed effect above, the probability value (P-value) of random cross section is $0.0000 \leq 0.05$, so the hypothesis H0 is rejected and H1 is accepted, so the Fixed Effect Model (FEM) model more precisely used.

4.1.4. Uji Asumsi Klasik
1. Normality Test
The normality test is used to determine in a regression model whether the variables are normally distributed. The regression model is said to be good if the data is normally distributed. In this test using the histogram graph method and the Jarque Bera (JB) test with the following history-normality test
a. If the probability value is> 0.05, the data is normally distributed.
b. If the probability value <0.05, then the data are not normally distributed.

Table 4.7 Result the Test Normality

Jarque-Bera	1.658647
Probabilitas Jarque-Bera	0,436344

Source: Eviews data processing results version 10.0

Based on the table above which shows the histogram graph and the Jarque Bera (JB) test with the history-normality test above, the normality test can be seen from the probability value which is 0.436344 where the probability value is greater than 0.05, namely 0.436344> 0.05. it can be concluded that the data are normally distributed.

2. Uji Multikolinearitas
The multicollinearity test is used to test for the presence of a high or perfect correlation between variables in the regression model. The regression model is said to be good if there is no correlation between the identified variables using the correlation value between the independent variables.

Table 4.8 Result the Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LEV	6.249146	6.705244	1.208943
FIRM_SIZE	0.009978	29.57553	1.643515
C	9.626962	55.00544	NA

Source: Eviews data processing results version 10.0

Based on the table above, it shows that the Centered VIF value of each variable does not have a VIF greater than 10, so it can be stated that there is no multicollinearity problem.

3. Heteroscedasticity Test
Heteroscedasticity test is used to determine the variance inequality from one observation residual to another in the regression model. The regression equation is said to be good if there is no heteroscedasticity. The method used in this test is the Glejser Test method, where this method can detect the presence or absence of heteroscedasticity because the regression coefficient value of the independent variable is not significant for the dependent variable.

Tabel 4.9 Result the Heteroscedasticity Test

Heteroskedasticity			
Test: F-statistic	0.595768	Prob. F(3,60)	0.6202
Obs*R-squared	1.851311	Prob. Chi-Square(3)	**0.6038**
Scaled explained SS	1.430502	Prob. Chi-Square(3)	0.6984

Based on the table above, it can be seen that from the probability value Chi-Square has a value of 0.6038, namely the p-value is greater than 0.05 (0.6038> 0.05), it can be concluded that there is no heteroscedasticity problem.

4.   Autocorrelation Test

The autocorrelation test aims to test whether in the liner regression model there is a correlation between confounding error in period t and confounding error in period t-1 (previous). A good regression model requires no autocorrelation problems. This test uses the Durbin Watson (DW) test to identify the presence of autocorrelation and compare it in the Durbin Watson (DW) table.

Tabel 4.10 Result the Autocorrelation Test

R-squared	0.569824	Mean dependent var	23.38898
Adjusted R-squared	0.536780	S.D. dependent var	37.30213
S.E. of regression	1.566413	Sum squared resid	1.097224
F-statistic	31.056729	Durbin-Watson stat	**2.122234**
Prob(F-statistic)	0.000000		

Source: Eviews data processing results version 10.0

The test results using Durbin Watson show that the DW value that lies between dU <dw <4-dU identifies the absence of autocorrelation. Based on the Watson durbin table with α = 5%, the number of observations (n) in this study was 64 and the number of independent variables (k) was 4, the value of dL = 1.4990 and dU = 1.6946 was obtained, the DW value obtained was 2 , 122234 which is between 1.6946 <2.122234 <2.3054 means that in this regression model there is no positive or negative autocorrelation.

4.1.5. Panel Data Regression Analysis

Panel data regression analysis aims to test the extent of the influence of the independent variables on the dependent variable where there are several companies in several time periods. The independent variables in this study are ROA, LEV and Firm Size, while the dependent variable in this study is Income Smoothing.

Variabel	**Coeffiesient**	**t-Statistic**	**Probabilitas**
ROA	**1.196712**	**6.198023**	**0.0000**
LEV	**1.227613**	**0.810155**	**0.4221**
FIRM_SIZE	**-9.339814**	**-2.918224**	**0.0055**
C	**2.669375**	3.862462	0.0000

Source: Eviews data processing results version 10.0

Based on the test results above, the panel data regression equation can be described as follows:

Perataan Laba = 2,669375 + 1,196712 ROA + 1,227613 LEV – 9,339814 Firm Size + *e*

Based on the panel data regression equation above, it can be analyzed as follows:
1) The constant value is 2.669375, which means that if Profitability (ROA), Financial Risk (LEV) and Company Size are considered constant (value = 0), then the income smoothing value is 2.669375.
2) The value of the ROA regression coefficient is 1.196712, which indicates that each one unit increase in profitability will increase the income smoothing value by 1.196712.

3) The LEV regression coefficient value is 1.227613, which illustrates that each one unit increase in financial risk will increase the income smoothing value by 1.227613.
4) Firm size regression coefficient value of -9.339814 with a negative coefficient, which illustrates that each one unit increase in company size will reduce the income smoothing value by -9.339814.

4.1.6. Determination Coefficient Test
Tabel 4.12 Result the Determination Coefficient Test

Uji R^2	Koefisien Determinasi
Adjusted R-squared	**0.536780**

Source: Eviews data processing results version 10.0

Based on the table above, the coefficient of determination seen from adjusted R2 is 0.536780 or 53.6780%, which means that all independent variables are able to explain the variation of the dependent variable by 53.6780% while the remaining 46.3220% (100% - 53.6780%) is explained by other independent variables that are not included in this research model.

4.1.7. Hypothesis Test
1.   t Test
This t statistical test aims to determine the effect of each independent variable on the dependent variable. To determine whether the hypothesis is accepted or rejected by comparing t count with t table and a significance value with a significance level in this study, namely $\alpha = 5\% = 0.05$. The decision making criteria in this test are as follows:
a. If tcount <ttable and p-value> 0.05 then H0 is accepted and H1 is rejected, which means that one of the independent (independent) variables does not significantly affect the dependent variable (independent).
b. If tcount> ttable and p-value <0.05 then H1 is accepted and H0 is rejected, which means that one of the independent variables (independent) affects the dependent variable (independent) significantly.

Tabel 4.13 Result the t Test

Variabel	Coeffiesient	t-Statistic	Probabilitas
ROA	**1.196712**	**6.198023**	**0.0000**
LEV	**1.227613**	**0.810155**	**0.4221**
FIRM_SIZE	**-9.339814**	**-2.918224**	**0.0055**
C	**2.669375**	3.862462	0.0000

Source: Eviews data processing results version 10.0

Based on the test results above, the panel data regression equation can be described as follows:

a. The first hypothesis in this study is that profitability has an effect on income smoothing. The results of statistical tests show that the value of t is greater than t table (6.198023> 2,000298) and the probability results show that it is smaller than the significance level (0.0000 <0.05). Based on the results of this test, it means that H1 is accepted. So it can be interpreted that Profitability has a positive effect on Income Smoothing.
b. The second hypothesis in this study is financial risk has an effect on income smoothing. From the results of statistical tests, it shows that the value of t count is smaller than t table (0.810155

<2,000928) and the probability results show a greater than significance level (0.4221> 0.05). based on the results of this test it means that H2 is rejected. So it can be interpreted that Financial Risk has no effect on Income Smoothing.

c. The third hypothesis in this study is that company size has an effect on income smoothing. The results of statistical tests show that the value of t count is smaller than t table (-2.918224> 2,000298) and the probability results show that it is smaller than the significance level (0.0055 <0.05). Based on the results of this test, it means that H3 is accepted. So it can be interpreted that company size has a negative effect on income smoothing.

2. f Test

The F test is a test conducted to determine the effect of the independent variable as a whole on the dependent variable. The following are the results for testing the f test in this study:

Table 4.14 Result the f Test

F-statistic	31.056729
Prob(F-statistic)	0.000000

Sumber : Hasil Output Regresi Data Panel Eviews 10.0

The results of the F test in the table above show that the Fcount value of 31.056729 is greater than the Ftable value (Fcount> Ftable) then (31.056729> 3.14) with a probability value of 0.000000 is smaller than the significance level of 0.05 (0.0000 <0.05). From these results it can be concluded that profitability, financial risk and firm size have an effect on income smoothing. Thus the fourth hypothesis which states that profitability, financial risk and firm size affect income smoothing can be accepted.

4.1.8. Interpretation of Research Result

1. Effect of Profitability on Income Smoothing

The first hypothesis which states that profitability affects Income Smoothing is accepted. This can be seen from the Profitability variable which has a t-count value greater than the t-table value (6.198023> 2,000298) and the probability value shows less than the significance level (0.0000 <0.05). So it can be interpreted that Profitability has a positive effect on Income Smoothing. This states that companies that have a high profitability value tend to do income smoothing, because the higher the profitability of the company, the management can easily manage their profits or do income smoothing and management appears to have a good performance when judged by the level of profit it can generate.

The results of this study are in line with the results of research conducted by Ditya (2019: 62), Sholikhah & Worokinasih (2018: 5) which states that profitability affects income smoothing. But the results of this study are not in line with research conducted by Ginantra & Putra (2015: 616) which states that Profitability has no effect on Income Smoothing.

2. Effect of Financial Risk on Income Smoothing

The second hypothesis which states that financial risk affects income smoothing is rejected. This can be seen from the Financial Risk variable which has a t-count value smaller than t table (0.810155 <2,000928) and the probability results show a greater than significance level (0.4221> 0.05). So that it shows that Financial Risk has no effect on Income Smoothing. This shows that the higher the financial risk, it does not always indicate that there is an smoothing of income.

The results of this study are in line with Ginantra & Putra (2015: 616) which proves that financial risk has no effect on income smoothing. However, the results of this study are not in line with the research conducted by Ditya (2019: 62) which proves that financial risk affects income smoothing.

3.   Effect of Firm Size on Income Smoothing

The third hypothesis which states that firm size has an effect on income smoothing is accepted. This can be seen from the firm size variable which has a t-count value greater than t table (-2.918224> 2,000298) and the probability results show a smaller than the significance level (0.0055 <0.05). The coefficient of company size is -9.339814 so it means that firm size has a negative effect on income smoothing, which means that when an increase in company size occurs, it will reduce income smoothing.

The results of this study are in line with research conducted by Made Yustiari & Dewi I Ketut Sujana (2014: 180), Nugraha & Dillak (2018: 48) and Ditya (2019: 62), which state that firm size affects income smoothing. However, the results of this study contradict research conducted by Zulia Oviani (2014: 9) and Nur Andini (2019: 1009) which states that company size has no effect on income smoothing

4.   Effect of Profitability, Financial Risk and Firm Size on Income Smoothing

The fourth hypothesis which states that Profitability, Financial Risk and Company Size simultaneously have a positive effect on income smoothing is accepted, it can be seen from the value (Fcount> Ftable) then (31.056729> 3.14) with a probability value of 0.000000 smaller than the significance level of 0.05 (0.0000 <0.05), which indicates that profitability, financial risk and firm size simultaneously affect income smoothing. This result is supported by research conducted by Ditiya (2019: 62), which states that financial ratios and company size have an influence on income smoothing.

VI.   CONCLUSIONS AND RECOMMENDATIONS
5.1.   Conclusions

Based on the results of the analysis and interpretation of the results of the research conducted, the following conclusions can be drawn:

1. Profitability has an effect on income smoothing.
2. Financial risk has no effect on income smoothing
3. Firm size has an effect on income smoothing
4. Profitability, financial risk, and company size simultaneously affect income smoothing.

5.2.   Recommendation

Based on the above conclusions, suggestions that can be taken from the research results are as follows:

1. Investors in investing should pay attention to the income smoothing carried out by the company, the existence of income smoothing also provides inaccurate information, and results in investor losses in making decisions.

5.3.   Research Limitations and Further Research Development

This study has limitations, including:

1. This study only uses consumer goods industry sector companies listed on the Indonesia Stock Exchange as research objects, so this research does not explain the income smoothing of all types of companies operating in Indonesia.
2. This study only uses a research period of 4 years, namely 2016, 2017, 2018 and 2019
3. This study only selects companies that fit the research criteria with purposive sampling, so that the total sample obtained is less.
4. The variables used in this study only explain three independent variables.

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