

ABSTRACT

The financial condition of a company can be seen through financial statements with the aim of providing information about the financial position, company performance and cash flows that are useful for most users of financial statements in making economic decisions. The amount of profit in the financial statements is important information for its users. The management makes profit information a target for manipulation for personal gain, because the manager's performance is measured based on the earnings information. In meeting the company's profit target, management carries out unhealthy business practices, one of which is by doing Earnings Management.

This study aims to examine and analyze the effect of institutional ownership, debt covenants, and tax planning on earnings management in basic and chemical industrial companies listed on the Indonesia Stock Exchange in 2017-2019.

The population in this study is the Basic Industry and Chemical Sector. The sample selection technique used was purposive sampling and obtained 42 companies for the 2017-2019 period, so that a sample of 126 observations was obtained. The data analysis method in this study is panel data regression using Eviews 9 software.

The results show that institutional ownership has a negative effect on earnings management, debt covenants has a positive effect on earnings management, and tax planning has a positive effect on earnings management. These results indicate that all hypotheses proposed in this study are accepted. Meanwhile, institutional ownership, debt covenants, and tax planning have an influence on earnings management of 58% and the rest is influenced by other variables outside the study.

For further researchers to add independent variables that will be used in research that can affect and relate to earnings management. In addition, further research can examine a sample of companies from other sectors to find out which company performance is better and has a relationship with earnings management. For companies to be able to compile and report financial statements with results that match the company's conditions by avoiding earnings management actions or accounting policies that can affect the value of profits so that later it can harm investors and management itself.

Keywords: Institutional Ownership, Debt Covenant, Tax Planning, Earnings Management