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The Role of Profitability in Moderating the Effect of Managerial Ownership and Sales Growth on Earning Management

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Abstract
This research aims to determine and describe the role of Profitability in moderating the influence of Managerial Ownership and Sales Growth on Earning Management in LQ45 companies listed on the Indonesia Stock Exchange. The population in this research are companies that are included in the LQ45 group in 2020-2022. The sampling technique used in this research is a purposive sampling technique so that the sample obtained in this research is 28 companies. The data analysis techniques used in this research are Panel Data Regression and Moderate Regression Analysis. The results provide empirical evidence that Managerial Ownership has an effect on Earning Management, while Sales Growth has an effect on Earning Management. In addition, this research provides evidence that the interaction of Managerial Ownership and Profitability can weaken the relationship between the influence of Managerial Ownership on Earning Management.

Keywords: Managerial Ownership; Sales Growth; Earning Management; Profitability

1. Introduction

The use of accounting techniques can produce a form of company financial report that can be used for the benefit of a company. The financial report is a process of recording that occurs from a form of activity that occurs within the company which provides information about the financial position, financial performance, flow of the entity used. for all users of information, especially for investors as a basis for decision making. In a company there is a party who has responsibility for a financial report, namely the company management itself which has an important role in managing the company's financial data. The management deliberately manipulates or makes engineering in the financial report with the specific aim of gaining profit. The company management manipulates the financial reports by adding or subtracting data contained in the financial reports so that the resulting financial reports do not explain the information that actually occurs in the company's condition. As quoted, earnings management financial reports is a bad action because it can reduce the credibility and validity of financial information and how it can invite wrong perceptions regarding the presentation of financial reports (Huynh, 2020). Profit is one of the most important elements that greatly influences actions in earnings management because this component is the main component in assessing the performance of management as a whole in the company (Sulaksono, 2019).Therefore, earnings management can have a direct detrimental impact on external parties to the company, because it can cause external parties to make mistakes in decision making if based on

information from financial reports that contain earnings management practices. (Santi, Desifa Kurnia; Wardani, 2018).

Earnings management cases that have occurred in Indonesia involve several large companies. Several cases or scandals of fraud related to earnings management practices, namely in manufacturing companies, which occurred at PT Tiga Pilar Sejahtera Food Tbk (AISA), alleged that there had been an inflated accounting post worth IDR 4 trillion by the old management in the company's 2017 financial report. Results of the investigation into The financial report stated that there were findings of alleged inflation in accounting posts worth IDR 4 trillion as well as several other allegations and alleged inflation occurred in the AISA Group's trade receivables, inventory and fixed asset accounts. The financial report of PT Tiga Pilar Sejahtera Food Tbk for the 2017 financial year was restated in 2020, including the 2018 and 2019 financial reports which had not been reported at that time. The company posted a net loss of IDR 5.23 trillion throughout 2017, in the restated financial report. This amount is IDR 4.68 trillion higher than the previous version of the financial report which only had a loss of IDR 551.9 billion. This confirms PT Ernst & Young Indonesia's allegations and proves that there were earnings management practices carried out by the company's old management, namely by increasing reported profits (lowering losses) from actual profits (losses) so that the losses experienced by the company looked bigger. small. The Earning Management carried out by this company aims to maintain the value of the company so that it does not fall in the eyes of stakeholders, but what actually happened in this case was that the company experienced a significant decline in company value to IDR 168 on July 6 2018 to protect investors from further losses. big.

Therefore, earnings management can be detrimental to external parties to the company, because it can cause external parties to make mistakes in decision making if based on information from financial reports that contain earnings management practices. (Santi, Desifa Kurnia; Wardani, 2018). An earnings management practice carried out directly by the manager can cause bias in the information contained in the financial report. The existence of agency problems between managers and shareholders, resulting in information asymmetry between the two Jensen & Meckling (1976). As managers, they must have more comprehensive information than shareholders because a manager has the obligation or duty to run the company. Managers can directly influence the numbers in the financial statements through their directors. Because earnings management actions do not violate the policies set out in financial accounting standards. Managers only use the options available in financial accounting standards to adjust certain managerial motives (Apriadi et al., 2022). Therefore, earnings management reviews need to be investigated further.

2. Literature Review

2.1 Agency Theory

Agency Theory put forward by (Jensen & Meckling, 1976) suggests that a theory that differentiates between owners (principals) and managers (agents) of a company gives rise to agency problems. The agency problem in this case is that there is asymmetry (not the same) information between those owned by the owner and the manager. When carrying out operations, company management must prioritize the interests of the owners. The method used to facilitate this is by increasing prosperity for shareholders, in this case the role of management has different interests from the interests of shareholders, so that it can cause conflict between shareholders and management. (Nuryana & Surjandari, 2019) The separation of ownership by the principal from the agent's control in an organization tends to give rise to agency conflicts between the principal and the agent, counter insurgency is most likely caused by the agent not always

acting in accordance with the principal's interests, thereby triggering agency costs. Conflicts that usually arise between shareholders (principals) and management (agents) can result in costs or fees, the emergence of non-uniformity between reporting commercial profits and physical profits will give rise to conflicts of interest (agency theory) for managers in reporting performance or activities that occur in the company. (Jensen & Meckling, 1976) defines an agency relationship as a contract between the owner (principal) and the manager (agent) to carry out a task in the interests of the owner (principal) by delegating decision-making authority to the manager (agent).

2.2 Manajerial Ownership

According to (Pracihara, 2016) managerial ownership is shareholders from within the company, who also actively participate in making decisions, such as directors and commissioners. In this case, all the people involved are people or parties from within the company itself. Theoretically, management has a special or high percentage of share ownership in a company and will have permission like someone who holds an interest in the company. Managerial ownership is defined as the existence of share ownership by company management consisting of commissioners and direction from (Indarti et al., 2020). Managerial ownership of equity can help alleviate the problem of moral hazard between managers and shareholders. Managers with large share ownership also tend to be self-interested because if there is a decline in share value it will be very detrimental to them Farouk & Bashir (2017). According to (Nuryana & Surjandari, 2019), managerial ownership is share ownership by management or by subsidiaries and affiliates. The scale used to measure internal ownership variables is the ratio scale. Managerial ownership is shares owned by management personally or owned by subsidiaries of related companies and affiliates Susiana & Herawaty (2007). The indicator used to measure managerial ownership is the percentage of shares owned by management out of all company shares spread across Guna & Herawat (2010). Managers who have an interest in company shares will be reviewed by the parties involved in the agreed contract. (Larasati, 2011) states that share ownership by institutions can replace the role of debt in monitoring company management.

2.3 Sales Growth

The sales growth rate is a measure of how much leverage can be used to increase company profits. According to (Kasmir, 2019) sales growth is a ratio that describes a company's ability to maintain its economic position with the economy and its business sector. The sales growth formula is a method that can be used to find out how much product sales have increased in a certain period. Growth can be addressed or not from the growth or increase figures obtained through sales growth. The sales growth rate will show the level of change in sales from year to year. If the sales growth formula produces a positive number, it means that the business's economic growth or sales growth is good and conversely, if a negative number is obtained, it means that the business's sales growth is experiencing a decline or in other words the business is unstable in terms of its income compared to the previous period. (Fahmie, 2018) A company with relatively stable sales can more safely obtain more loans and bear higher fixed expenses compared to a company whose sales are unstable. According to (Kurniawan & BS, 2021)sales growth is a ratio that describes a company's ability to maintain its economic position amidst the economy and its business sector. Sales growth is a term used to describe growth that may vary or in other words vary from year to year which can be proven by a company's profit and loss statement. So the company took the decision to retain profits for one period and not pay dividends to shareholders (Ary et al., 2023). According to (Kosali,

2022) companies with rapid sales growth tend to use more debt than companies that grow slowly. Therefore, sales growth will influence creditors in providing loans where companies that experience good sales growth have good prospects for development and reduce risk (Kosali, 2022). According to pecking order theory, companies prefer funding using sources that come from within the company.

2.4 Earnings Management

The earnings management proxy is discretionary accruals obtained from the (Kothari et al., 2005) model or performance matched discretionary accruals. In this case, the recognition of profits or in other words freely regulated expenses is a policy carried out by management. Earnings management allows managers to avoid violating debt contract terms (contract defaults) because fines resulting from contract violations are very expensive and affect the company's ability to carry out its activities freely. (Brahmana et al., 2018). Earnings management is a choice by management in determining accounting policies or real actions that influence profits in order to achieve specific goals and this accounting policy is the use of accruals in preparing financial reports Scott (2011). Earnings management is defined as an attempt by company managers to influence information in financial reports with the aim of deceiving stakeholders who want to know the performance and condition of the company (Sulistyanto, 2008). (Schipper, 1989) states that earnings management is deliberate management intervention in the process of determining profits, usually to meet personal needs. According to (Sugiri, 1998) divides the definition of earnings management into two, namely the broad definition of earnings management is the manager's action to increase (reduce) the current reported profit for a unit for which the manager is responsible, without resulting in an increase (decrease) in the unit's long-term economic profitability. the. (Scott, 2011) explains earnings management in two. Firstly, earnings management is management's opportunistic behavior to maximize its utility in dealing with compensation contracts, debt contracts and political costs (opportunistic earnings management). Second, looking at earnings management from an efficient contracting perspective (efficient earnings management), where earnings management gives management the flexibility to protect themselves and the company in anticipating unexpected events for the benefit of the parties involved in the contract.

2.5 Profitability

Profitability (Sartono, 2010) is the company's ability to generate company profits through sales, assets and company capital. Profitability according to (Hanafi & Halim, 2018), namely this ratio measures the company's ability to generate profits (profitability) at certain levels of sales, assets and share capital. Profitability ratios can describe the efficiency and effectiveness of company management in managing its assets to generate profits (Stepani & Nugroho, 2023). There are three ratios that are often discussed, namely profit margin, return on assets (ROA), and return on equity (ROE). Profitability is a comparative measurement of a company's ability to generate profits from the assets or capital owned by the company Arifin & Destriana (2016), Chandra & Djashan (2018). According to (Rahayu et al., 2020) profitability ratios are used to assess whether a business has succeeded in generating an acceptable level of profit.

2.6 The Influence of Managerial Ownership on Earnings Management

Managerial ownership is share ownership of a company carried out by management. Earnings management can occur and is usually done because of the motivation of company managers. Low share ownership means that incentives to the possibility of manager opportunistic behavior will increase,

Shleifer & Vishny (1997). Managerial ownership is management which is the shareholder of the company, in this case the management (commissioners and directors) are also the owners of the company who actively participate in decision making by the company, Downes & Goodman (1999). Therefore, management plays an important role because they have a role in planning, guiding, monitoring, organizing and making decisions within a company. According to research conducted by (Sari & Khafid, 2020)it is stated that managerial ownership has a significant effect on earnings management.

H1: Managerial ownership affects earnings management

2.7 The effect of sales growth on earnings management

Sales growth according to (Kurniawan & BS, 2021)is a ratio that describes the company's ability to maintain its economic position amidst the economy and its business sector. In this case, sales growth directly has factors that influence a company's capital, which can be seen from sales growth from year to year. The more sales growth increases in a company, the more the company can rely on external capital. In research conducted by (Fatonah et al., 2022)it is stated that sales growth is a measure of how much leverage can be used to increase company profits. In the results of the research conducted, sales growth has a significant value and sales growth has an effect on earnings management.

H2: Sales growth affects earnings management

2.8 The effect of profitability moderates managerial ownership on earnings management

As management is able to manage the assets owned by the company (principal) well by making full efforts to generate maximum profits, the strategy carried out by management is to achieve this target by pleasing the owner so that the management will receive quite large bonus compensation. Profitability (Brigham & Daves, 2010) is the final result of a number of policies and decisions carried out by the company. So profitability is a performance indicator that can be used as management performance in managing the wealth owned by the company which is shown in the profits generated. (Roslita and Daud 2019) Return on assets in their research on samples where calculations have been carried out shows that it has a significant positive effect on earnings management because the higher the company's ROA, the higher the motivation of managers or company management in carrying out earnings management. Managerial ownership is defined as share ownership by company management consisting of commissioners and directors Indarti et al (2020). (Febria, 2020) in research on samples where calculations have been carried out shows that managerial ownership has a positive effect on earnings management. The level of managerial ownership owned by the company does not make the company take earnings management actions

H3: profitability can moderate the influence of managerial ownership on earnings management

2.9 The effect of profitability moderating sales growth on earnings management

Measuring the overall effectiveness of company management as indicated by the amount of profit received by the company, (Weygandt et al., 1996). Return On Assets (ROA) is a part of profitability ratio analysis. ROA is a ratio that shows the return on total assets used in the company, (Kasmir, 2012). Therefore, it can be defined as a ratio that measures how much net profit will be obtained from all the assets owned by a company. According to research conducted by (Nurkholik & Fitriyanti, 2021) profitability influences earnings management. Profitability is a final decision obtained from several decisions made by the company or a performance indicator that can be used as management performance in managing the assets

owned by the company with the aim of generating a profit. (Roslita & Daud, 2019) Return on assets has a significant positive effect on earnings management because the higher the company's ROA, the higher the motivation of managers or company management in carrying out earnings management. Sales growth is a ratio that describes a company's ability to maintain its economic position with the economy and its business sector. Sales growth rate is a measure of how much leverage can be used to increase company profits. Profit is the result obtained from matching income from costs incurred. Earnings management is defined as an attempt by company managers to influence information in financial reports with the aim of deceiving stakeholders who want to know the performance and condition of the company (Sulistyanto, 2008). (Schipper, 1989) states that earnings management is deliberate management intervention in the process of determining profits, usually to meet personal needs. (Fatonah et al., 2022) In research conducted based on testing, the growth variable has a significant value and influences earnings management. (Fatonah et al., 2022)In research it is known that sales growth is not significant and has no effect on profitability. Carolin et al. (2022) Based on research from the total sample, it shows that the analysis of studies examining Profitability (ROA) on Earnings Management shows a significant influence of profitability on earnings management.

H4: Profitability can moderate the influence on sales growth and earnings management

3. Method

The objects of this analysis are Managerial Ownership, Sales Growth, Earning Management and Profitability. This analysis uses secondary data, namely data on the BEI (www.idx.co.id), in this case the annual report. The population in this analysis is LQ45 that have been listed on the IDX in 2020-2022. Sampling design with purposive sampling based on purposive. According to the specified sample selection criteria, the sample institutions that met the criteria were 28 companies with a period of 3 years (31 December 2020 – 31 December 2022). The data analysis techniques used in this research are Panel Data Regression and Moderate Regression Analysis to test partial or simultaneous effects.

4. Results and Discussion

4.1 Descriptive Analysis

Descriptive statistical analysis was carried out to find out the minimum, maximum, mean and standard deviation values of the research data using the EVIEWS program.

Table 4.1 Descriptive Statistics

	X1	X2	Y	Z
Mean	0.005568	0.117262	2.660717	0.113473
Median	0.000000	0.093500	2.180800	0.066980
Maximum	0.123900	1.237000	12.26300	0.831860
Minimum	0.000000	-0.392000	0.703600	-0.030300
Std. Dev.	0.023604	0.265026	2.036936	0.160407
Skewness	4.628749	1.560511	2.562886	2.881788
Kurtosis	23.04534	7.356164	11.95503	12.06013
Jarque-Bera	1706.310	100.5093	372.6311	403.5668
Probability	0.000000	0.000000	0.000000	0.000000

Sum	0.467700	9.850000	223.5002	9.531730
Sum Sq. Dev.	0.046242	5.829828	344.3759	2.135621
Observations	84	84	84	84

The following is an explanation of the research variables based on the results of descriptive statistics :

- The average value of managerial ownership during the research period was 0.0056 with the highest value being 0.12 and the lowest value being 0.00, while the standard deviation value was 0.023, this shows that the shares owned by management for the sample in the company used with the average value of managerial ownership being 0.0056% with the highest value being 12% and the lowest value being 0%, which means there is a sample of companies whose shares are not owned by management.
- The average sales growth during the research period was 0.1172 with the highest value being 1.24 and the lowest value being -0.39, while the standard deviation value was 0.265, this shows that sales growth for the sample in the company used was an average value. -average sales growth was 11.72% with the highest value being 112% and the lowest value being -39%, where this negative sales growth was due to the influence of Covid-19 which caused economic aspects to paralyze.
- The average earning management during the research period was 0.588 with the highest value being 2.24 and the lowest value being 0.02, while the standard deviation value was 0.460. This shows the level of profit accrualization based on management policy, where the higher the earning management value indicates opportunistic actions. carried out by management.
- The average profitability during the research period was 0.113 with the highest value being 0.83 and the lowest value being -0.03, while the standard deviation value was 0.160, this shows that the level of profitability in the sample of companies used had an average value of 11 .3% and the highest value was 8.3% while the lowest value was 0.3%, this was due to the influence of Covid-19 which caused economic aspects to paralyze.

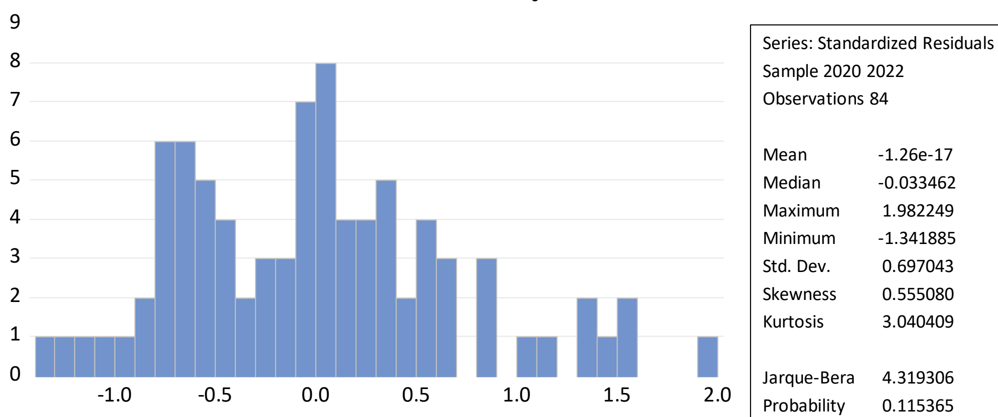
4.2 Classic Assumption Test

The requirement before testing a hypothesis is a classic assumption test (before running multiple linear regression analysis). The classical assumption test consists of the normality test and multicollinearity test.

4.2.1 Normality Test

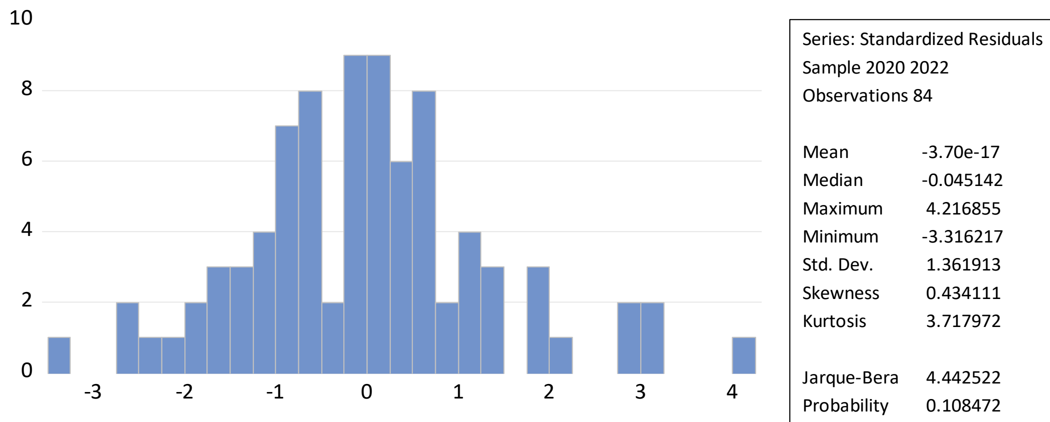
Finding out whether research variables, including confounding or residual factors, follow a normal distribution is the goal of a normal test.

Table 4.2 Normality Test (Model I)



We know the probability value is 0.115 > 0.05 because the normality test came back positive. Thus, the research regression model data was determined to have a normal distribution, satisfying the assumption of normality.

Table 4.3 Normality Test (Model II)



We know the probability value is 0.108 > 0.05 because the normality test came back positive. Thus, the research regression model data was determined to have a normal distribution, satisfying the assumption of normality.

4.2.2 Multicollinearity Test

The multicollinearity test is used to determine whether in the regression model I there is a relationship between the independent variables.

Table 4.4 Multicollinearity Test

Variance Inflation Factors
Date: 02/12/24 Time: 21:05
Sample: 1 84
Included observations: 84

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.099823	4.498641	NA
X_1	3.618963	2.601920	1.013422
X_2	0.109776	3.368785	1.013422

According to the table, all variables have a VIF value < 10, so it can be stated that there is no multicollinearity in all variables in this analysis.

4.3 Selection of Panel Data Regression Models

The selection of the panel data regression model was carried out using 3 tests, namely the Chow test, Hausman test and Lagrange multiplier test. The results of the three tests are summarized in the following table:

Table 4.5 Selection of Panel Data Regression Model

	Chi-Square Probability	Conclusion
Chow Test	0.0000	Fixed Effect Model
Hausman Test	0.0003	Fixed Effect Model

4.4 Hypothesis testing

4.4.1 Panel Data Regression

According to the results of selecting the panel data regression model, the model for hypothesis testing that will be used is the Fixed Effect Model.

Table 4.6 Panel Data Regression Model

Dependent Variable: Y
Method: Panel Least Squares
Date: 02/12/24 Time: 21:19
Sample: 2020 2022
Periods included: 3
Cross-sections included: 28
Total panel (balanced) observations: 84

Variable	Coeffi-cient	Std. Error	t-Statistic	Prob.
C	2.065968	0.370222	5.580344	0.0000
X1	10.92399	2.213855	4.934377	0.0000
X2	-0.700850	0.395926	-1.770152	0.0823

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.882909	Mean dependent var	2.660476
Adjusted R-squared	0.820026	S.D. dependent var	2.037029
S.E. of regression	0.864175	Akaike info criterion	2.818371
Sum squared resid	40.32715	Schwarz criterion	3.686520
Log likelihood	-88.37157	Hannan-Quinn criter.	3.167359
F-statistic	14.04063	Durbin-Watson stat	2.664249
Prob(F-statistic)	0.000000		

The F test aims to test the influence of the independent variables together or simultaneously on the dependent variable. Based on Table 4.6, it is known that the value of Prob. (F-statistics), namely 0.000 < 0.05, it can be concluded that all independent variables, namely Managerial Ownership and Sales Growth simultaneously have a significant effect on the Earning Management variable. Furthermore, it is known that the regression coefficient value of Managerial Ownership is 10.923 with a Prob value of 0.000 < the significance level is 0.05, then Ho is rejected which means that Managerial Ownership has a positive effect on Earning Management while the regression coefficient value of Sales Growth is -0.700 with a Prob value of 0.082 > The significance level is 0.05, then Ho is accepted, which means that Sales Growth has no negative effect on Earning Management. The coefficient of determination is 0.8200 so this value can be interpreted as Managerial Ownership and Sales Growth simultaneously having a significant effect on the Earning Management variable by 82%, the remaining 18% is influenced by other factors.

4.4.2 Moderate Regression Analysis

In testing the hypothesis of model II, we use Moderated Regression Analysis by conducting an interaction test by multiplying the independent variable by the moderating variable.

Table 4.7 Moderated Regression Analysis

Dependent Variable: Y
Method: Panel Least Squares
Date: 03/21/24 Time: 21:00
Sample: 2020 2022
Periods included: 3
Cross-sections included: 28
Total panel (balanced) observations: 84

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.561224	0.256265	6.092219	0.0000
X_1*Z	1.223386	0.130829	9.351001	0.0000
X_2*Z	-2.422264	1.141834	-2.121380	0.0369

R-squared	0.553003	Mean dependent var	2.660476
Adjusted R-squared	0.541966	S.D. dependent var	2.037029
S.E. of regression	1.378625	Akaike info criterion	3.515111
Sum squared resid	153.9491	Schwarz criterion	3.601926
Log likelihood	-144.6347	Hannan-Quinn criter.	3.550010
F-statistic	50.10468	Durbin-Watson stat	0.948123
Prob(F-statistic)	0.000000		

The F test aims to test the influence of the independent variables together or simultaneously on the dependent variable. Based on Table 4.7, it is known that the value of Prob. (F-statistics), namely 0.000 < 0.05, it can be concluded that all independent variables with moderation namely Managerial Ownership and Profitability as well as Sales Growth and Profitability simultaneously have a significant effect on the Earning Management variable. It is known that the regression coefficient value of the interaction of Managerial Ownership and Profitability is 1.223 with a Prob value of 0.000, where < with a significance level of 0.05, then Ho is rejected which means that the interaction of Managerial Ownership and Profitability can weaken the relationship between the influence of Managerial Ownership on Earning Management while the value The regression coefficient from the interaction of Sales Growth and Probitability is -2.442 with a Prob value of 0.036, where < with a significance level of 0.05, then Ho is rejected, which means that the interaction of Sales Growth and Profitability can weaken the relationship between the influence of Sales Growth on Earning Management. The coefficient of determination of 0.5419 shows that this value can be interpreted as the interaction of Managerial Ownership and Sales Growth with Profitability which simultaneously has a significant effect on the Earning Management variable by 54.19%, the remaining 45.81% is influenced by other factors. This shows that the moderation of Profitability can suppress the occurrence of Earning Management.

5. Discussion

5.1 The Influence of Managerial Ownership on Earnings Management

The results of testing the first hypothesis show that the Significance or Probability value is 0.000 (smaller than 0.05), then Ha is accepted and H0 is rejected, this provides empirical evidence that there is an influence of Managerial Ownership on Earning Management. These results are in line with research results (Sari & Khafid, 2020)which state that Managerial Ownership has a significant effect on Earning Management. Managerial ownership is a condition where the company manager holds the same position as company management as well as a shareholder who actively participates in company decision making. Managers in carrying out company operations often act not to maximize shareholder prosperity, but are instead tempted to increase their own welfare.

5.2 The Effect of Sales Growth on Earnings Management

The results of testing the second hypothesis show that the significance or probability value is 0.082 (smaller than 0.05), so Ha is rejected and H0 is accepted, this provides empirical evidence that there is no influence of Sales Growth on Earning Management. The research results are not in line with the results of research (Fatonah et al., 2022)which states that there is an influence of sales growth on Earning Management. These results indicate that sales growth is not the main factor that can influence the company's financial performance. It can be said that increasing sales growth does not always have an impact on increased financial performance, this is because sales growth is accompanied by increased operational costs and greater production costs, so that even though there is an increase in sales growth, the resulting sales still have to be deducted from material costs. standard and operational costs which result in an increase in financial performance cannot be achieved.

5.3 Interaction of Managerial Ownership and Profitability on Earnings Management

The results of testing the third hypothesis show that the significance or probability value is 0.000 (smaller than 0.05), so Ha is accepted and H0 is rejected. This provides empirical evidence that the interaction of Managerial Ownership and Profitability can weaken the relationship between the influence of Managerial Ownership on Earning Management. The research results are not in line with the research results (Sari & Khafid, 2020)where Managerial Ownership cannot moderate the profitability of earnings management because the proportion of shares owned by management is very small. Management will be reviewed by stakeholders and required to report quality financial reports. This means that the amount of profit remains a reference for the company in achieving targets so that profitability can strengthen the relationship between managerial ownership and earnings management. If management has the ability to produce company profits according to the desired target, then its performance will be considered good and will receive incentives. This will reduce management's motivation to carry out earnings management so that profitability has an influence in moderating the relationship between managerial ownership and earnings management.

5.4 Interaction of Sales Growth and Profitability on Earning Management

The results of testing the fourth hypothesis show that the significance or probability value is 0.000 (smaller than 0.05), so Ha is accepted and H0 is rejected. This provides empirical evidence that the interaction of Sales Growth and Profitability can weaken the relationship between the influence of Sales Growth on Earning Management. These results show that managers do not need to increase the results of sales or

profits that the company has obtained, and companies do not need to falsify their performance results. If sales growth is higher, managers will be less motivated to take earnings management actions. A stable company will focus more on managing plans regarding expenses incurred by the company rather than carrying out Earning Management on sales value, this is because Earning Management can occur when the company has an unstable sales value which motivates management to carry out Earning Management. Apart from that, a stable company allows management to maintain sales trends every year, so that changes in sales growth do not have any influence on the actions of company managers.

6. Conclusions and Suggestion

According to the test results, data analysis and discussion presented in the previous section, this analysis produced several results, namely:

1) The research results show that Managerial Ownership influences Earning Management. This can be interpreted as if Managerial Ownership increases, Earning Management at LQ45 companies listed on the Indonesia Stock Exchange will experience a significant increase.
2) The research results show that Sales Growth has no effect on Earning Management. Apart from that, the test in Model I which tests the influence of managerial ownership and sales growth simultaneously has a significant effect on the Earning Management variable.
3) The research results show that the interaction of Managerial Ownership and Profitability can weaken the relationship between the influence of Managerial Ownership on Earning Management. This also means that Profitability cannot strengthen the moderating influence of Managerial Ownership on Earning Management in LQ45 companies listed on the Indonesia Stock Exchange.
4) The research results show that the interaction of Sales Growth and Profitability can weaken the relationship between the influence of Sales Growth on Earning Management. Apart from that, testing Model II empirically proves that the interaction of Managerial Ownership and Sales Growth with Profitability simultaneously has a significant effect on the Earning Management variable. This also means that profitability conditions weaken the relationship between sales growth and Earning Management and profitability. The higher the sales level, the higher the profitability, the smaller the Earning Management, there is an indication that Earning Management is not extreme.

For further research, pay attention to the research period, especially if using the Sales Growth variable, because in 2020-2021 there is the Covid-19 factor which can cause inaccurate data because of Covid-19 which paralyzes all aspects so that the Company may be fundamentally in In healthy conditions, performance can be seen to decrease.

Reference

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