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Company Value and Other Factor Influence Income Smoothing with Firm Size as Moderating Variable

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Abstract: The purpose of this study is to provide empirical evidence regarding the effect of the Cash Holding, Profitability, Financial Leverage, Dividend Policy, and Company Value as independent variables and also Firm Size as moderating variable that affect income smoothing as dependent variable. The study used population of cyclical and non-cyclical and also transportation and logistic companies listed on the Indonesia Stock Exchange from 2017 to 2022, with sample consisting of 35 companies selected through purposive sampling method. The analysis method used was purposive sampling. The research results showed that cash holding, profitability, dividend policy, company value, and firm size have no significant effect on income smoothing while financial leverage has positive significant effect on income smoothing and also firm size doesn't moderate profitability and dividend policy effect on income smoothing, while firm size weakens financial leverage effect on income smoothing.

Keywords: Cash Holding, Profitability, Financial Leverage, Dividend Policy

Introduction

The economic growth in the business world, particularly in Indonesia, has led to intense competition, prompting many business owners to engage in unethical practices, one of them is income smoothing or earnings management. In this practice, companies manipulate financial reports to make them appear more favorable or attractive to various stakeholders, such as management, investors, creditors, and the government (Tarigan & Utami, 2021).

When evaluating a company's financial statements, stakeholders don't just focus on the amount of profit the company generates, but also on the fluctuations in profit, which we refer to as profit volatility (Mahendra and Jati 2020). When making decisions, investors view stable profits favorably. This motivates companies to engage in earnings management to smooth out profit fluctuations over time (Tiana & Harjanto, 2021).

The actions taken by company management can't be entirely blamed, as practicing income smoothing can help satisfy and reassure investors or other stakeholders by presenting the company as one with lower risk (Maotama & Astika, 2020). Additionally, it can serve as an incentive for other investors to invest in the company (Mahendra & Jati, 2020).

In Indonesia, practices or cases related to income smoothing have become quite common. One notable example is the case involving PT Asuransi Jiwasraya (AJS), where the company was caught manipulating profits amounting to Rp 360.3 billion in 2006. It was later revealed that the profits reported in 2006 were artificial, the result of accounting manipulation or "window dressing." This manipulation did not stop there but continued into subsequent years. For instance, in 2017, the company, which should have reported a loss due to insufficient reserves amounting to Rp 7.7 trillion, instead reported a profit (Putri, 2020). From this incident, we can see that companies in Indonesia, including state-owned enterprises (BUMN), tend to have low-quality

earnings due to the frequent practice of income smoothing aimed at attracting investor interest (Alexander, 2019).

There are several factors that influence income smoothing. These factors include cash holding, profitability, financial leverage, dividend policy, company value, and firm size. The first factor is cash holding, which is manager performance is evaluated based on their actions to maintain stable cash increases within the company (Suhartono & Hendraswari, 2020). The greater the company's cash holdings, the higher the probability that the company may engage in income smoothing practices (Kusmiyati & Hakim, 2020). The second factor is profitability, which is a benchmark for investors to assess the company's performance, which can aid them in making future decisions (Wijaya et al., 2020).

The third factor is financial leverage, which is the utilization of financial resources with fixed costs or liabilities to fund the company (Tiana & Harjanto, 2021). The fourth factor is dividend policy, which is the proportion of dividends distributed to shareholders in relation to the company's total net income and this ratio reflects the percentage of net income given as cash dividends throughout the year (Handoyo & Fathurrizki, 2018). The fifth factor is company value, which is companies with strong stock prices will attract significant attention from both investors and the government and also can reflect the elevated value of the company (Apriliyani & Farwitawati, 2021). The sixth factor is firm size, which is large companies generally have more advantages compared to smaller ones because the advantage is their stronger bargaining power in financial contracts, allowing them to generate profits more easily than companies with less leverage (Mulyati & Mulyana, 2021).

The purpose of this study is to provide empirical evidence on the influence of available cash, profitability, financial leverage, dividend policy, and company value as independent variables, with firm size as a moderating variable, on income smoothing. This research is expected to be useful for those who need it.

Literature Review

Agency Theory

Companies are a clear example of entities that often use contracts or agreements when conducting transactions, where the owner manages individuals or groups involved (Godfrey et al., 2010). According to Jensen and Meckling (1976), agency theory involves contracts where one or more individuals (referred to as the principal(s)) enter into an agreement with another party (known as the agent) to assist in decision-making on behalf of the owner. This theory implies that a contract or agreement is established between the owner and the management because the owner does not have complete control over running the business. Consequently, individuals or management are assigned to help in making decisions for the owner (Wijaya et al., 2020).

Typically, such issues arise due to the tendency to prioritize personal interests or management behaviors known as moral hazard and adverse selection. Moral hazard refers to a manager's behavior in manipulating information for personal benefit, while adverse selection involves a manager managing information that should or should not be made public. In this scenario, management may intentionally withhold crucial information from the owner, even if it is important for the company's development (Sumani et al., 2017). Agency issues occur when agents

feel pressured to meet the expectations of the principal and as a result, agents may choose to avoid personal strain from excessive work and neglect their responsibility to maximize the company's value (Tiana & Harjanto, 2021). According to Godfrey et al. (2010), addressing these issues involves incurring agency costs, which include monitoring costs, bonding costs, and residual loss. These costs are used to oversee or monitor the performance and behavior of management, allowing the owner to determine whether management is fulfilling their responsibilities appropriately in the company.

Income Smoothing

According to Tarigan and Utami (2021), income smoothing is related to reducing a company's profits with the goal of providing insights into potential future earnings and enhancing public confidence in the company's capabilities. Additionally, income smoothing is often carried out through accounting methods that involve shifting profits from one period to another to adjust company policies (Wijaya et al., 2020). All of this is done because companies sometimes experience fluctuations or instability in their earnings, which can lead potential investors to feel uncertain and reconsider their investment decisions (Megarani et al., 2019).

In addition to benefiting the company, there are also some individuals who exploit income smoothing for personal gain, potentially multiplying their own benefits. This is because such practices can only be carried out by internal parties, such as managers, who have the ability to alter financial reports and transactions (Handoyo & Fathurrizki, 2018). Due to income smoothing practices carried out by managers, when a company aims to meet its targets, the outcomes can negatively impact the company. This often results in less than optimal results for the company, which can ultimately affect its overall value (Abogun et al., 2021).

As explained above, we can classify income smoothing practices into two categories: real income smoothing, which aims to benefit the company's future, and artificial income smoothing, which is intended for personal gain (Palupi, 2020). From these points, it can be concluded that income smoothing practices are carried out in accordance with the intended goals, whether for the benefit of the company or for personal gain.

Cash Holding

According to Apriliyani and Farwitawati (2021), cash holding is one of the most accessible assets for management, and management performance can be assessed through the stability of cash within the company. As a result, conflicts often arise between management and owners concerning the use of cash holding (Tarigan & Utami, 2021). Management should be able to minimize the use of cash holding for external and operational purposes (Suhartono & Hendraswari, 2020).

This is due to the liquid and short-term nature of cash holdings, which allows them to be converted into a specific amount of cash without experiencing significant changes in value (Sumani et al., 2017). Moreover, as we know, cash or cash equivalents are considered short-term investments that are readily available for use without significant risk of value fluctuation (Safitri & Mulatsih, 2022). Based on the above description, then the research hypothesis is proposed:
H_1: Cash Holding has a positive effect on income smoothing

Profitability

The company's ability to manage itself is reflected in the profits earned from its financial resources and capabilities, such as sales, cash flow, capital, the number of employees, the number of branches owned, and many other factors (Tiana & Harjanto, 2021). The higher a company's profitability, the better its performance, while lower profitability indicates poor performance. This could lead investors or company owners to perceive the company's management as having weak capabilities in managing the business (Tarigan & Utami, 2021).

Profitability is often used by investors to make decisions by assessing dividend distribution and the potential risks they may face in the future when investing in a company. This is because investors generally seek stable and profitable investments (Handoyo & Fathurrizki, 2018). These companies are expected to retain their existing investors by showcasing their shares after engaging in income smoothing practices (Maotama & Astika, 2020). Based on the above description, then the research hypothesis is proposed:

H_2: Profitability has a positive effect on income smoothing

Financial Leverage

Financial leverage is used to measure the company's influence on its equity or the debt it holds (Wijaya et al., 2020). If a company has significant debt or high leverage, it can put the company in a risky or vulnerable position (Nurdiansyah et al., 2021). According to Handoyo and Fathurrizki (2018), such conditions are very unfavorable for the company because investors are unlikely to be interested in investing in a company facing this situation. This is due to the high pressure on management to engage in income smoothing. Typically, companies perform income smoothing to reduce the risks associated with high debt, with the hope that by doing so, the company's condition will stabilize and attract investors to invest in the company (Bobby et al., 2022).

For investors, this plays a crucial role when evaluating stock value and deciding whether to buy or sell the stock. Generally, investors aim to avoid risk when investing in a company, and they tend to seek out companies with stable conditions that offer more promising investment opportunities (Ramadhani et al., 2022). Based on the above description, then the research hypothesis is proposed:

H_3: Financial leverage has a positive effect on income smoothing

Dividend Policy

According to Wijaya et al. (2020), companies use dividends either to be set aside as funds for future use or distributed to investors. However, companies often face a dilemma when managing dividends. On one hand, they must save funds for future needs, but on the other hand, they are obligated to distribute dividends to investors. Additionally, dividend policy significantly influences investor decisions in the company. If a company pays high dividends, it usually indicates higher risks, and the company's management may engage in income smoothing to reduce those costs (Handoyo & Fathurrizki, 2018). This allows the company to avoid distributing excessive dividends to investors and instead set aside the funds for future use.

The size of the dividend policy within a company can also influence shareholders' investment decisions and impact the company's financial condition (Tiana & Harjanto, 2021). Additionally,

since the amount of dividends paid is based on the company's net profit after tax, the size of these dividends can also affect the stock price and the overall well-being of the shareholders (Ghazali, 2014). Furthermore, companies sometimes distribute high dividends with the expectation that investors who receive them will experience equally high returns, and this strategy can also attract new investors to invest in the company (Paramita & Isarofah, 2016). Based on the above description, then the research hypothesis is proposed:
H_4: Dividend Policy has a positive effect on income smoothing

Company Value

The company's performance plays a significant role in how investors assess it. If the company has a high stock price and attracts many investors, this indicates that the company's value will also increase (Megarani et al., 2019). In addition, the better the company's value is presented to the public through its stock price, the more it will attract the attention not only of investors but also of the government (Apriliyani & Farwitawati, 2021). Income smoothing is typically carried out by company management to maintain profit stability and reduce potential risks within the company. Moreover, high stock prices in a company will also increase its overall value, as a high value indicates guaranteed prosperity for the shareholders of that company (Gunawati & Susanto, 2019).

Stock values that frequently fluctuate and are high can send a negative signal to investors, as it suggests that the company is inconsistent in maintaining its stability. As a result, many companies engage in income smoothing to provide a more favorable signal to the market, encouraging investment decisions and attracting new resources or investors (Herdjiono et al., 2019). The value of a company can also reflect how much potential investors are willing to pay when the company's stock is sold. Additionally, an increase in the company's value signifies that the company's achievements align with investors' expectations (Pradipta & Susanto, 2019). Based on the above description, then the research hypothesis is proposed:
H_5: Company value has a positive effect on income smoothing

Firm Size

According to Mulyati and Mulyana (2021), larger companies typically have more advantages compared to smaller ones, primarily because of the stronger contracts they hold. Additionally, larger companies tend to attract more attention from investors due to easier access to information, enabling investors to predict or estimate the company's future prospects. In contrast, smaller companies often struggle with visibility, making it difficult for investors to find relevant information about them (Handoyo & Fathurrizki, 2018).

Large companies, especially their management, tend to avoid engaging in income smoothing practices because if discovered, it could result in a decrease in the company's value and lead to a loss of trust from the public, particularly investors, who may perceive the company as falsifying its financial information (Suhartono & Hendraswari, 2020). Based on the above description, then the research hypothesis is proposed:
H_6: Firm size has a positive effect on income smoothing

Firm size is one of the factors influencing income smoothing and if smaller companies tend to have relatively lower total assets and earnings, making external loans a likely source of funding. In contrast, larger companies typically have higher total assets and better performance, leading them to minimize reported profits to avoid government policy impacts. Therefore, company size can reflect financial condition and performance, providing insights into profitability, financial leverage, and dividend policy (Paramita & Isarofah, 2016). The growth of a company's size has a significant impact on the interest and attention of analysts, investors, and the government when assessing the company's future sustainability. Consequently, company size can be considered a moderating variable. Based on the above description, then the research hypothesis is proposed:
H_7: Firm size significantly strengthens the effect of profitability on income smoothing
H_8: Firm size significantly strengthens the effect of financial leverage on income smoothing
H_9: Firm size significantly strengthens the effect of dividend policy on income smoothing

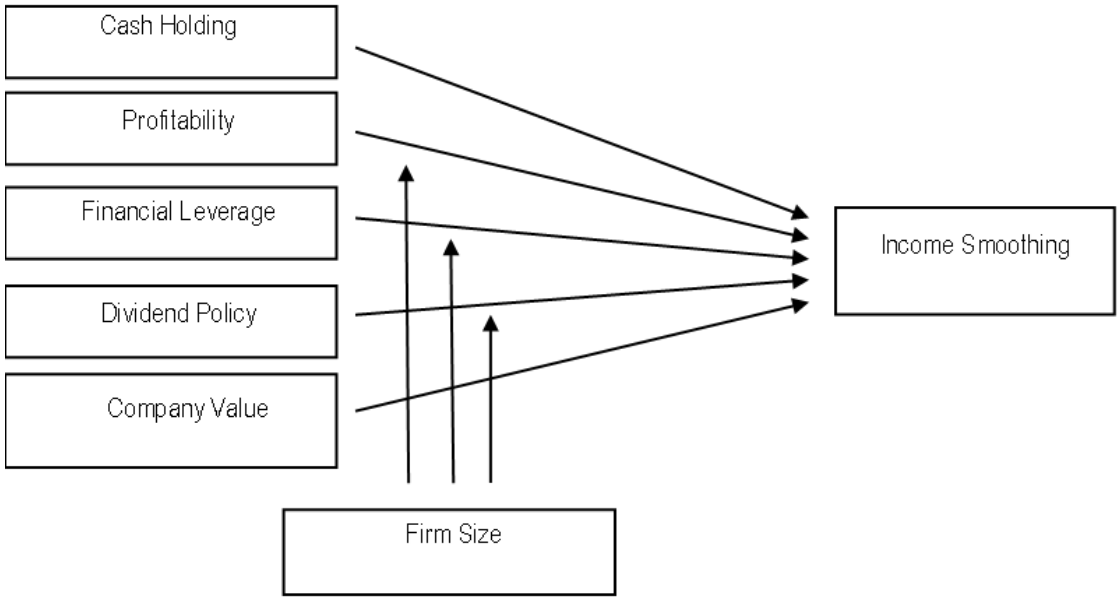

Figure 1 Conceptual Framework.
Source: Sheena (2024)

Materials and Methods

According to Sekaran and Bougie (2016), while it may be easy to gather readily available information, sometimes information is needed from specific target groups where the data is limited and must meet specific criteria set by the researcher. This means that only certain individuals can provide the precise information that the researcher seeks, and this sampling method is known as purposive sampling.

The population used in this research consists of cyclical and non-cyclical companies, as well as transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) during the research period from 2020 to 2022. The sampling method used is purposive sampling. The type of data employed in this study is secondary data, which includes data from cyclical and non-cyclical companies, as well as transportation and logistics companies from 2017 to 2022, obtained from the Indonesia Stock Exchange website, www.idx.co.id. The criteria used for selecting samples are as follows.

Table 1 Sample Selection Procedure.

	Criteria	Companies	Data
1	Consumer non-cyclical, consumer cyclical, as well as transportation and logistics companies that are consistently listed on the Indonesia Stock Exchange (IDX) during the period from 2017 to 2022.	169	507
2	Consumer non-cyclical, consumer cyclical, as well as transportation and logistics companies that did not issue annual financial statements ending on December 31st during the 2017–2022 period.	(10)	(30)
3	Consumer non-cyclical, consumer cyclical, as well as transportation and logistics companies that did not consistently generate profit in their financial statements during the 2020–2022 period.	(103)	(309)
4	Consumer non-cyclical, consumer cyclical, as well as transportation and logistics companies that did not consistently use the Indonesian Rupiah in their annual financial statements during the 2020–2022 period.	(4)	(12)
5	Consumer non-cyclical, consumer cyclical, as well as transportation and logistics companies that did not consistently distribute cash dividends during the 2020–2022 period.	(17)	(51)
	The amount of data used in the research	**35**	**105**

Source: Data Collection Results (2024)

Income Smoothing

The dependent variable used in this study is income smoothing. Income smoothing is always related to the reduction of recorded profits within a company, with the goal of detecting or presenting information about the potential profits that the company may achieve in the future (Tarigan & Utami, 2021). In particular, the act of income smoothing in this analysis is expressed by the "Eckel Index" using the formula:

$$\text{Eckel Indeks} = \frac{\text{CV } \Delta I}{\text{CV } \Delta S}$$

Notes:

△I = Changes in income in a time period

△S = Changes in profit over a time period

CV △I = Coefficient of variation for changes in earnings

CV △S = Coefficient of variation for changes in Income

Here are the criteria for determining whether a company practices income smoothing or not:

1. A company is considered to engage in income smoothing if its income smoothing index is less than one (CV ΔS > CV ΔI), which is denoted by a value of "1".
2. A company is considered not to engage in income smoothing if its income smoothing index is greater than one (CV ΔS < CV ΔI), which is denoted by a value of "0".

Cash Holding

The company's policy on maintaining total cash and cash equivalents to safeguard the company from cash shortages (Tarigan & Utami, 2021). The formula of calculating cash holding in this study is:

$$\text{Cash Holding} = \frac{\text{Cash Equivalent}}{\text{Total Asset}}$$

Profitability

Profitability in a company can reflect the quality of its performance, whether good or bad (Tarigan & Utami, 2021). The formula of calculating profitability in this study is:

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Total Sales}}$$

Financial Leverage

Financial leverage is a tool used to evaluate the impact of a company on its equity or the level of debt it holds (Wijaya et al., 2020). The formula of calculating financial leverage in this study is:

$$\text{Debt to Asset Ratio} = \frac{\text{Total Amount of Debt}}{\text{Total Assets}}$$

Dividend Policy

According to Wijaya et al. (2020), companies use dividends either as funds that can be utilized in the future or distributed to investors. The formula of calculating dividend policy in this study is:

$$\text{Dividend Payout Ratio} = \frac{\text{Cash Dividend}}{\text{Net Profit}}$$

Company Value

A company's performance plays a significant role for investors in evaluating a business, which can be reflected in its stock price (Megarani et al., 2019).The formula of calculating company value in this study is:

$$\text{Price to Book Value} = \frac{\text{Market Share Price}}{\text{Book Value Per Share}}$$

Firm Size

The total assets of a company can indicate its wealth, reflecting the size and scale of the business (Wijaya et al., 2020). The formula of calculating firm size in this study is:

$$\text{Firm Size} = \text{Log n Total Assets}$$

Results

The results of the descriptive statistics and the significance tests of the coefficients can be seen in the tables below:

Table 2 Descriptive Statistics Results.

Variables	N	Minimum	Maximum	Mean	Std Deviation
IS	105	0	1	0,58	0,496
CH	105	0,0079	0,7255	0,1550	0,1525
PROFIT	105	0,0001	0,4082	0,0859	0,0784
FLEV	105	0,0734	0,8153	0,4103	0,2016
DP	105	0,0426	106,8509	1,9290	10,7913
CV	105	0,3369	56,7919	3,3628	7,6569
FS	105	27,0382	32,8264	29,5394	1,4042

Source: SPSS data processing version 25 (2024)

Based on the descriptive statistics table above, it can be observed that the total data used in the study amounts to 105 data points. The general overview of the data includes the minimum value, maximum value, mean value, and standard deviation. The minimum value indicates the lowest value across all research samples, the maximum value represents the highest value among the samples, the mean value reflects the arithmetic average of all the samples, and the standard deviation shows the extent of deviation of the observations from the mean value.

Table 3 Coefficient Significance Test Result.

Variables	B	Sig.	
CH	-1,282	0,452	H_1 Not Accepted
PROFIT	54,013	0,517	H_2 Not Accepted
FLEV	90,269	0,010	H_3 Accepted
DP	-7,170	0,244	H_4 Not Accepted
CV	0,007	0,840	H_5 Not Accepted
FS	1,355	0,060	H_6 Not Accepted
FSPROFIT	-1,530	0,597	H_7 Not Accepted
FSFLEV	-3.093	0,009	H_8 Accepted
FSDP	0,263	0,242	H_9 Not Accepted

Source: Sheena (2024)

Based on the coefficient significance test results table above, it can be seen that the significance value of the cash holding variable is ≥ 0.05, specifically 0.452. This indicates that the independent variable of cash holding does not have an effect on the dependent variable of income smoothing, which also means that H_1 is not accepted. Cash holdings likely do not influence income smoothing practices because some companies lack sufficient cash reserves to engage in income smoothing. This could be due to company managers not having the motivation to pursue personal gains. Instead, cash holdings are used solely for their functional purposes, such as funding operational activities and paying dividends to shareholders. These findings are consistent with the studies by Suhartono and Hendraswari (2020) and Alexander (2019).

Based on the coefficient significance test results table above, it can be seen that the significance value of the profitability variable is ≥ 0.05, specifically 0.517. This indicates that the independent variable of profitability does not affect the dependent variable of income smoothing, which also means that H_2 is not accepted. This is because the higher ratio, the greater the company's ability to generate profits. However, an increased capacity to generate profit does not influence the company's decision to engage in income smoothing. The findings of this research are consistent with the studies by Apriliyani and Farwitawati (2021), Hastuti et al. (2021), Nurdiansyah et al. (2021), Tiana and Harjanto (2021), Kusmiyati and Hakim (2020), Handoyo and Fathurrizki (2018), Paramita and Isarofah (2016), and Ghazali (2014).

Based on the coefficient significance test results table above, it can be seen that the financial leverage variable has an unstandardized coefficient value of 90.269 and a significance value of < 0.05, specifically 0.010. This indicates that the independent variable financial leverage has a positive effect on the dependent variable income smoothing, which also means that H_3 is accepted. This suggests that the higher the financial leverage of the company, the greater the

potential for the company to experience an increase in debt, which in turn makes the company appear less favorable in the eyes of investors and unattractive for investment. As a result, income smoothing practices are often carried out to make financial leverage appear lower, aiming to attract investors and gain the trust of lenders (Handoyo & Fathurrizki, 2018). These research findings are consistent with studies by Fauziah and Adi (2021), Nurdiansyah et al. (2021), Abogun et al. (2021), and Handoyo and Fathurrizki (2018).

Based on the coefficient significance test results table above, it can be seen that the significance value of the dividend policy variable is ≥ 0.05, specifically 0.244. This indicates that the independent variable dividend policy does not have an effect on the dependent variable income smoothing, which also means that H_4 is not accepted. This is because the size or presence of dividend distributions to shareholders does not necessarily influence a manager's motivation to engage in income smoothing practices. These research findings are in line with studies conducted by Bobby et al. (2022), Tiana and Harjanto (2021), Wijaya et al. (2020), Gunawati and Susanto (2019), Paramita and Isarofah (2016), and Ghazali (2014).

Based on the coefficient significance test results table above, it can be seen that the significance value of the company value variable is ≥ 0.05, specifically 0.840. This indicates that the independent variable company value does not affect the dependent variable income smoothing, which also means that H_5 is not accepted. This is because companies with high firm value can compete with others, either due to their stability or their advanced technology in creativity and innovation. These research findings are consistent with studies conducted by Apriliyani and Farwitawati (2021) and Gunawati and Susanto (2019).

Based on the coefficient significance test results table above, it can be seen that the significance value of the firm size variable is ≥ 0.05, specifically 0.060. This indicates that the independent variable firm size does not affect the dependent variable income smoothing, which also means that H_6 is not accepted. This is because a company is not affected by its size, but rather by the differing objectives of each company's manager. These research findings are consistent with studies conducted by Hastuti et al. (2021), Abogun et al. (2021), Alexander (2019), Gunawati and Susanto (2019), Herdjiono et al. (2019), and Handoyo and Fathurrizki (2018).

Based on the coefficient significance test results table above, it can be seen that the significance value of the interaction between profitability and firm size is ≥ 0.05, specifically 0.597. This indicates that the moderating variable, firm size, does not influence the relationship between profitability and the dependent variable income smoothing, which also means that H_7 is not accepted. Profitability reflects the company's performance, leading management to engage in income smoothing to regulate profit flow fluctuations. With stabilized profit flows, the company appears to perform well, ensuring business continuity. However, company size may not necessarily determine whether it strengthens or weakens the connection between return on equity and net profit margins in relation to income smoothing practices. These research findings are consistent with studies conducted by Hastuti et al. (2021) and Paramita and Isarofah (2016).

Based on the coefficient significance test results table above, it can be seen that the interaction between financial leverage and firm size has an unstandardized coefficient value of -3.093 and a significance value of less than 0.05, specifically 0.009. This indicates that the moderating variable, firm size, has a negative influence or weakens the relationship between financial leverage and the dependent variable, income smoothing, meaning that H_8 is accepted.

This suggests that the larger the size of a company, the lower the likelihood of the company engaging in income smoothing when financial leverage is increasing, as there may be other factors that influence the company's decision to engage in income smoothing (Paramita & Isarofah, 2016). These findings are consistent with the study conducted by Paramita and Isarofah (2016).

Based on the coefficient significance test results table above, it can be seen that the significance value of the interaction between dividend policy and firm size is greater than 0.05, specifically 0.242. This indicates that the moderating variable, firm size, does not have an influence on the relationship between dividend policy and the dependent variable, income smoothing, meaning that H_9 is not accepted. This is because a company with a high dividend policy creates a perception among investors that it can offer a strong return, making it attractive for investment. However, the size of the dividend policy does not influence management's policy on income smoothing practices. These findings are consistent with the study conducted by Paramita and Isarofah (2016).

Discussion

Based on the results of this study, it can be concluded that the independent variable financial leverage has an influence on the dependent variable, income smoothing. However, other independent variables such as available cash, profitability, dividend policy, firm value, and firm size do not have an impact on income smoothing. Additionally, the moderating variable firm size influences the relationship between financial leverage and income smoothing. In contrast, firm size as a moderating variable does not have an effect on the relationship between profitability and dividend policy with income smoothing.

The limitations of this study include the relatively short research period, which may not provide an in-depth explanation of the topic being investigated. Additionally, this research is focused solely on consumer non-cyclicals, consumer cyclicals, and transportation and logistics companies listed on the Indonesia Stock Exchange (IDX). Furthermore, the study shows that the independent variables tested explain only 19.9% of the variance in the dependent variable, as indicated by the Nagelkerke R^2 value.

Based on the limitations mentioned above, recommendations that can be given to further researchers are to add a longer research period to obtain more accurate results, to expand the company sectors to be studied so that the results obtained can be applied generally to various industrial sectors, and to replace or add other variables because based on the Nagelkerke R^2 test of 80.1%, the variance of other variables that are not included in this research model can be explained which can have an effect on Income Smoothing.

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