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The Effect of Net Profit Margin, Debt Equity Ratio, and Tax Planning on Earnings Management

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ABSTRACT: This study aims to determine the effect of net profit margin, debt equity ratio, and tax planning on earnings management. The companies included in this study are non-financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2020. This research uses the multiple linear regression analysis method and uses the application of the Statistical Program for Social Science (SPSS). The population in this study was 45 companies from the observations of 100 companies in the non-financial sector listed on the Indonesia Stock Exchange (IDX) for the 2019-2020 period, and the sample data used were 38 companies using a purposive sampling technique. The hypothesis test consists of a simultaneous test (statistical test F), a partial test (statistical test T), and a multiple linear regression test. The results of this study indicate that the Net Profit Margin variable has a positive effect on earnings management, the Debt Equity Ratio variable has a positive effect on earnings management, and the Tax Planning variable has a positive effect on earnings management.

KEYWORDS: Net Profit Margin, Debt Equity Ratio, Tax Planning, Earnings Management, Non-Financial.

INTRODUCTION

The rapid development of the business world today causes companies to compete to show their best performance. The company's performance will be considered good if it is able to maximize the achievement of its profit. On the contrary, the company is said to have poor performance if it does not reach the profit target. According to Princess & Nuswandari (2021), Statement of Financial Accounting Concept (SFAC) No.1, profit is an indicator to measure the performance of management's accountability in achieving predetermined operating goals and helps owners estimate the company's earnings power in the future. Information about profit is often used as an opportunistic act by choosing certain accounting policies so that profits can be arranged as they wish. Such actions are often known as "earnings management." (Putri & Nuswandari, 2021). The phenomenon of earnings management practices has occurred in the Indonesian capital market, namely in PT Garuda Indonesia (Persero) for the 2018 financial year. Based on the results of the Indonesia Stock Exchange examination at the behest of the OJK, evidence was found that Garuda recorded a net profit on operational cooperation worth US $239.94 million, or around Rp3.48 trillion, which should still be receivable for the next 15 years (Sandria, 2018). The earnings management case certainly causes losses for the company and can reduce the trust of the public and investors in particular.

The level of profitability of the company becomes one of the motivations of managers in carrying out earnings management. Profitability becomes the company's ability to seek profit. This ratio also provides a measure of the level of effectiveness of the management of an enterprise. This is indicated by the profit generated from sales and investment income. In general, the profitability value of an enterprise can be used as an indicator to measure the performance of an enterprise. (Kasmir, 2018:72). The relationship between profitability and earnings management achieved in a certain period of time will trigger the company to carry out earnings management by increasing the revenue earned so that it will show shares and retain existing investors (Cahya Lestari & Wulandari, 2019). One of the profitability ratios can be measured by Net Profit Margin (NPM). NPM is measured by the ratio between net profit after tax and total sales. (Margie & Habibah, 2022).

In addition, leverage has become a ratio used to assess how much the company's assets are financed by using debt. Companies whose assets are financed more heavily using debt tend to take action to increase the amount of profit earned due to high interest expenses (Agustia & Suryani, 2018). Referring to this theoretical understanding, logically, if a company has little debt, it is considered that the company is in good condition. Conversely, when the company has most of its sources of funds come from debt, it is possible that the company is not doing well. Based on these thoughts, it is possible for managers to manipulate financial statements in order to maintain the condition and image of the company (Prawida & Sutrisno, 2021). The proportional balance between assets funded by creditors and those funded by company owners is measured by the Debt-to-Equity Ratio (DER) ratio. (Aminah, 2019).

In addition to profitability and leverage ratios, taxes are one of the main focuses of attention for companies. Tax planning is carried out by the company to estimate the amount of tax that should be paid. Companies in Indonesia in preparing financial statements are guided by the Statement of Financial Accounting Standards (PSAK) and Tax Regulations. Commercial accounting generally refers to the standard rules set out in the PSAK, but nevertheless, to carry out the functions of a budgetary and regular tax, the government (in this case, the Directorate General of Taxes) sets some specific rules that differ from the accounting rules in the PSAK (Baraja et al., 2019). Managers are trying to find loopholes in tax regulations to benefit from paying smaller amounts of taxes to local and central governments. By paying a small amount of tax, the company will have more cash to finance operations and expansion and fill new job vacancies. (Kieso: 2018).

Research states that Putra (2019) Net Profit Margin (NPM) has a simultaneous effect on earnings management. Net profit margin is considered to have an influence on earnings management because this ratio will directly intersect with the object of earnings management. Aldona & Listaries (2020) Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) show an effect on earnings management. This means that it shows the magnitude of the DAR and DER levels of a company affecting management in actions to carry out earnings management. The deferred tax burden, tax planning, and deferred tax assets have a positive effect on earnings management (Baraja et al., 2019). These results are in accordance with the theory that states that the more profit a company makes, the greater the tax burden, and the greater the chances of the company doing earnings management. Previous research has connected and examined various variables that affect earnings management. However, what distinguishes this study from previous studies is that it combines the variables of profitability ratio, leverage, and tax planning in one study in the non-financial industry sector in 2019-2020, which was listed on the IDX in the 2019-2020 period, because the non-financial sector will obtain a lot of information related to financial statements, so that it can assess companies based on the performance of their financial statements.

This study aims to examine the influence of net profit margin, debt equity ratio, and tax planning on manufacturing companies in the consumer goods sector on earnings management practices. Therefore, this study was conducted to objectively measure the effects of the Net Profit Margin ratio, Debt Equity Ratio, and Tax Planning on earnings management policies both simultaneously and partially in non-financial industrial companies listed on the IDX in the 2019-2020 period. The benefits of research for investors are that they are able to study the ratios in financial statements so that they can make the right decisions in investing.

LITERATURE REVIEW

Agency Theory

Mekling and Jesnsen (1976) revealed that agency interaction is an agreement in which the principal involves an agent to carry out several duties or services including the delegation of some authority in agent policy making. According to agency theory, managers (agents) seek to maximize their utility for a particular interest. Agents obtain incentives from principals based on the results they achieve thus creating motivation for agents to maximize their personal gains. In the process, management sometimes attaches importance to its personal wishes that are contrary to the goals of the investor as a principal. The principal thinks that the personal needs of the management will reduce the profit that will be obtained by the company so that it can harm the investor. This difference in interests between the principal and the agent causes each party to want to magnify the profit for itself. According to Supriyono (2018), agency theory can be interpreted as a contractual relationship between principals and agents. This relationship is carried out by the way the principal authorizes the agent to make the best decision for the principal by prioritizing the interests in optimizing the company's profits so as to minimize the burden, including tax burdens by doing tax avoidance. One form of agent action in maximizing his personal interests is called earnings management.

Net Profit Margin (NPM)

Net Profit Margin is a profitability ratio used to measure the percentage of net profit in a company compared to its net sales. This net profit margin shows the proportion of sales remaining after deducting all related costs. (Putra, 2019). According to Kasmir (2018:72), net profit margin is an advantage that compares profit after interest and taxes to sales. NPM is a profitability ratio used to measure the percentage of net profit in an enterprise compared to its net sales (Putra, 2019). Net profit after tax is often used by investors as the basis for making economic decisions related to the company, so it is often used as a profit leveling goal by management to reduce profit fluctuations and show outsiders that the company's management performance has been effective (Margie & Habibah, 2022). The higher the NPM ratio due to increased profits, the better it indicates the financial performance of the company and provides information that the company is good (Hermanto & Hanadi Juliani, 2020).

Debt Equity Ratio (DER)

The debt-equity ratio (DER) is one of the capital management ratios that reflects a company's ability to finance business with loans provided by shareholders. Harahap (2013:303) defines the debt equity ratio as an illustration of the extent to which the owner's capital can cover its debts to outsiders. A Debt-to-Equity Ratio (DER) is a ratio used to assess debt to equity. This ratio is sought by comparing all debts, including current debt, with all equity. This ratio is useful for determining the amount of funds provided by the borrower to the company's owner. In other words, this ratio serves to find out each rupiah of own capital that is used for debt guarantees. Kasmir (2018:158) The Debt Equity Ratio can reflect the comparison of debt to equity in funding and show the ability of the company's own capital to meet its obligations (Putra,2019). DER provides an overview of the value of debt owned by a company. If the DER ratio increases, meaning that the company's financial resources are financed quite largely by creditors, this is a fairly dangerous trend (Hisar & Suharna, 2020).

Tax Planning

Tax planning is the first step in tax management. In general, the emphasis of tax planning is to minimize tax obligations. The purpose of tax planning is to engineer so that the tax burden can be reduced as low as possible by utilizing existing regulations, but different from the goals of lawmakers. So, tax planning here is the same as tax avoidance because in essence, both try to maximize after-tax income because taxes are an element of reducing available profits, both to be distributed to shareholders and reinvested. Minimizing tax obligations can be done in various ways, both those that still fulfill tax obligations and those that violate tax provisions. (Baraja et al., 2019).

Theoretically, tax planning is known as effective tax planning; that is, a taxpayer tries to get tax savings through a systematic tax avoidance procedure in accordance with the provisions of the Tax Law (Hoffman, 1961). According to Zain (2009:43), tax planning is the process of organizing the business of a taxpayer or a group of taxpayers in such a way that their tax debt, both income tax and other taxes, is in the most minimal position, as long as this is possible both by the provisions of tax legislation and commercially. The definition of tax planning proposed by is the process of organizing the business of individual taxpayers and business entities in such a way as to take advantage of various possible loopholes that can be taken advantage of by companies in the corridors of tax regulatory provisions (loopholes), so that companies can pay taxes at the minimum amount (Baraja et al., 2019). Achyani & Lestari (2019) suggest tax planning is a factor affecting earnings management. Tax planning is one of the ways that taxpayers can use to estimate the amount of tax that should be paid and the way that is done to minimize taxes.

The existence of differences in interests between managers and the government often makes managers find various ways to be able to pay taxes. Efforts to make tax savings legally can be carried out through tax management. But keep in mind that the legality of tax management depends on the instrument used. The legality can only be known for sure after a court ruling. In general, tax management can be defined as a means of properly fulfilling tax obligations, but the amount of tax paid can be reduced as low as possible to obtain the expected profit and liquidity. (Romatis et al., 2020)

Earning Management

In general, earning management is defined as the efforts of company managers in intervening or influencing information in financial statements aimed at deceiving stakeholders who want to know the performance and condition of the company. The term intervention and trickery are used as a basis by some parties to judge earnings management as fraud. But the other party still considers that this managerial engineering activity is not as cheating (Romantic et al. (2020). Healy and Wahlen (1999) explain the definition of earnings management as a phenomenon that occurs when managers intervene and include personal considerations in financial reporting, regulating a number of transactions so as to change financial statements with the aim of obscuring stakeholders 'views on company performance in order to achieve personal gain.

According to earnings management, it is carried out by playing with the accrual components in financial statements, because the accrual component can be carried out number games through accounting methods used in accordance with the wishes of the person who records and prepares financial statements (Sulistiyanto, 2018). Managers can play with the components of financial statements by determining or changing the estimated value used, and many parties say that efforts to play with financial statements can be done because they are accommodated and facilitated by accounting principles. The act of earnings management occurs when managers use considerations in financial reporting and the preparation of transactions in order to change financial statements with the aim of manipulating the amount of profit to about the economic performance of the enterprise or to influence the results of agreements (contracts) depending on the resulting figures (Agustia & Suryani, 2018).

In conjunction with the agency, managers have information asymmetry against external parties of the company such as investors and creditors Information asymmetry occurs When managers have relatively more and faster internal company information compared to external parties. This can give managers the opportunity to manipulate financial statements in an effort to maximize their prosperity (Karnawati, 2018).

RELATIONSHIPS BETWEEN VARIABLES

The Relationship between Net Profit Margin, Debt Equity Ratio, and Tax Planning to Earning Management

Many factors can be seen in earnings management practices, investors should pay attention not only to fundamental aspects but also to the characteristics of the company such as Net Profit Margin, Debt Equity Ratio, and Tax Planning which simultaneously affect the level of profit, because there is an influence of Net Profit Margin, Debt Equity Ratio towards earning management (Putra,2019). And tax planning has a significant positive value which means that the Variable Tax Planning has a positive and significant effect in the disclosure of Earnings management. (Baraja et al., 2019).

H1: Net Profit Margin, Debt Equity Ratio, Tax Planning affects simultaneous to earning management.

The Relationship of Net Profit Margin to Earning Management

Net Profit Margin is used to measure a company's ability to earn profit after tax from every rupiah of sales. The higher the net profit margin (NPM) value, the more efficiently the company will benefit from sales. High Net Profit Margin also shows that the company can keep costs down well. (Claudia & Senses, 2021)A positive Net Profit Margin indicates that the company is healthy and has no losses. In a situation(Nisa et al., 2018) of low Net Profit Margin of the company will cause management to carry out earning management practices, with the hope that investors will invest shares in the company so that the company's returns will increase as well. This is in line with research that states(Putra,2019) Net Profit Margin has a positive effect on earning management. This is in line with research states that(Sihombing et al., 2020) Net Profit Margin has a positive effect on earning management.

H2: Net Profit Margin has a positive effect on earning management.

The Relationship of Debt Equity Ratio to Earning Management

The Debt Equity Ratio reflects the company's ability to fulfill all of its obligations, which is indicated by some part of its own capital used to repay debts. An increase in debt will result in a high debt equity ratio. This means that the greater the interest expense that must be paid by the company which will ultimately affect the size of the net profit received (Putra,2019). The higher the debt equity ratio, the less ability the company is to pay off its debt with its own capital. debt equity ratio has a significant effect on earnings management practices, because a high debt equity ratio can reduce the amount of additional funds or borrowed funds because creditors want collateral for the loan funds.(Aldona & Listaries, 2020). Research states that (Putra,2019) the debt equity ratio has a positive effect on earning management. The results of this study are in line with research that states that (Aldona & Listaries, 2020), the debt equity ratio affects earning management.

H3: Debt to equity ratio positively affects earning management

The Relationship of Tax Planning to Earning Management

Tax planning is the first step before the company makes tax payments which are costs for the company. To minimize tax obligations can be done in various ways, both those that still fulfill tax obligations and those that violate tax provisions. Tax planning has a positive effect, meaning that the higher the tax planning, the greater the chances of the company doing earnings management. One of the tax planning is to regulate how much profit is reported, so that it is included in the indication of earning management. .(Baraja et al., 2019)

Research Baraja et al., (2019) shows that tax planning has a positive effect on earnings management. This is in line with (Romantis et al., 2020) research that states that tax planning has a positive effect on earnings management

H4: Tax planning has a positive effect on earnings management.

RESEARCH MODEL

Based on the hypothesis above, a research model can be made that explains the influence of independent variables on dependent variables which is stated as follows:

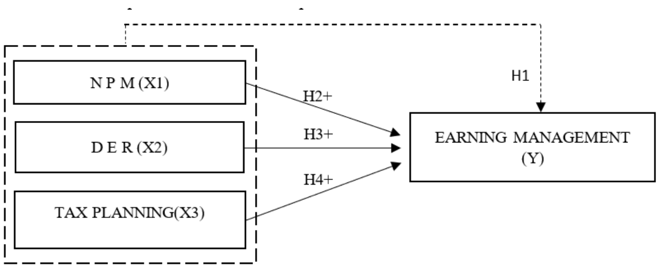

Figure 1. Research Model

Source: Created by Author, 2022

RESEARCH METHODS

This research applies quantitative methods so that it requires measurement of each variable. The operational variables in this study were shown, testing the influence of independent variables consisting of profitability ratios proxied using Net Profit Margin (NPM) which shows the company's ability to generate net profit. The value of NPM can be obtained by comparing net profit after tax with total sales (Kasmir, 2018). Leverage Ratio can be measured using Debt to equity ratio (DER) which describes the extent to which the company funds its business by comparing the amount of its own funds that have been deposited with the loan amount from creditors (Kasmir, 2018). Tax Planning is one way that can be utilized by taxpayers in managing business taxation or their income (Wild & Hasley, 2004). The dependent variable of this study is Earnings management measured by discretionary accrual using the Modified Jones Model (Dechow et al., 1996) proxied with discretionary accrual and calculated by modified jones model.

This study used a secondary data source, namely the annual financial statements. The population used is non-financial sector companies listed on the Indonesia Stock Exchange for the 2019-2020 period. Research sampling using the purposive sampling method with the criteria of companies of various industries registered and publishing financial statements consistently did not suffer losses during the 2019-2020 period. There are 45 companies that meet these criteria, out of a total of 100 non-financial industry companies.

The research technique uses multiple linear regression analysis, where before being tested using classical assumption tests there are normalist tests, multicholinearity tests, heteroskedasticity tests, and autocorrelation tests. The hypothesis test consists of a simultaneous significance test (statistical test F) and a partial significance test (statistical test T) and a multiple linear regression test.

The multiple linear regression model in this study is expressed as follows:

$$DAit = \square + \beta 1NPM + \beta 2DER + \beta 3Trr + \varepsilon$$

Information:

Dait = Earning Management Value in year t
NPM = Profitability
DER = Leverage
PP =Tax Planning
α = Variables or constant numbers
$\beta_1, \beta_2, \beta_3$ = Regression coefficient
Ɛ = Error

RESEARCH RESULTS

Descriptive Statistical Test

Table 1. Descriptive Statistical Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings management	76	-,213	,278	-,06188	,084439
Net Profit Margin	76	,011	,387	,12412	,081030
Debt to Equity Ratio	76	,152	3,159	,78558	,618128
Tax Planning	76	,140	1,945	1,31755	,188920
Valid N (listwise)	76				

Source: Author-processed data output, 2022

Valid sample data in this study totaled 76 sample data points. In this study, it shows the results of the Net Profit Margin variable with a minimum value of 0.011 in PT. Darma Henwa Tbk. in 2020, the maximum value was 0.387 at PT. Astrindo Nusantara Infrasruktur Tbk. in 2019, the average value was 0.12412, and the standard deviation value was 0.081030. According to Arismayati (2018), the value of a good or healthy net profit margin is greater than 0.05 or 5%. The average value of the net profit margin variable in non-financial sector companies in 2019-2020 can be said to be good or healthy because the average value is 0.1241 or 12.41% > 0.05 or 5%.

The minimum value was 0.152 in PT. Herbal and Pharmaceutical Industry Sido Muncul Tbk. in 2019, the maximum value was 3,159 in PT. Unilever Indonesia Tbk. in 2020, and the average value was 0.7856 with a standard deviation value of 0.618128.

According to id.investing.com (2019), a healthy company is shown by a debt-to-equity ratio of <1 or 100%. The average value of the debt-to-equity ratio variable in non-financial sector companies in 2019-2020 can be considered healthy because the average value is 0.78558 or 78.56% <1 or 100%.

The Tax Planning Variable with a minimum value of 0.140 at PT. Darma Henwa Tbk. in 2020, the maximum value was 1.95 at PT. Merdeka Copper Gold Tbk. in 2020, the average value was 1.3176 with a standard deviation value of 0.18937. So, the tax planning above shows that the average net profit for the 2019-2020 period is higher by 1.3176 or 131.76% in non-financial sector companies in 2019-2020 compared to the average profit before tax in 2019-2020 in non-financial sector companies listed on the Indonesia Stock Exchange (IDX).

Earnings management Variable with a minimum value of-0.213 in PT. FFB Energi Utama Tbk. in 2019, the maximum value was 0.278 in PT. Energi Utama Tbk. in 2020, and the average value is-0.06188 with a standard deviation value of 0.084439. It means that non-financial sector companies in 2019-2020 carry out earnings management with an income decreasing pattern or a decrease in profit of -0.0612 or -6.12%.

Normality Test

In this normality test, using the Kolmogorov-Smirnov (K-S) test with the provision that if the asymp value Sig. (2-tailed) > 0.05, then the data population is declared normally distributed. Based on the data of the first research sample with 90 samples, if the data shows the results of an Asymp. Sig. of 0.002 0.05, then the data is declared not to be distributed normally. So that outlier was carried out with as many as 14 sample data, and a study was carried out again with 76 sample data showing the results of Asymp. Sig. of 0.144 > 0.05. Then, we can say that the sample data in this study are spread out in a normal way.

Multicholinearity Test

The sample data is free of multicholinearity in this multicholinearity test using the Tolerance Value and Variance Inflation Factor (VIF) tests with the provision that the Variance Inflation Factor (VIF) value 10 and the tolerance value > 0.100.Based on research sample data, it shows that the results of the Net Profit Margin variable have a VIF value of 2,019 < 10 with a Tolerance value of 0.981 > 0.100, the Debt to Equity Ratio variable has a VIF value of 2,020 < 10 with a Tolerance value of 0.983 > 0.100, and the Tax Planning variable has a VALUE of VIF 2,081 < 10 with a Tolerance value of 0.983 > 0.100, and the Tax Planning variable has a VALUE of VIF 2.081 < 10 with a Tolerance value of 0.983 > 0.10, and the Tax Planning variable has a VALUE of VIF 2.081 < 10 with a Tolerance value of 0.983 > 0.100, and the Tax Planning variable has a VALUE of VIF 2.081 < 10 with a Tolerance value of 0.983 > 0.100, and the Tax Planning variable has a VALUE of VIF 2.081 < 10 with a Tolerance value of 0.983 > 0.100, and the Tax Planning variable has a VALUE of VIF 2.0 of 0.992 > 0.100, so it can be interpreted that each independent variable in the sample data of this study is free from multicholinearity in the regression model.

Heteroskedasticity Test

The sample data did not exhibit heteroskedasticity problems in this test using the Glejser test with the provision of a significance value on an independent variable > 0.05. Based on the research sample data, it shows that the results of the Net Profit Margin variable have a significance value of 0.875 > 0.05, the Debt-to-Equity Ratio variable has a significance value of 0.605 > 0.05, and the Tax Planning variable has a significance value of 0.508 > 0.05. So, it can be interpreted that each independent variable in the sample data of this study does not experience heteroskedasticity problems in the regression model.

Autocorrelation Test

In this autocorrelation test, it uses a run test test with the provision of an asymp value. Sig. (2-tailed) > 0.05, then the sample data did not exhibit autocorrelation problems. Based on the research sample data, it shows the results of the Asymp value. Sig. (2-tailed) was 0.248 > 0.05. So, it can be said that there is no problem with autocorrelation between independent variables. This means that the regression model can be used and is possible.

Multiple Linear Regression Test

Based on the findings of multiple linear regression analysis tests, the model of equations between variables can be formed as follows:

Earnings management = **2,241** + **2,252**Net Profit Margin + **2,047**Debt to Equity Ratio + **2,005**Tax Planning

So, it can be interpreted that the constant value is 2,241, which states that all independent variables have a value equal to zero. Then earning management in non-financial sector companies in 2019-2020 is predicted to be 2,241. Based on research sample data showing that the results of the Net Profit Margin variable affect earning management with a regression coefficient value of 2,252, it can be interpreted that the Net Profit Margin variable has a positive effect on earning management. In conditions where other variables are constantly increasing by one unit in the Net Profit Margin variable, it is predicted that earning management will increase by 2,252.

The variable debt to equity ratio affects earnings management with a regression coefficient value of 2,047. It can be interpreted that the debt-to-equity ratio variable has a positive effect on earnings management. In conditions where other variables are constantly increasing by one unit in the debt-to-equity ratio variable, it is predicted that earnings management will increase by 2,047. Tax Planning Variables affect Earnings management with a regression coefficient value of 2,005. It can be interpreted that the tax planning variable has a positive effect on earnings management. In conditions where other variables are constantly increasing by one unit in the Tax Planning variable, it is predicted that earnings management will increase by 2,005.

Determination Coefesiency Test

Based on the data of the Coefesience Study sample, this determination showed the results that the adjusted R-square value was 0.521, or 52.1%. So, it can be said that the variables Net Profit Margin, Debt to Equity Ratio, and Tax Planning affect the variable earning Management by 52.1%. The other 47.9% is affected by variables other than the independent variables used in this study.

Statistical Test F (Simultaneous)

Statistical test F (Simultaneous) has a measurement provision, namely the sig value. In Anova research, if 0.05 and the calculated F value > the table F value, it can be interpreted that all independent variables have a simultaneous effect on the dependent variable. Based on the data of the research sample, it shows the results of the sig value. The significance level in the study was 0.001 0.05 and the calculated F value was 5.862 > the F value of the table was 2.736. So, it can be said that the Net Profit Margin, the Debt-to-Equity Ratio, and tax planning all affect earning Management at the same time.

Statistical Test T (Partial)

The T statistical test (Partial) has a measurement provision for positive calculating T, namely the result of T counting > T table and a significant value 0.05, then it can be interpreted that independent variables have a significant effect on dependent variables. Based on the data of the research sample, it shows that the results of the Net Profit Margin variable partially have a positive and significant effect on earning management with the result of T calculating 2.266 > T table 1.993 and the value of sig. 0.026 0.05; the variable Debt to Equity Ratio partially has a positive and significant effect on earning management with the result of T calculating 2.315 > T table 1.993 and the value of sig. 0.024 0.05; and the Tax Planning variable partially had a positive and significant effect on earnings management with the result of T counting 2,400 > T table 1,993 and a sig. 0.020 0.05. So, it can be said that each independent variable has a significant effect on the dependent variable.

Hypothesis	Statement	Result	Direction of Influence	Decision
H1	Net Profit Margin, Debt to Equity Ratio, and Tax Planning have a simultaneous effect on earning Management.	F calculate > F table **5,862 > 2,736** Sig. < 0.05 **0.001 < 0.05**	Calculated F Value **5,862** **(POSITIVE)**	**Hypothesis Accepted**
H2	Net Profit Margin has a positive effect on erning Management.	T count > T table **2,266 > 1,993** Sig. < 0.05 **0.026 < 0.05**	Calculated T-Value **2,266** **(POSITIVE)**	**Hypothesis Accepted**
H3	Debt to Equity Ratio has a positive effect on earning Management.	T count > T table **2,315 > 1,993** Sig. < 0.05	Calculated T-Value **2,315** **(POSITIVE)**	**Hypothesis Accepted**

		0.024 < 0.05		
H4	Tax Planning has a positive effect on earning Management.	T count > T table **2,400 > 1,993** Sig. < 0.05 **0.020 < 0.05**	Calculated T-Value **2,400 (POSITIVE)**	**Hypothesis Accepted**

Figure 2. Research Model Hypothesis Test
Source: Author-processed data output, 2022

DISCUSSION

Effect of Net Profit Margin, Debt Equity Ratio, and Tax Planning on Earnings management

Through testing the first hypothesis, it was found that Net Profit Margin (NPM), Debt Equity Ratio (DER), and Tax Planning resulted in a simultaneous influence on earnings management on the financial statements of non-financial industry companies, so the first hypothesis was accepted. This research is in line with research by Putra, (2019) and shows that Baraja et al., (2019), Net Profit Margin, Debt Equity Ratio, and Tax Planning affect earnings management. Management tends to keep profits from year to year to look stable. In this case, the company intervenes in the process of preparing financial statements in order to increase or decrease profits so that external parties see a stable profit (Shahzuni, 2019). The results (Putra, 2019) of the study stated that investors who want to invest their funds in non-financial industrial companies must pay attention to the characteristics of companies such as NPM and DER, which affect the level of earnings management.

The Effect of Net Profit Margin on Earnings management

Through the results of research in the second hypothesis, net profit margin has a positive influence on earning management in financial statements of non-financial industry companies. This is in line with research by Putra (2019) that states that NPM has a positive effect on earnings management. Because net profit margin is a dilemmatic measure, the company will be faced with a dilemma of choice between the interests of investors and other interests, hence the tendency of the company's attachment to structure the transactions of the company's financial statements for certain interests to be more stable (Margie & Habibah, 2022).

Effect of Debt Equity Ratio on Earnings management

In the third hypothesis, it is stated that the debt-equity ratio has a positive effect on earnings management in non-financial companies. Aldona & Listaries (2020) state that a high DER affects earnings management, as it can reduce investor confidence in the company's ability to pay off its debts. Agustia & Suryani (2018) explain that the greater the debt the company has, the more the company will try to improve the company's financial performance. Also, if the goal is not met, the management takes advantage of the situation by doing something called "earning management."

The Effect of Tax Planning on Earnings management

In the fourth hypothesis, the statement that tax planning affects earnings management in non-financial industrial enterprises is accepted. Tax planning is a step taken by taxpayers to minimize the tax burden of the current year or those that will be due so that their taxes can be allocated as effectively as possible. The greater the tax planning, the greater the chances of the company doing earnings management (Santi & Wardani, 2018). The amount of reported profit can be regulated by tax planning (Baraja et al., 2019). Companies that carry out tax planning must do so in accordance with tax regulations. This can be done through careful analysis of information and knowing the development of applicable tax regulations with the latest updates. (Romantis et al., 2020).

CONCLUSION

From the results of this study, it can be concluded that net profit margin, debt equity ratio, and tax planning in non-financial industry companies in 2019-2020 have a simultaneous effect on earnings management. Partially, net profit margin has a positive effect on earnings management, meaning that the greater the net profit margin generated by the company, the higher the earnings management carried out by the company. The debt-equity ratio has a positive effect on earnings management, meaning that the greater the debt equity ratio generated by the company, the higher the earnings management carried out by the company. And tax planning has a positive effect on managing earnings, which means that the more tax planning a company does, the better it is at managing earnings.

The limitation of this study is in the research variables, namely that researchers only use internal company factors obtained from the annual financial statements published on the IDX for 2019-2020. Research findings are only limited to that scope. It is hoped that the next researcher will further expand the research year and add other independent variables such as the size of the company, because the longer the life of the company, the greater the opportunity to carry out earning management, so that companies that have been established for a long time have experience in managing and can draw trends from previous periods so that they can make designs that can advance the company by increasing earning and competing against long-established and newly established companies (Agustia & Suryani, 2018). as well as increasing the research period to produce better research.

Based on this research, advice for investors and potential investors should be more thorough in making investments. Investors should analyze the financial statements presented by the company. because the financial statements presented do not necessarily reflect the actual performance of the company. Investors must be vigilant by analyzing the company's earnings management practices.

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