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**THE EFFECT OF PROFITABILITY, SALES GROWTH, AND
LEVERAGE ON EARNINGS MANAGEMENT**

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Abstract:

This study aims to determine the effect of profitability, sales growth, and leverage on earnings management. The population in this research is primary consumer sector companies (consumer non-cyclicals) which are listing consistently on the Indonesia Stock Exchange for the 2021-2024 period. The sample was selected using the purposive sampling method, resulting a sample of 62 companies with 238 final observation data after eliminating 10 outlier observations. Data analysis method was analysed using panel data regression with Eviews 13 software and the Fixed Effect Model (FEM) was selected as the panel regression model. The result of this research provides empirical data that sales growth has a significant effect on earnings management, while profitability and leverage have no effect on earnings management. Therefore, the firm size as control variable has a significant effect on earnings management. The practical implications of this study suggest that regulators should strengthen their oversight of companies' sales growth, as it influences earnings management practices. In addition, company management is expected to enhance sales growth through sustainable business strategies in order to present high-quality financial statements without engaging in earnings management practices.

Keywords:

profitability, sales growth, leverage, firm size, earnings management

BACKGROUND

Financial statements should be prepared in accordance with PSAK No. 1 to ensure that the information is relevant, reliable, comparable, verifiable, timely, and understandable. Profit or earnings are one of the most important pieces of information in financial statements and serve as a key indicator of management performance. Earnings information is used by investors and shareholders to assess a company's financial condition and future prospects. The strong emphasis on earnings may encourage management to engage in earnings management to achieve certain objectives. Earnings management refers to management's practice of influencing reported earnings by taking advantage of the flexibility allowed in accounting methods. The objective of earnings management is to create a positive image of the company's financial performance, which may influence stakeholders' perceptions. Earnings management remains a significant issue in financial reporting.

This study aims to re-examine the influence of several financial factors that are considered to have the potential to affect earnings management practices. These factors include profitability, sales growth, and leverage. The selection of these three variables is based on prior studies that have reported inconsistent findings regarding their effects on earnings management.



Profitability reflects a company's ability to generate earnings from its normal business operations. A high level of profitability may not solely indicate strong operational performance but may also reflect managerial efforts to engage in earnings management. Managers may seek to maintain stable earnings as a strategy to preserve investor confidence by sustaining the company's profitability, thereby enhancing its future business prospects (Rizki, 2021). In contrast, Yustisia and Setyarini found a significant negative relationship between profitability, as measured by return on assets (ROA), and earnings management.

The second factor is sales growth, which refers to the change in a company's sales from one period to another. Higher sales growth generally reflects stronger operational performance and improved shareholder value. While managers may have incentives to maintain favorable sales performance through earnings management, high sales growth also indicates successful business strategies, reducing the pressure to manipulate reported earnings.

The third factor is leverage, which reflects a company's ability to meet its debt obligations. High leverage increases creditor monitoring and encourages companies to provide credible financial information, thereby limiting managerial discretion to manipulate financial statements and reducing the likelihood of earnings management. This study focuses on consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) over the 2021–2024 period. It is motivated by the existence of a research gap, as previous studies have reported inconsistent findings regarding the effects of financial factors on earnings management. Accordingly, this study re-examines the influence of profitability, sales growth, and leverage on earnings management in the consumer non-cyclicals sector. Firm size was also incorporated as a control variable to control for the effects of other factors that may influence earnings management, thereby allowing the relationships between profitability, sales growth, leverage, and earnings management to be estimated more accurately.

THEORETICAL FRAMEWORK

Agency Theory explains the contractual relationship between principals (shareholders) and agents (managers), in which agency problems arise due to the separation of ownership and control. These problems stem from conflicts of interest, as managers are inclined to pursue their own interests, which may not always align with the primary objective of maximizing shareholders' wealth. In addition, agency theory highlights the existence of information asymmetry, whereby managers possess more comprehensive information about the company's financial condition and operations than shareholders. This information advantage provides managers with the opportunity to influence the presentation of financial statements, including engaging in earnings management to serve their own interests.

Positive Accounting Theory explains the reasons underlying firms' choices of particular accounting methods based on their economic circumstances and organizational interests. The theory suggests that managers have discretion in selecting accounting policies, which may create opportunities to influence reported earnings through earnings management. According to this theory, managerial incentives for earnings management are explained by three main



hypotheses: the bonus plan hypothesis, the debt covenant hypothesis, and the political cost hypothesis.

Earnings Management refers to managerial actions aimed at influencing reported earnings by exploiting the flexibility permitted under accounting standards. Among the various empirical models developed to detect earnings management, the discretionary accruals model is the most widely used because it provides a robust measure of managerial discretion in financial reporting. The accrual basis of accounting allows managers to exercise judgment in applying accounting policies and estimates, thereby creating opportunities to influence reported earnings within the limits prescribed by accounting standards.

Profitability refers to a company's ability to generate earnings by efficiently utilizing its available resources, including sales, assets, and equity. A high level of profitability generally indicates strong corporate performance, as profitability is widely regarded as one of the primary indicators of firm performance. To evaluate profitability accurately, it should be measured using appropriate financial ratios that reflect the firm's ability to generate profits

Sales Growth represents the rate of increase or decrease in a company's sales from one period to the next. An increase in sales may indicate the potential for higher earnings, as sales constitute the primary source of corporate revenue. Consequently, managers are encouraged to implement effective business strategies to maximize profitability. High and stable sales growth reflects the company's ability to conduct its operations efficiently, thereby supporting future business growth and ensuring business continuity in accordance with the going concern principle (Samosir & Yuditha, 2023).

Leverage is a financial ratio that measures the extent to which a company relies on debt to finance its assets or operations. A high level of leverage indicates greater dependence on debt financing in supporting normal business activities. In the event of potential financial distress or liquidation, creditors often use leverage as an indicator to assess the company's ability to meet its debt obligations and the adequacy of its financial guarantees (Adyastuti & Khafid, 2022). Conversely, lower leverage generally reflects lower financial risk and greater financial stability. However, leverage alone is insufficient to comprehensively assess a company's financial condition and should therefore be interpreted together with other financial indicators.

Firm Size refers to the scale of a company and is commonly used to distinguish between large and small firms. It can be measured using various indicators, including total assets, market value, total sales, outstanding shares, revenue, equity, and other relevant measures (Joe & Ginting, 2022). According to Sulistyanto (2018), as cited in Sucipto and Zulfa (2021), larger firms are generally characterized by substantial total assets, high sales volumes, and broader market coverage.

Hypothesis Development

H1 = profitability has a significant effect on earnings management



H2 = sales growth has a significant effect on earnings management

H3 = leverage has a significant effect on earnings management

METHOD

This study used secondary data obtained from the published financial statements of companies. The research focuses on firms operating in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample was selected using the purposive sampling technique based on predetermined selection criteria, resulting a sample of 62 companies with 238 final observation data after eliminating 10 outlier observations.

Variable	Definition	Measurements	Scale
Earnings Management (Y)	refers to managerial actions undertaken to influence reported earnings in order to achieve specific objectives by exploiting the flexibility permitted under accounting policies (Tetradia & Priantinah, 2023).	Discretionary accruals (DA) were estimated using the Modified Jones Model. $DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$	Ratio
Profitability (X₁)	Profitability refers to a company's ability to generate profits through its business operations (Astuti et al., 2021)	$Return\ on\ Assets\ (ROA) = \frac{Net\ Income\ after\ Tax}{Total\ Asset}$	Ratio
Sales Growth (X₂)	Sales growth is the rate of change in a company's sales measured by comparing current-period sales with those of the previous period (Kasmir, 2019).	$Sales\ Growth = \frac{Net\ Sales_t - Net\ Sales_{t-1}}{Net\ Sales_{t-1}}$	Ratio
Leverage (X₃)	Leverage is a financial ratio used to measure the extent to which a company relies on debt to finance its assets or equity.	$Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Liability}{Total\ Equity}$	Ratio
Firm Size (C)	Firm size refers to the scale that reflects the size of a company (Joe & Ginting, 2022).	$Size = Ln\ (Total\ Asset)$	Ratio

The data were analyzed using panel data regression. Analysis descriptive statistics was used to explained the general data. To estimating the regression model, panel model selection tests were conducted, including the Chow test, Hausman test, and Lagrange Multiplier (LM) test, to determine the most suitable estimation model in this study. Classical assumption tests, were subsequently performed to ensure the validity of the regression model. The coefficient of determination (R^2) was used to evaluate the explanatory power of the independent variables on the dependent variable. Hypothesis testing was conducted using the t-test to examine the partial effect of each independent variable on the dependent variable at a 0,05 significance level. The last is the F-test was employed to assess the simultaneous effect of all independent variables on the dependent variable.



RESULT

Descriptive Statistics

	EM	ROA	SG	DER	SIZE
Mean	0.010865	0.090596	0.100362	0.854451	29.061780
Median	0.008100	0.074150	0.090550	0.645900	29.153000
Maximum	0.479600	0.342800	0.555600	6.465900	32.938000
Minimum	-0.231800	0.001100	-0.741800	-2.198100	24.455000
Std. Dev.	0.085183	0.066480	0.163643	1.005138	1.755616
Observations	248	248	248	248	248

1. Earnings management (EM) variable has an average value of 0.0108, indicating a relatively low level of earnings management among the sample firms. The minimum value of -0.2318 suggests income-decreasing earnings management, while the maximum value of 0.4796 reflects income-increasing earnings management. The standard deviation (0.0852) exceeds the mean, indicating considerable variation in earnings management practices across the sample.
2. The profitability (ROA) variable has an average value of 0.0906 (9.06%), indicating that, on average, the sample firms generated a relatively low return on their total assets. The minimum value of 0.0011 (0.11%) reflects the lowest profitability, while the maximum value of 0.3428 (34.28%) represents the highest ability to generate profits from assets. The standard deviation (0.0665) is lower than the mean, indicating relatively low data dispersion and a fairly homogeneous distribution of profitability across the sample.
3. Sales growth (SG) variable has an average value of 0.1003 (10.03%), indicating that the sample firms experienced an average sales growth of 10.03% during the study period. The minimum value of -0.7418 (-74.18%) indicates a substantial decline in sales, while the maximum value of 0.5556 (55.56%) reflects a significant increase in sales compared to the previous period. The standard deviation (0.1636) exceeds the mean, suggesting high data dispersion and considerable variation in sales growth across the sample.
4. Leverage (DER) variable has an average value of 0.8544 , indicating that, on average, debt accounts for 85.44% of the firms' equity financing. The minimum value of -2.1981 reflects a capital deficiency, where total liabilities exceed total assets, resulting in negative equity. In contrast, the maximum value of 6.4660 indicates a very high level of leverage. The standard deviation (1.0051) is greater than the mean, suggesting substantial data dispersion and considerable variation in leverage among the sample.
5. Firm size variable has an average value of 29.062 , indicating that most sample firms are relatively large. The minimum value of 24.45 represents the smallest firm in the sample, while the maximum value of 32.93 corresponds to the largest firm based on total assets. The standard deviation (1.7556) is lower than the mean, indicating relatively low variability and a fairly homogeneous distribution of firm size across the sample.



Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.369063	-61,172	0.0000
Cross-section Chi-square	222.7429	61	0.0000

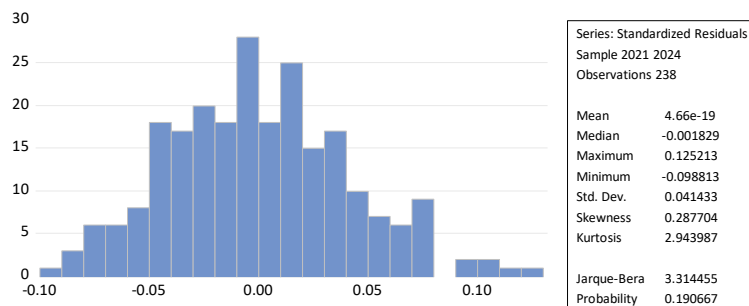
Based on the Chow test results, the probability value of the F-statistic is 0.0000, which is lower than 0,05 significance level. Therefore, the Fixed Effect Model (FEM) is preferred over the Common Effect Model (CEM). After that, the Hausman test was conducted to determine whether the Fixed Effect Model or the Random Effect Model is the more appropriate panel data regression model.

Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.09767	4	0.0005

Based on the Hausman test results, the Chi-square probability is 0.0005, which is below the 0,05 significance level. This indicates that the **Fixed Effect Model (FEM)** is the most appropriate panel data regression model.

Normality Test



Based on the figure above, after removing the outliers, the Jarque–Bera probability is 0.190667, which is greater than 0,05. Therefore, the data are normally distributed, indicating that the normality assumption has been satisfied.

Multikollinearity Test

Correlation	ROA	SG	DER	SIZE
ROA	1.000000			
SG	0.103560	1.000000		
DER	-0.000295	0.059687	1.000000	
SIZE	0.050674	-0.140283	0.173471	1.000000

Based on the table above, all pairwise correlation coefficients are below 0.80. Therefore, it can be concluded that the regression model does not suffer from multicollinearity, indicating that no significant multicollinearity exists among the independent variables.



Heterokedasticity Test

Dependent Variable: ABS(RESID)				
Method: Panel Least Squares				
Date: 07/13/26 Time: 22:09				
Sample: 2021 2024				
Periods included: 4				
Cross-sections included: 62				
Total panel (unbalanced) observations: 238				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.124048	0.307699	0.403145	0.68730
ROA	0.116782	0.068601	1.702324	0.09050
SG	-0.013922	0.011529	-1.207604	0.22890
DER	0.003511	0.005041	0.696511	0.48700
SIZE	-0.003539	0.010519	-0.336474	0.73690

Based on the table above, all independent and control variables have probability values greater than 0.05. Therefore, it can be concluded that the regression model does not exhibit heteroskedasticity, indicating that the homoskedasticity assumption has been satisfied.

Autocorrelation Test

Durbin-Watson stat	2.525392
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As presented in table above, the Durbin–Watson statistic is 2.525392. Based on the Durbin–Watson, the statistic falls within the range of $4 > d > 4 - d_L$ ($4 > 2.525392 > 2.23675$). Therefore, the regression model is considered to exhibit negative autocorrelation.

These results indicate that the model does not satisfy the no-autocorrelation assumption. In panel data regression, particularly FEM with an unbalanced panel, autocorrelation is a common issue due to serial correlation over time. Although autocorrelation does not bias the estimated regression coefficients, it affects the efficiency of the estimators and the validity of statistical inference (Baltagi, 2021). Therefore, this study employs robust standard errors to obtain reliable statistical inference. This approach does not alter the estimated regression coefficients but adjusts the standard errors, resulting in more reliable t-tests, F-tests, and significance levels despite violations of the classical assumptions (Wooldridge, 2010).

To address autocorrelation, this study employs the White Period (cross-section cluster) robust covariance estimator within the FEM. Clustering by cross-section is appropriate because residuals are likely to be correlated within the same firm over time due to persistent firm-specific characteristics, while remaining independent across firms. This approach produces robust standard errors and more reliable statistical inference. Furthermore, clustering by 62 firms provides more stable cluster-robust covariance estimates than clustering by only four time periods (Cameron & Miller, 2015). Therefore, the regression results presented in this study are based on the FEM with White Period (cross-section cluster) robust covariance.



Dependent Variable: EM

Method: Panel Least Squares

Date: 07/22/26 Time: 23:49

Sample: 2021 2024

Periods included: 4

Cross-sections included: 62

Total panel (unbalanced) observations: 238

White period (cross-section cluster) standard errors & covariance (d.f. corrected)

WARNING: estimated coefficient covariance matrix is of reduced rank

Standard error and t-statistic probabilities adjusted for clustering

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.380711	0.793723	-2.999425	0.0039
ROA	0.178872	0.211201	0.846927	0.4003
SG	-0.084500	0.039834	-2.121319	0.0380
DER	0.008136	0.018880	0.430948	0.6680
SIZE	0.081579	0.026986	3.022962	0.0037

$$EM = -2.3807 + 0.1788*ROA - 0.0845*SG + 0.0081*DER + 0.0816*SIZE + e$$

1. The intercept is -2.3807 , indicating that when profitability, sales growth, leverage, and firm size are all equal to zero, the value of earnings management (EM) is -2.3807 .
2. The coefficient of profitability (ROA) is 0.1788 , indicating a positive relationship between profitability and earnings management. This implies that a one-unit increase in profitability (ROA) is associated with a 0.1788 -unit increase in earnings management, assuming all other variables remain constant.
3. The coefficient of sales growth (SG) is -0.0845 , indicating a negative relationship between sales growth and earnings management. This means that a one-unit increase in sales growth is associated with a 0.0845 -unit decrease in earnings management, assuming all other variables remain constant.
4. The coefficient of leverage (DER) is 0.0081 , indicating a positive relationship between leverage and earnings management. Specifically, a one-unit increase in leverage is associated with a 0.0081 -unit increase in earnings management, assuming all other variables remain constant.
5. The coefficient of the control variable, firm size (SIZE), is 0.0816 , indicating a positive relationship between firm size and earnings management. This suggests that a one-unit increase in firm size is associated with a 0.0816 -unit increase in earnings management, assuming all other variables remain constant.

Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Hypothesis
C	-2.380711	0.793723	-2.999425	0.0039	
ROA	0.178872	0.211201	0.846927	0.4003	Rejected
SG	-0.084500	0.039834	-2.121319	0.0380	Accepted
DER	0.008136	0.018880	0.430948	0.6680	Rejected
SIZE	0.081579	0.026986	3.022962	0.0037	Accepted



Based on the table above, each independent variable exhibits a different effect on earnings management (EM), as explained below:

- Hypothesis 1: Profitability (ROA) has a p-value of 0.4003, which is greater than the significance level of 0.05. Therefore, profitability does not have a significant effect on earnings management. Accordingly, H1 is rejected.
- Hypothesis 2: Sales growth has a p-value of 0.0380, which is lower than 0.05. Thus, sales growth has a significant effect on earnings management. The regression coefficient is negative, indicating a negative relationship between sales growth and earnings management. Therefore, H2 is accepted.
- Hypothesis 3: Leverage (DER) has a p-value of 0.6680, which is greater than 0.05. Therefore, leverage does not have a significant effect on earnings management. Accordingly, H3 is rejected.
- The firm size variable has a p-value of 0.0037, which is below the 0.05 significance level. This result indicates that firm size, included as a control variable, has a significant effect on earnings management. The positive regression coefficient suggests a positive relationship between firm size and earnings management, indicating that larger firms are more likely to engage in earnings management practices.

Coefficient of Determination (R^2) Test

R-squared	0.648912
Adjusted R-squared	0.516234

Based on the regression results on table above, the adjusted R-squared is 0.5162. This indicates that 51.62% of the variation in earnings management can be explained by profitability (ROA), sales growth (SG), leverage (DER), and firm size (SIZE). The remaining 48.38% is attributable to other variables or factors not included in the research model.

F-Test (Overall Model Significance)

Based on the figure above, the probability (F-statistic) is 0.000000, which is lower than the significance level of 0.05. This indicates that profitability, sales growth, leverage, and firm size jointly have a significant effect on earnings management. Therefore, the regression model is statistically significant and appropriate for explaining the variation in earnings management.

DISCUSSION

Effect of Profitability on Earnings Management

The results indicate that profitability does not have a significant effect on earnings management, therefore H1 is rejected. This suggests that the level of profitability is not a key determinant of earnings management practices among the sample companies.

These findings do not support Agency Theory, which argues that conflicts of interest between managers (agents) and shareholders (principals) may encourage managers to engage in earnings management to obtain bonuses, maintain their positions, or achieve performance targets. However, the results of this study indicate that companies with either high or low



profitability are not more likely to engage in earnings management. One possible explanation is the presence of effective corporate monitoring mechanisms that limit opportunistic managerial behavior. This may be explained by the characteristics of the consumer non-cyclicals sector, where demand is relatively stable, resulting in less volatile profitability and lower pressure on managers to manipulate earnings. Consequently, earnings management in the sampled companies appears to be influenced by factors other than profitability.

This result is consistent with previous studies by Umah and Sunarto (2022), Christella and Santo (2024), and Joe and Ginting (2022), which also reported that profitability has no significant effect on earnings management. However, it contradicts the findings of Adyastuti and Khafid (2022), Apriadi et al. (2022), and Rizki (2021), who found a positive and significant relationship between profitability and earnings management. It also differs from Arifin et al. (2022), who reported a significant negative relationship.

Effect of Sales Growth on Earnings Management

Sales growth has a significant negative effect on earnings management, therefore H2 is accepted. The negative coefficient suggests that firms with higher sales growth are less likely to engage in earnings management. Conversely, companies experiencing declining sales are more likely to increase earnings management practices.

This results is consistent with Agency Theory, which explains that conflicts of interest between managers and shareholders create incentives for opportunistic behavior. Data shown that consumer non-cyclicals companies experienced a slowdown in sales growth during 2021–2024, which may have increased managerial pressure to maintain good financial performance. Consequently, companies with lower sales growth are more likely to engage in earnings management than those with sustained sales growth. In contrast, strong sales growth reflects sound operational performance and reduces the need for managers to manipulate reported earnings. Under conditions of information asymmetry, managers may exploit their informational advantage to manage earnings when sales performance deteriorates. Therefore, the negative relationship between sales growth and earnings management supports Agency Theory, indicating that stronger operational performance reduces managerial incentives to engage in earnings management. The results are consistent with previous study of Apriadi et al. (2022) and Anastasia and Novyarni (2022), who reported a significant negative relationship between sales growth and earnings management. However, these result differ from those of Yustisia and Setyarini (2022), Wiwi and Rizky (2024), and Anggreani and Arfianti (2024), who found that sales growth has a significant positive effect on earnings management. They also contradict the study of Suryaningrum et al. (2024), who reported that sales growth has no significant effect on earnings management.

Effect of Leverage on Earnings Management

Leverage does not have a significant effect on earnings management, therefore H3 is rejected. This suggests that the level of corporate leverage does not influence management's propensity to engage in earnings management practices. Thus, the proportion of debt (liabilities) held by a company is not a primary factor driving earnings management among the sample companies.

These result do not support the Positive Accounting Theory, particularly the Debt Covenant Hypothesis, which suggests that highly leveraged firms are more likely to adopt accounting policies that increase reported earnings to avoid violating debt covenants. One possible



explanation is that most sample firms are able to meet their debt obligations without engaging in earnings management, while creditors tend to evaluate firms based on their overall financial condition rather than reported earnings alone. Data shown that companies' leverage remained relatively stable during 2021–2024. This indicates that debt levels were generally manageable and did not create substantial pressure for managers to manipulate earnings. Consequently, leverage is not a key determinant of earnings management in the sampled firms, suggesting that earnings management is more likely influenced by factors beyond the scope of this study. The results are consistent with those of Umah and Sunarto (2022) and Hardirmaningrum et al. (2021), who also reported that leverage has no significant effect on earnings management. However, they contradict the results of Rakshit and Paul (2020), Millenia and Jin (2021), and Putri and Setiawati (2021), who found a significant negative relationship between leverage and earnings management. They also differ from the findings of Wiwi and Rizky (2024), who reported a significant positive effect of leverage on earnings management.

Effect of Firm Size as Control Variable on Earnings Management

Firm size, included as a control variable, has a significant effect on earnings management. This positive relationship suggests that larger firms are more likely to engage in earnings management practices. Although firm size is not the primary independent variable in this study, its significance indicates that firm characteristics, as measured by total assets, contribute to explaining variations in earnings management. The inclusion of firm size as a control variable helps improve the accuracy of the regression model by accounting for differences in firm characteristics that may influence earnings management. Controlling for firm size allows the relationship between the main independent variables and earnings management to be estimated more accurately while minimizing potential bias attributable to differences in firm characteristics.

CONCLUSION

This study was conducted to examine the effects of profitability, sales growth, and leverage on earnings management among consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The results indicate that profitability and leverage do not have a significant effect on earnings management. In contrast, sales growth has a significant effect on earnings management. Furthermore, firm size, as a control variable, has a significant effect on earnings management. These findings suggest that sales growth is a more important determinant of earnings management than profitability and leverage.

The results of this study provide both theoretical and practical implications. Theoretically, the results support Agency Theory by demonstrating that sales growth is a more important determinant of earnings management than profitability and leverage, indicating that a firm's operating performance influences managerial opportunistic behavior. Practically, the findings suggest that management should prioritize sustainable sales growth and strengthen corporate governance to improve the quality of financial reporting. In addition, investors and creditors should not rely solely on profitability and leverage but should also consider sales growth when evaluating earnings quality and the potential for earnings management.

Based on the limitations of this study, future research is encouraged to include additional financial and non-financial variables that may influence earnings management, such as good corporate governance, audit quality, ownership structure, operating cash flows, free cash flows, and dividend policy. Furthermore, future studies may examine other sectors listed on the



Indonesia Stock Exchange that are more susceptible to earnings management or extend the observation period if focusing on the consumer non-cyclicals sector.

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