THE EFFECT OF INSTITUTIONAL OWNERSHIP, FREE CASH FLOW, PROFITABILITY AND LEVERAGE ON PROFIT MANAGEMENT (Empirical Study of Basic Industry Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2019 Period)

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Abstract- *This study is aimed to test the effect of institutional ownership, Free Cash Flow, Profitability and Leverage on Earnings Management in manufacturing companies in the Basic Industry sub-sector listed on the Indonesia Stock Exchange (BEI) for the 2015-2019 period. This study uses quantitative research methods, which are measured using multiple linear regression methods with SPSS 21 software. The population of this study is manufacturing companies in the Basic Industry sub-sector listed on the Indonesia Stock Exchange (BEI) for the 2015-2019 period. The sampling method used in this research is purposive sampling method with a sample of 21 manufacturing companies during the observation period of 5 consecutive years so that the total sample is 105. The data collection technique uses the documentation method through the official IDX website www.idx.co.id.The results are institutional ownership has an insignificant negative effect on earnings management. The results also free cash flow and leverage have a positive effect on earnings management, while profitability has no effect on earnings management.*

Keywords**:** *Institutional Ownership, Free Cash Flow, Profitability, Leverage, Earnings management*

Abstrak- *Penelitian ini bertujuan untuk menguji apakah pengaruh kepemilikan institusional, Free Cash Flow, Profitabilitas dan Leverage terhadap Manajemen Laba pada perusahaan manufaktur sub sektor Basic Industry yang terdaftar di Bursa Efek Indonesia (BEI) periode 2015-2019. Penelitian ini menggunakan metode penelitian kuantitatif, yang diukur dengan menggunakan metoda regresi linier* *berganda dengan software SPSS 21. Populasi dari penelitian ini adalah perusahaan manufaktur sub sektor Basic Industry yang terdaftar di Bursa Efek Indonesia (BEI) periode 2015-2019. Metoda penentuan sampel yang digunakan dalam penelitian ini adalah metode purposive sampling dengan sampel sebanyak 21 perusahaan manufaktur yang selama periode pengamatan 5 tahun berturut-turut sehingga total sampel 105. Teknik pengumpulan data menggunakan metoda dokumentasi melalui situs resmi IDX www.idx.co.id. Hasil penelitian ini membuktikan bahwa kepemilikan institusional berpengaruh negatif yang tidak signifikan terhadap manajemen laba. Hasil penelitian juga membuktikan free cash flow dan leverage berpengaruh positif pada manajemen laba, sedangkan profitabilitas tidak berpengaruh pada manajemen laba.*

Kata Kunci: Kepemilikan Institusional, Free Cash Flow, Profitabilitas, Leverage, Manajemen laba.

I. INTRODUCTION

Background

In a company to report its financial statements so that it is known how the company is developing good or bad. Financial reports are an important tool for business information and are used to support considerations for making decisions for internal parties, namely management, stakeholders and external parties, namely investors or creditors.

A financial report is basically the result of an accounting process that processes financial transaction data so that information can be used as a means of communication between the activities of a company and interested parties with the information disclosed in the financial statements which are internal parties and external parties that support sustainability. a company. At first the financial statements for a company were only a testing tool for the bookkeeping work, but hereinafter the financial statements were not only a testing tool but also as a basis for being able to determine or assess the company's financial position, where with the results of the analysis the parties have an interest in making a decision (Gunawan et al., 2015).

The existence of financial reports issued by the company has the aim of one of which is to provide company financial information that can describe the company's achievements in generating profits. The existence of various concepts and goals of profit makes the information presented cannot fully be used to meet the needs of users of financial statements. Profit (profit) is the difference between the amount received from the customer for the goods or services produced and the amount spent to buy natural resources in producing the goods or services. The amount of company profit is one of the most important information contained in financial reports (Ghozali and Chariri, 2007: 349–350). This triggers opporturnistic behavior of management to practice earnings manipulation which is often referred to as earnings management.

Jensen and Meckling (1976) state that managerial ownership and institutional ownership are two corporate governance mechanisms that can control agency problems. Institutional ownership is ownership of shares owned by the government, insurance companies, foreign investors, or banks, except for individual ownership of investors (Grifffin and Ebert, 2007). The institutional owner has an important role in monitoring, discipline, and influence managers. Utari and Sari's (2016) research results show that institutional ownership shows a negative relationship with earnings management. Research conducted by Sumarno et al. (2016) show different results, which show a positive relationship in earnings management.

The next factor is Free Cash Flow. In achieving performance conditions and financial prospects, investors need information about free cash flow. Free cash flow is cash available in a company that can be used for various activities / activities (Murhadi, 2013: 48). Companies with high free cash flow will have a greater opportunity to carry out earnings management, because these companies are indicated to face bigger agency problems (Chung et al., 2005). The results of Reysvana Rukmana Cakti's (2019) research show that Free Cash Flow has a positive effect on earnings management. Research conducted by Asyiroh and Hartono (2019) shows different results, which shows a significant negative relationship between Free Cash Fow and Earnings Management.

Profitability is also a factor that can affect earnings management. Profitability is a ratio to measure the company's ability to seek profits and also provides a measure of the management effectiveness of a company. The profitability of a company is indicated by the profit generated from sales and investment income, the point is that this ratio shows the efficiency of the company. Research results from Rianto and Herawaty (2019) show a negative relationship with earnings management. Likewise with research conducted by Cornet et al. (2006) showed that institutional ownership has a negative effect on earnings management, the supervisory action carried out by institutional ownership can encourage managers to focus more attention on company performance. Meanwhile, research from Asyiroh and Hartono (2019) shows different results, namely showing a positive relationship to earnings management.

Another factor that is considered influencing earnings management is leverage. Leverage is debt used by a company to finance its assets in order to carry out its operational activities. The greater the debt of a company compared to its assets, the greater the risk faced by the company in paying its obligations. The results of the research by Utari and Sari (2016) have a positive effect on earnings management. Meanwhile, Prihatiningtyas (2018) concluded that leverage has no effect on earnings management.

Exposure to the inconsistent research gap phenomenon and the theoretical support that has been stated above are the background in this research. There are various factors that can influence earnings management by paying attention to these factors, so this research will examine the effect of institutional ownership, free cash flow, profitability and leverage on earnings management. This research uses a case study on manufacturing companies listed on the Indonesia Stock Exchange (BEI) 2015-2019. From this explanation, the authors conducted research with the topic **"The Effect of Institutional Ownership, Free Cash Flow, Profitability and Leverage on Earnings Management"**.

Formulation of the problem

Based on the above background, the research questions are formulated as follows:

1. Does Institutional Ownership affect earnings management?
2. Does Free Cash Flow affect earnings management?
3. Does Profitability affect management earnings?
4. Does Leverage affect earnings management?

Research purposes

Based on the formulation of the problem that has been described, the objectives of this study are:

1. The Influence of Institutional Ownership Variables on earnings management?
2. The Influence of Free Cash Flow Variables on earnings management?

3. The Influence of Profitability Variables on earnings management?
4. The Influence of Leverage Variables on earnings management?

Benefits of Research

This research is expected to contribute to several parties, namely:

1. For Academics
   Can add knowledge and insight related to the effect of Institutional ownership, free cash flow, profitability, and leverage on earnings management.
2. For other researchers
   This research is expected to provide additional literature regarding institutional ownership, free cash flow, profitability and leverage on earnings management. In addition, this research is useful as an application of accounting science that has been researched by researchers during the lecture process and as a reference material for future research.
3. For Users of Financial Statements
   Can provide an overview of considerations in decision making and the influence of Institutional ownership, free cash flow, profitability and leverage on earnings management in manufacturing companies that go public in Indonesia so that they can assist investors in making the right investment decisions in making decisions.

II. LITERATURE REVIEW

Review of Previous Research Results

1. Research conducted by Utari and Sari (2016) aims to determine whether information asymmetry, leverage, managerial ownership and institutional ownership have an effect on earnings management. The research method used is a quantitative method. Hypothesis testing is done using linear regression analysis method through Statistical Program for Social (SPSS) software. The results of the study state that information asymmetry has a positive effect on earnings management, leverege has a positive effect on earnings management, managerial ownership has a negative effect on earnings management, institutional ownership has a negative effect on management.
2. Prihatiningtyas (2018) aims of the study whether the good coporate governance mechanism, firm size and leverage affect earnings management. The research method used is a quantitative method. Hypothesis testing is done using the method of linear regression analysis through the Statistical Program for Social (SPSS) software. The results of the study indicate that corporate governance (independent board of commissioners) affects earnings management. Meanwhile, corporate governance (institutional ownership, number of audit committees) and company size and leverage have no effect on earnings management.
3. Cakti (2019) aims to determine whether good corporate governance, free cash flow and leverage affect earnings management. The research method used is a quantitative method. The data analysis technique used is multiple linear regression analysis using the Statistical Program for Social (SPSS) software. The result of the research states that free cash flow and leverage have an effect on earnings management, while the independent board of commissioners, audit committee, managerial ownership, institutional ownership have no effect on earnings management.

Theoretical basis

Agency Theory

According to Jensen and Meckling (1976) agency theory is a cooperative relationship between the principal (company owner) and the agent (company management), where the principal delegates authority to the agent to manage the company and make decisions (Riri Zelmiyanti, 2016). According to Anthony and Govindarajan, 2009 (in Muzakki, 2015) that according to agency theory each individual will act for their own interests. Therefore, this agency theory can create a conflict of interest between the shareholder as the principal and the manager as the agent in the company. The manager is in charge of providing company performance reports to shareholders. However, sometimes managers do not report the actual condition of the company, because the performance reports are related to the performance of company managers. Agency theory results in an asymmetrical relationship between owners and managers or agents.

Institutional Ownership

Institutional ownership is ownership of shares owned by the government, insurance companies, foreign investors or banks, except for individual ownership of investors (Damayanti and Susanto, 2015: 195). Institutional owners have an important role in monitoring, disciplining and influencing managers. Institutions as shareholders are also considered capable of detecting errors that occur. Institutions as investors are sophisticated because they have the ability to process information compared to individual investors, so they can limit management in playing the numbers on the financial statements.

Free Cash Flow

Free cash flow is cash available in a company that can be used for various activities / activities (Murhadi, 2013: 48). The greater the free cash flow available in a company, the healthier the company will be because it has cash available for growth, debt payments, and dividends. This can also imply that the smaller the value of free cash flow owned by the company, the company can be categorized as unhealthy because there is no cash available for growth, debt payments, and company dividends (White et al. (2003: 68).

Profitability

Profitability is a ratio to measure the company's ability to seek profits and also provides a measure of the management effectiveness of a company. The profitability of a company is indicated by the profit generated from sales and investment income, the point is that this ratio shows the efficiency of the company. Thus, profitability is the ratio to find out how the ability of a company to generate operating profit in a certain period through the use of all company resources that can reflect the performance of a company.

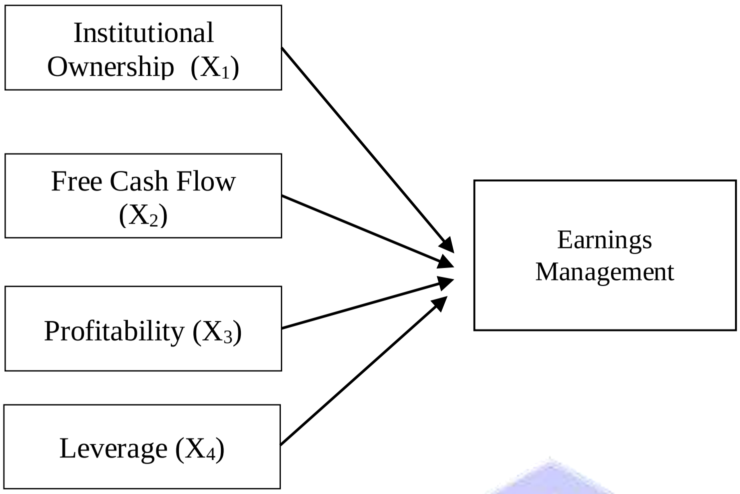
Leverage

Leverage is debt used by a company to finance its assets in order to carry out its operational activities. The leverage ratio is a measure of how much a company is financed with debt. Company leverage describes a company's ability to meet its long-term obligations because long-term creditors will face a greater risk in debt settlement. One way to measure leverage is to calculate the Debt to Equity Ratio (DER), which is to measure the balance of the proportion between assets funded by creditors and those funded by company owners (Manurung and Isynuwardhana, 2017).

Earnings Management

Earnings management can be defined as management intervention deliberately in determining earnings in the process of preparing external financial reporting, with the aim of obtaining personal gain (Manurung and Isynuwardhana, 2017). Earnings management is a deliberate process, according to financial accounting standards to direct earnings reporting at a certain level (Santana and Wirakusuma 2016). According to Healy and Wallen in Sri Sulistyanto (2008: 50), earnings management occurs when using certain decisions in financial reports and transactions to modify financial reports as a basis for assessing company performance that aims to mislead shareholders or to influence contractual results. rely on the accounting figures reported. Healy and Wahlen argue that earnings management occurs when managers use judgment in financial reporting, and compile transactions to change financial reports with the aim of misleading stakeholders about the company's economic performance, or to influence contractual out comes which depends on accounting numbers reported.

Conceptual framework



H1: Institutional ownership affects earnings management.
H2: Free Cash Flow affects earnings management.
H3: Profitability affects earnings management.
H4: Leverage affects earnings management.

III. RESEARCH METHOD

The research strategy carried out in this study uses quantitative methods, namely research that emphasizes theory testing through measuring research variables with numbers and analyzing data with statistical procedures. This study examines 5 (five) variables consisting of 1 (one) dependent variable and 4 (four) independent variables. In statistical calculations, researchers used (SPSS) version 21.0. In this study, the technique used to take the sample was purposive sampling method.

Operationalization of Variables

1. Earnings management is the dependent variable in this study. According to Healy and Wallen in Sri Sulistyanto (2008: 50) earnings management occurs when using certain decisions in financial reports and transactions to change financial reports as a basis for assessing company performance that aims to mislead owners or shareholders, or to influence contractual results. rely on the accounting figures reported.Kepemilikan institusional merupakan kepemilikan saham yang dimiliki oleh pemerintah, perusahaan asuransi, investor luar negeri, atau bank, kecuali kepemilikan individual investor (Grifffin dan Ebert, 2007)..
2. Free Cash Flow is the actual cash flow that is distributed to investors after the company has made all the investment and working capital required to maintain its operational continuity. Companies with high free cash flow will have a greater opportunity to carry out earnings management, because these companies are indicated to face larger agency problems (Chung et al., 2005).
3. In this study, the indicator used to measure the level of profitability is Return on Assets (ROA). Return on Assets is a comparison between net income and total assets at the end of the period, which is used as an indicator of the company's ability to generate profits (Kurniasih and Sari, 2013).
4. Leverage arises because the company in its operations uses assets and sources of funds that

cause fixed expenses for the company. Leverage used in this study is the ratio between total debt to total assets. The ratio of total debt to total assets is called the debt ratio (Sudana, 2011: 157). According to Sweeny (1994) companies with more debt than equity have a high probability that company managers choose accounting methods to increase profits.

Data Analysis Methods

The data analysis technique used to test the research hypothesis is descriptive statistics, classic assumption tests which include normality test, autocorrelation test, multicolonierity test and heteroscedasticity test. Furthermore, to test the effect of two or more independent variables on the dependent variable, multiple regression analysis is used (SPSS) version 21.0.
The regression equation in this study is as follows.

$$\boxed{DA_{it} = \alpha + \beta 1KI_{it} + \beta 2FCF_{it} + \beta 3ROA_{it} + \beta 4DAR_{it} + e}$$

Keterangan :

DA_{it}	=	Earnings management
α	=	Constant
KI	=	Institutional Ownership
FCF	=	Free Cash Flow
ROA	=	Profitability
DAR	=	Leverage
E	=	*Error term*
T	=	Time
I	=	Company

IV. RESEARCH RESULTS AND DISCUSSION

Description of Research Object

The object of this research is the basic industrial sector manufacturing companies listed on the Indonesia Stock Exchange during the 2015-2019 period. Based on data from the Indonesia Stock Exchange website, the number of basic industry sector manufacturing companies listed on the Indonesia Stock Exchange are 33 companies.

Test Results and Discussion

Descriptive Statistical Analysis of Research Results

Descriptive statistical analysis is statistics that describe or describe data seen from the average, standard deviation, maximum value, and minimum value (Ghozali, 2011).

Tabel 4.1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DA	105	-0.125	0.203	-0.00154	0.06002
KI	105	0.000	0.997	0.65245	0.25155
FCF	105	-1697851000000	5607291920000	342031137075	1071740813299
ROA	105	-0.081	0.165	0.04062	0.05108
DAR	105	0.111	0.844	0.42722	0.18581

Valid nlistwise	105

a. Dependent Variable: DA

b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

a. N or the number of valid or valid data to be processed is 105 data.

b. The dependent variable of earnings management
Based on the data obtained, it shows that the minimum earnings management value is -0.125, the maximum is 0.203 with an average value of -0.00154 and a standard deviation of 0.06002. This shows that the lowest earnings management of -12.5% was owned by PT Ekadharma International Tbk (EKAD) in 2015 and the highest was 20.3% owned by PT Indo Acidatama Tbk (SRSN) in 2015, as well as from the whole Existing sample has earnings management with an average value of -0.154%.

c. The independent variable of Institutional Ownership
Based on the data obtained, it shows that the minimum institutional ownership value is 0.000, a maximum of 0.997 with an average value of 0.65245 and a standard deviation of 0.25155. This shows that the lowest institutional ownership of 0% is owned by PT Betonjaya Manunggal Tbk (BTON) in 2018-2019 and the highest is 99.7% owned by PT Fajar Surya Wisesa Tbk (FASW) in 2019, as well as from The entire sample has earnings management with an average value of 65.24%.

d. The independent variable of Free Cash Flow
Based on the data obtained, it shows that the minimum Free Cash Flow value is -1697851000000, a maximum of 5607291920000, with an average value of 3420311370 and a standard deviation of 1071740813299.This shows that the lowest Free Cash Flow is -1.697851000000% owned by PT Asahimas Flat Glass Tbk (AMFG) in 2018 and a maximum of 5.607291920000% owned by PT Semen Indonesia (Persero) Tbk (SMGR) in 2019.

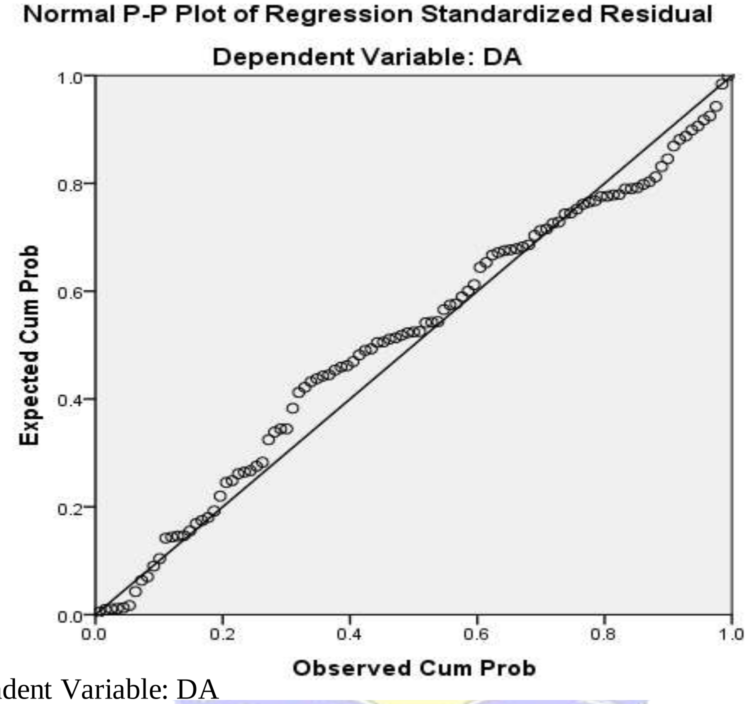
e. The independent variable of Profitability
Based on the data obtained, it shows that the minimum profitability value is -0.081, the maximum is 0.165 with an average value of 0.04062 and a standard deviation of 0.05108. This shows that the lowest profitability of -8.1% was owned by PT Citra Tubindo Tbk (CTBN) in 2017 and the highest of 16.5% was owned by PT Charoen Pokphand Indonesia Tbk (CPIN) in 2018, as well as from the whole Existing sample has earnings management with an average value of 5.108%.

f. The independent variable of Leverage
Based on the data obtained, it shows that the minimum leverage value is 0.111, the maximum is 0.844 with an average value of 0.42722 and a standard deviation of 0.18581. This shows that the lowest leverage of 11.1% was owned by PT Duta Pertiwi Nusantara Tbk (DPNS) in 2016 and the highest was 84.4% owned by PT Mulia Industrindo Tbk (MLIA) in 2015, as well as from the entire sample. which has earnings management with an average value of 42.72%.

Classical Assumption Test Results

1. Classical Normality Assumption Test Results

Gambar 4.1
Hasil Uji Normalitas P-Plot



a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on Figure 4.1 above, it shows that the data for each variable is normally distributed. This can be proven by spreading the data around the diagonal line and following the direction of the diagonal line, so it can be concluded that the data that has been used are normally distributed. Thus, the regression model fulfills the normality test assumption.

2. Classical Multicollinearity Assumption Test Results

Tabel 4.9
Hasil Uji Multikolinearitas
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
	B	Std. Error	Beta	Tolerance	VIF

(Constant)	-1.242	0.524			
KI	-0.233	0.229	-0.099	0.964	1.038
FCF	0.029	0.014	0.2	0.982	1.019
ROA	0.155	0.114	0.131	0.998	1.002
DAR	0.626	0.344	0.179	0.946	1.057

a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on table 4.9 above, it shows that all independent variables in this study have a tolerance value of more than 0.1 and an Inflaction Factor (VIF) of less than 10, which means that there is no correlation between the independent variables. Thus, it can be concluded that the regression model does not indicate multicollinearity.

3. Classic Autocorrelation Assumption Test Results

Tabel 4.10
Hasil Uji Autokorelasi
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.439[a]	0.193	0.16	0.054994	1.911

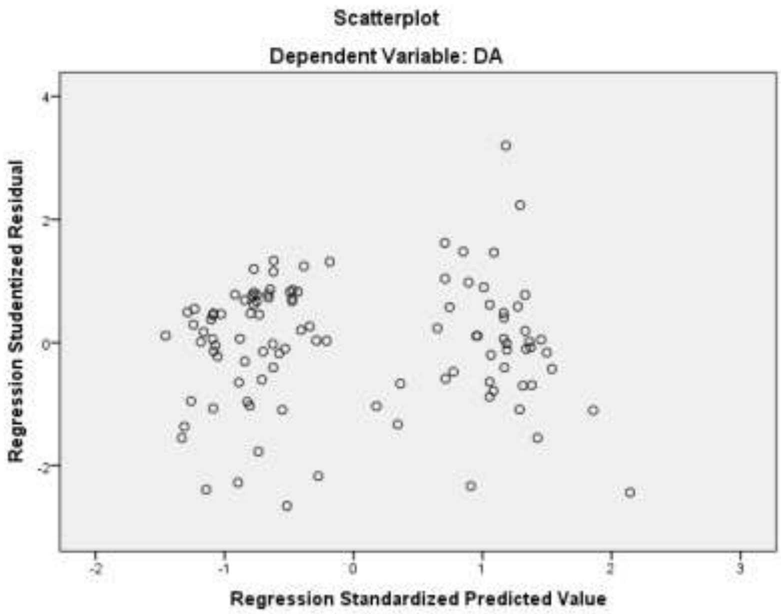
3.2.3.1.1. Dependent Variable: DA
3.2.3.1.2. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on the table 4.10 above, it shows that the Durbin Watson value is 1.911 where this value will be compared with the table value using a significant value of 5%. The table shows the values of du = 1.7617 and 4 - du = 2.2383. Therefore, the value of du <d <4-du or 1.7617 <1.911 <2.2383, it can be concluded that there is no autocorrelation in this study, both positive and negative.

4. Classical Heteroscedasticity Assumption Test Results

Gambar 4.2
Hasil Uji Heteroskedastisitas



a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Figure 4.2 above shows that the plot spreads evenly above and below the 0 axis and does not form a certain pattern. Thus, it can be concluded that this model is homoscedastic or does not occur heteroscedasticity in the data used in this regression model.

5. Multiple Linear Analysis

Tabel 4.11
Regresi Linear Berganda
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1.242	0.524		-2.37	0.02
KI	-0.233	0.229	-0.099	-1.018	0.011
FCF	0.029	0.014	0.2	2.074	0.041

ROA	0.155	0.114	0.131	1.367	0.175
DAR	0.626	0.344	0.179	1.818	0.007

a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on the table 4.11 above, the regression equation is as follows:

$$\mathbf{DA = \alpha + \beta_1\, KI + \beta_2\, FCF + \beta_3\, ROA + \beta_4\, DAR + e}$$

$$\mathbf{DA = -1.241 - 0.233\, KI + 0.029\, FCF + 0.155\, ROA + 0.626\, DAR + e}$$

Hypothesis Testing Results

1. Test of the Determinant Coefficient (R2)

This test is carried out in order to determine the coefficient of determination by looking at the Adjusted R Square value, besides this test is also the degree of accuracy of multiple linear regression analysts in explaining the variation of all independent variables on the dependent variable. The coefficient of determination is between 0 and one. The following are the results of the determination coefficient test in this study:

Tabel 4.12
Hasil Uji Koefisien Determinasi
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.439[a]	0.193	0.16	0.054994	1.911

a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on table 4:12 above, it can be seen that the value of R Square is 0.193 with a value of Adjusted R Square of 0.16 <0.5, this shows that the independent variables in this study, namely institutional ownership, free cash flow, and profitability and leverage can explain the dependent variable, namely earnings management of 16%. , while the remaining 84% is influenced by other variables outside of the study

2. Partial Regression Coefficient Test (t-test)

The t test is used to determine the effect of the independent variable individually (partially). This test is used with a significant level of 5% or 0.05 and compares the calculated t value with the t table value. The following are the results of the t test in this study:

Tabel 4.13
Uji Koefisien Regresi Parsial (Uji t)
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.242	0.524		-2.37	0.02
	KI	-0.233	0.229	-0.099	-1.018	0.011
	FCF	0.029	0.014	0.2	2.074	0.041
	ROA	0.155	0.114	0.131	1.367	0.175
	DAR	0.626	0.344	0.179	1.818	0.007

a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR

Sumber : data diolah, 2020

Based on the table 4.13 above, it can be explained as follows:

1. The effect of institutional ownership on earnings management

The results of the t test for H1 obtained a tcount of -1.018 with a significance of 0.011. The significance value for the variable of institutional ownership shows that it is below the significance level of 0.05 or 0.011 <0.05, then institutional ownership partially has a significant effect on earnings management. While the value of tcount -1.018 <ttabel 1.982, then there is a negative or inversely proportional contribution to the occurrence of earnings management. So it can be concluded that H1 is accepted so that there is a negative and insignificant effect of institutional ownership on earnings management.

2. The effect of Free Cash Flow on earnings management

The t test results for H2 obtained tcount of 2.074 with a significance of 0.041. The significance value for the free cash flow variable shows that below the significance level of 0.05 or 0.041 <0.05, then free cash flow partially has a significant effect on earnings management. Meanwhile, the value of t count 2.074> t table 1.982, then there is a significant positive contribution to the occurrence of earnings management. So it can be concluded that H2 is accepted so that there is a significant positive effect of free cash flow on earnings management.

3. Effect of profitability on earnings management

The results of the t test for H3 obtained the tcount of 1.367 with a significance of 0.175. The significance value for the profitability variable shows that it is below the significance level of 0.05 or 0.175> 0.05, so partially profitability has no significant effect on earnings management. while the value of t count 1.367 <t table 1.982, then there is a significant positive contribution to the occurrence of earnings management. So it can be concluded that H3 is rejected so that there is no significant effect of profitability on earnings management.

4. Effect of leverage on earnings management

H The results of the t test for H4 obtained the results of t count of 1.818 with a significance of 0.007. The significance value for the leverage variable shows that above the significance level of 0.05 or 0.007 <0.05, then the partial leverage has a significant effect on earnings management, while the tcount is 1.818 <ttable 1.982, so there is a positive contribution to the occurrence of earnings management. So it can be concluded that H4 is accepted so that there is an insignificant positive effect of leverage on earnings management.

3. Concurrent Regression Coefficient Test (F-Test)

The F test is carried out to determine whether all independent variables have a joint influence on the dependent variable. The following are the results of the F test in this study:

Tabel 4.14
Uji Koefisien Regresi Serentak (Uji F)
ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.072	4	0.018	5.969	.001[b]
	Residual	0.302	100	0.003		
	Total	0.375	104			

a. Dependent Variable: DA
b. Predictors: (Constant), KI, FCF, ROA, DAR
Sumber : data diolah, 2020

Based on table 4:14 above, it can be explained that there is a simultaneous influence of institutional ownership, free cash flow, profitability and leverage on earnings management. This can be indicated by the sig value of the F test 0.001 <0.05 provided that Fcount> Ftable, namely 5,969> 2,458.

V. CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the results of the analysis and discussion described in the previous chapter, conclusions can be drawn:

1. Based on the results of testing on the hypothesis, it shows that institutional ownership means that institutional ownership has an insignificant negative effect on earnings management in manufacturing companies in the basic industry sector in 2015-2019. From the test results, it can be concluded that the hypothesis is accepted, which means that the higher the institutional ownership, the lower the tendency for management to exercise earnings management. With the large share ownership of institutional investors, it can reduce agency problems, so that there will also be less opportunities for financial management actions to be carried out by companies, because institutions are easier to monitor managerial performance.
2. Based on the test results on the hypothesis, it shows that free cash flow has a significant positive effect on earnings management in manufacturing companies in the basic industry sector in 2015-2019. From the test results, it can be concluded that the hypothesis is accepted, which means that the higher the value of free cash flow, the higher the tendency of management to do earnings management. That companies with high free cash flow also tend to practice earnings management by increasing reported earnings to cover managers' actions that are not optimal in utilizing the company's wealth.

3. Based on the results of testing the hypothesis shows that profitability has no significant effect on earnings management in manufacturing companies in the basic industry sector in 2015-2019. From the test results, it can be concluded that the hypothesis is rejected, which means that it can be concluded that the higher or lower the profitability obtained by the company has no effect on earnings management. This is because the higher the profitability, the smaller the dividends distributed. Increasing profitability indicates a good company performance and shareholders will receive increasing profits. Because the manager also benefits so he does not take earnings management actions.
4. Based on the results of testing the hypothesis shows that leverage is not significant and positive for earnings management. From the test results it can be concluded that the hypothesis is accepted. Companies with a high level of leverage will be motivated to carry out earnings management, because companies with high leverage ratios have a larger proportion of debt compared to their assets, and this indicates that the company's performance is not good. Therefore companies with high leverage tend to manipulate in the form of earnings management.

Suggestions

Based on the test results and conclusions, some suggestions can be made for further researchers and interested parties. For further researchers, it is hoped that they can use a sample of companies that experience losses, because there is a possibility that companies that experience losses can carry out earnings management. For company management, it is hoped that they can pay more attention to every action that will be taken as well as the risks involved in relation to management's own actions in preparing financial reports properly. As well as for the government, external companies or investors and others as users of the financial statements of the companies involved, it is hoped that more supervision and monitoring of the reporting of the company's financial statements is expected so that the opportunity for companies to carry out earnings management can be reduced.

Research Limitations and Further Research Development

In this study, there are several limitations and constraints that limit the scope of the research, including:

1. There are several companies that have not reported their 2019 financial statements.
2. There are several companies that have not published their 2019 financial statements on the Indonesia Stock Exchange, so researchers must search for the company's financial statements on the Company's Web.

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