INCOME SMOOTHING: CAN FIRM SIZE AS A MODERATION

Achmad Chaedar Yasin Bakhtiar[1]
Universitas Lampung, Lampung, Indonesia
achmadchaedar9@gmail.com

Agrianti Komalasari[2]
Universitas Lampung, Lampung, Indonesia
agriantiksa@gmail.com

Liza Alvia[3]
Universitas Lampung, Lampung, Indonesia
liza.alvia@unila.ac.id

Abstract

This study analyzes the effect of cash holding, leverage, profitability, and company size on income smoothing practices with firm size as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX). The results show that cash holding does not have a significant effect on income smoothing practices, because companies tend to use cash for operational needs, debt payments, and dividends, so it is not used for profit manipulation. On the contrary, profitability and leverage have a significant effect on income smoothing practices, where companies with low profitability and high leverage tend to engage in this practice to maintain their reputation and the stability of their financial statements. In addition, firm size does not moderate the effect of cash holding on income smoothing practices, indicating that larger company size does not affect management decisions in carrying out this practice. However, firm size strengthens the effect of profitability and leverage on income smoothing practices. The larger the company size, the higher the tendency of management to stabilize financial statements to maintain the company's image and the trust of stakeholders, especially creditors. These findings provide insight for investors and regulators in understanding the factors that influence income smoothing practices in the manufacturing sector.

Keywords: Cash Holding, Leverage, Profitability, Firm Size, Income Smoothing

INTRODUCTION

Earnings management is a step taken to influence the level of profit in a company. Among several earnings management techniques that can indicate the stability of the company's condition is the income smoothing technique. Income smoothing according to Belkaoui (2000), is an effort made to reduce fluctuations in the amount of profit that is considered normal by the company at a certain level. Another common reason for the practice of income smoothing is to make it easier for companies to get loans from lenders and attract the attention of potential investors (Carolina & Santiago, 2020). This is done by management to increase or decrease reported profits to reduce profit fluctuations to a level considered normal (Nirmanggi & Muslih, 2020).

Based on information obtained through literature searches through Publish or Perish, this phenomenon is still in the spotlight in Indonesia even after the economic crisis in 2019-2020 due to the Covid 19 virus pandemic. The practice of income smoothing peaked again in 2023. This has again become a hot topic due to allegations of profit manipulation in the first year of 2023. In 2023, one of the issuers of State-Owned Enterprises (BUMN), especially BUMN Karya, carried out an act of financial report manipulation. Allegations of falsification of the financial reports of two BUMN Karya issuers became a hot topic in mid-2023. The financial reporting did not reflect the actual situation in a number of issuers, including Waskita and WIKA. As a result, on May 8, 2023, Waskita Karya, one of the BUMN stock issuers, was forced to suspend its capital market until now (Yusuf, 2024).

Furthermore, with the case of a company incident published on the CNBC news site, the phenomenon of income smoothing practices occurred in one of the manufacturing companies, PT Akasha Wira International Tbk, in 2020. The company's revised 2017 financial report showed a net loss of IDR 5.23 trillion. Compared to the previous version of the financial report, which only recorded a loss of IDR 551.9 billion, this figure is IDR 4.68 trillion higher. This supports the claim of PT Ernst & Young Indonesia and proves that the company's previous management carried out profit management, specifically inflating reported profits (reducing losses) from actual profits (making losses appear larger).

Financial report manipulation also occurred at PT. Garuda Indonesia Tbk (GIAA), a state-owned airline, in early 2019. The Garuda Indonesia Group reported a net profit of

US$809.85 thousand for the 2018 fiscal year. Unlike in 2017, which experienced a loss of US$216.5 million, the amount increased drastically. Finding this anomaly, two Garuda Indonesia commissioners were reluctant to approve the 2018 financial report because it was considered to violate PSAK. They disagreed with PT. Mahata Aero Technology and PT. Citilink Indonesia's recognition of income from cooperation agreement transactions that provide connection services. As a result of recording receivables as income, PT Garuda Indonesia Tbk was found to be less transparent in preparing the 2018 financial report and made financial reports that were not following the relevant PSAK.

Based on the existence of earnings management actions, many practitioners and academics research how aggressively companies carry out income smoothing practices. In this study, income smoothing practices are influenced by several factors such as cash holding, profitability, leverage, and firm size.

One of the variables related to income smoothing practices, which has many aspects and is liquid, is cash holding. Based on agency theory and positive accounting theory, companies can use their cash reserves strategically as part of income smoothing practices for various reasons ranging from a buffer against economic uncertainty, namely maintaining a higher level of cash reserves and can provide a buffer against economic uncertainty or unexpected events that can impact the company's income such as the amount of tax that must be paid by the company.

In addition to cash holding, profitability also plays a role in income smoothing practices. Return on Assets is one of the company's profitability measurements used to compare profit before tax with total assets to assess management's capacity to generate profits. Profitability is the company's ability to make a profit relative to expenses and other costs over a certain period of time (Florentina et al., 2022).

In addition to cash holding and profitability, leverage is also an important factor in income smoothing practices. Leverage shows how well a company uses equity to predict its debt. Thus, companies with high debt-to-equity ratios are thought to encourage management to use income smoothing techniques to make income appear stable. Consistent income proves that management is doing a good job of paying its obligations.

Lastly, Firm size also plays an important role in income smoothing practices. Firm size reflects its total assets. Therefore, a large firm size is characterized by increasing assets in a company. Companies with large assets gain national and public appeal.

Therefore, to reduce political costs, large companies often use actions from income smoothing techniques (Sarwinda & Afriyenti, 2019). So, in this study, we are interested in exploring further the influence of firm size on income smoothing practices.

REVIEW OF LITERATURE

Agency Theory

Jensen and Meckling (1976) explain agency theory as an agreement in which one or more principals give authority to agents to act in their place and carry out tasks following their interests.

Positive Accounting Theory

Positive accounting theory tries to describe what happens in accounting practices based on empirical evidence that can be tested directly. Harahap (2012) explains that a scientific theory or model that is currently valid or widely recognized is the basis for positive accounting theory.

Income Smoothing

Income smoothing is a technique that applies widely recognized accounting rules to limit earnings volatility to a certain level (Belkaoui, 2011). This action refers to decisions or choices taken to manage changes in earnings at a certain level.

Cash holding

According to Syafrizaliadhi (2014), cash holding is cash used for activities such as paying workers or salaries, purchasing fixed assets, paying off debts, paying dividends, and other company operational needs.

Profitability

According to Gitman (2015), profitability is defined as the relationship between revenue and expenses. This profitability ratio shows how well a company can increase revenue by using all of its current assets and capabilities. Profitability is usually measured using the proxy ROA (Return on Assets).

Leverage

The leverage ratio is the percentage of debt used to fund the operations of a business. Investors will take more chances when a company has more debt, so they look for better returns (Musyafa & Kholilah, 2023).

Firm Size

According to Brigham and Houston (2001), firm size is the total assets of the company, total sales, total income, and other variables used to display or assess the size of a company. Meanwhile, according to Hartono (2008), it is the size of a business determined by the logarithm value of total assets divided by the size of the company's assets.

RESEARCH METHOD

This research uses a quantitative research type that can be processed with statistical calculations and analyzed using analysis programs. Sugiyono (2019) argues that the type of quantitative research is research that collects information about certain individuals or groups using research tools, and the information is then examined quantitatively and statistically by linking to existing theories. In this study, the researcher aims to prove whether there is an influence of cash holding, profitability, and leverage on income smoothing practices moderated by firm size. The data source in this study is the company's financial report taken from the Indonesia Stock Exchange website, namelywww.idx.co.idand the company's official website.

Sugiyono (2017) explains population as a generalization that includes items or individuals with certain attributes that researchers choose to study and draw conclusions from. The population in this study is all companies listed on the Indonesia Stock Exchange.

This study uses a purposive sampling method to select samples of manufacturing industries listed on the IDX. According to Sugiyono (2017) stated that the purposive sampling method is a method of obtaining samples that meet the specified characteristics, sample selection is based on research objectives.

The following are the sampling criteria:

1. Manufacturing companies listed on the IDX.

2. The company's 2019–2023 financial report is available on the company's official website andwww.idx.co.idand the company's official website.
3. The company experienced continuous profits from 2019–2023.
4. The company uses Rupiah currency values.

RESULTS AND DISCUSSION

Descriptive Statistical Test Results

Cash Holding

A company's cash holdings are liquid. A company with sufficient cash may be considered to have high and good corporate liquidity (Shah and Gill, 2012).

Table 1.
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
X1 (Cash Holding)	320	0.0010	0.9300	0.152450	0.1511999
Valid N (Listwise)	320				

Source: SPSS Results, Processed Data, 2024

The average cash holding of sample companies is 15.24%, which indicates the company's limited funds outside of operations, which can affect the company's image.

Profitability

A company's profitability may impact its financial situation, adaptability, and capacity to obtain loans and equity investments.

Table 2.
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
X2 (Profitability)	320	0.0010	0.4160	0.089297	0.0717500
Valid N (listwise)	320				

Source: SPSS Results, Processed Data, 2024

The average ROA of the sample companies was 8.9%, indicating a fairly good and stable level of profitability in the eyes of investors.

Leverage

Leverage in this study is measured using the Debt-to-Equity Ratio proxy.

Table 3.
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
X3 (Leverage)	320	0.0000	4,7720	0.647363	0.6190119
Valid N (listwise)	320				

Source: SPSS Results, Processed Data, 2024

The average leverage of sample companies is 64.73%, indicating high dependence on creditor funds. This condition encourages management to conduct income smoothing in order to maintain debt contracts.

Income Smoothing

Income smoothing is a management strategy to reduce annual profit fluctuations, so that financial reports show the stability of the company's profits.

Table 4.
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
X1 (Cash Holding)	320	0.0010	0.9300	0.152450	0.1511999
X2 (Profitability)	320	0.0010	0.4160	0.089297	0.0717500
X3 (Leverage)	320	0.0000	4,7720	0.647363	0.6190119
Y (Income Smoothing)	320	0	1	0.38	0.485
Z (Firm Size)	320	25,0488	33,7306	28.851245	1.6490835
Valid N (Listwise)	320				

Source: SPSS Results, Processed Data, 2024

Information	**Amount**	**Percentage**
Companies Practice Income Smoothing (Score = 1)	120 Companies	37.5%
The Company Does Not Practice Income Smoothing (Score = 0)	200 Companies	62.5%
TOTAL	**320 Companies**	**100.0%**

Source: Data processed by researchers, 2024

The income smoothing variable in this study uses a dummy, with 37.5% of sample companies identified as carrying out this practice.

Firm Size

Firm size is a variable that reflects the size of a company based on total assets, sales, and revenue.

Table 5.
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Z (Firm Size)	320	25,0488	33,7306	28.851245	1.6490835
Valid N (Listwise)	320				

Source: SPSS Results, Processed Data, 2024

The average firm size in this study was 28.85, indicating a variation in company size from small to large scale.

Logistic Regression Analysis Test Results

Regression Model Feasibility (Hosmer and Lemeshow)

In this test, it is useful to analyze whether the regression model formed is correct or not. The basis for decision making is seen in the Goodness of Fit value, which is measured by the Chi-Square value (Ghozali, 2018).

a. If the significance value is more than 0.05, then H0 is accepted, meaning the regression model is suitable for further analysis. And vice versa.
b. If the Chi-Square value with a significance of less than 0.05, then H1 is accepted, meaning that the regression model in the study is not yet suitable for further analysis and must be improved first.

Table 6.
Hosmer and Lemeshow test

Hosmer and Lemeshow Test			
Step	**Chi-square**	**df**	**Sig.**
1	13,601	8	0.093

Source: SPSS Results, Processed Data, 2024

The results of the Hosmer and Lemeshow test showed a Chi-Square of 13.601 with a significance of 0.093 (>0.05), so the regression model was declared suitable for further analysis.

Overall Model Fit Results

The Overall Model Fit test is conducted by comparing the initial (Block 0) and final (Block 1) -2 Log Likelihood (-2LL) values. A decrease in the -2LL value indicates that the regression model fits the hypothesized data.

Table 7.
Overall Model Fit Test

Iteration History a,b,c			
Iteration		**-2 Log likelihood**	**Coefficients Constant**
Step 0	1	423,409	-0.500
	2	423,400	-0.511
	3	423,400	-0.511

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 423,400
c. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Source: SPSS Results, Processed Data, 2024

Iteration History a,b,c,d						
Iteration		**-2 Log likelihood**	**Coefficients**			
			Constant	**X1 (Cash Holding)**	**X2 (Profitability)**	**X3 (Leverage)**
Step 1	1	380,392	-0.177	-1,268	-6,710	0.725
	2	378,346	-0.146	-1,504	-8,724	0.873
	3	378,329	-0.141	-1,521	-8,948	0.886
	4	378,329	-0.141	-1,521	-8,950	0.886
	5	378,329	-0.141	-1,521	-8,950	0.886

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 423,400
d. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Source: SPSS Results, Processed Data, 2024

The decrease in the -2 Log Likelihood value from 423.400 to 378.329 indicates that the regression model fits the hypothesized data.

The Determination Coefficient Test (Nagelkerke R Square)

The coefficient of determination test is used to measure the influence of independent variables on dependent variables. The closer to 1, the stronger the influence.

Table 8.
Determination Coefficient Test (Nagelkerke R Square)

Model Summary			
Step	**-2 Log likelihood**	**Cox & Snell R Square**	**Nails R Square**
1	378,329a	0.131	0.211

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Source: SPSS Results, Processed Data, 2024

The Nagelkerke R Square value of 17.9% indicates that the independent variables explain income smoothing moderately, while 78.9% is influenced by other variables outside this study.

Wald Test Results (Partial Z Test)

The Z test is conducted to measure the influence of each independent variable on the dependent variable, with decisions based on significance and Wald values compared to the t table value (Ghozali, 2018).

a. If the significance value is less than 0.05 and the Wald value is > the t table value, then the hypothesis is accepted.
b. If the significance value is more than 0.05 and the Wald value < t table, then the hypothesis is rejected.

The t-table value in this study is 2.252 with df 315 and a significance level of 0.025 for a two-sided hypothesis. The logistic regression Z test is used to test the first three hypotheses.

Table 9.
Wald Test (Partial Z Test)

Variables in the Equation							
		B	**SE**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1a	X1 (Cash Holding)	-1,521	0.939	2,622	1	0.105	0.219
	X2 (Profitability)	-8,950	2,072	18,663	1	< 0.001	0,000
	X3 (Leverage)	0.886	0.222	15,922	1	< 0.001	2,426
	Constant	-0.141	0.261	0.293	1	0.589	0.868

a. Variable(s) entered on step 1: X1 (Cash Holding), X2 (Profitability), X3 (Leverage).

Source: SPSS Results, Processed Data, 2024

Based on the z-test results table above, it can be seen that the regression results above have the following equation:

$$\mathbf{Ln(P/(1-P)) = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + e}$$

so:

$$\mathbf{Income\ Smoothing = -0.141 - 1.521X1 - 8.95X2 + 0.886X3 + e}$$

The results of the equation above can be analyzed:

1. The constant value (α) is -0.141, which shows that if the independent variable has a constant value, the income smoothing value is -0.141.
2. If the cash holding variable with a coefficient value of -1.521 increases by one unit with the assumption that other variables have constant values, it will reduce the income smoothing value by 1.1521.
3. If the profitability variable with a coefficient value of -8.95 increases by one unit with the assumption that other variables have constant values, it will reduce the income smoothing value by -8.95.
4. If the leverage variable with a coefficient value of 0.886 increases by one unit with the assumption that other variables have constant values, it will increase the income smoothing value by 0.886.

The results of the hypothesis test show that Cash holding (sig. 0.105 > 0.05) has no significant effect on income smoothing (H1 is not supported). Profitability (ROA) (sig. 0.001 < 0.05) has a significant effect on income smoothing (H2 is supported). Leverage (DER) (sig. 0.001 < 0.05) has a significant effect on income smoothing (H3 is supported).

Omnibus Tests of Model Coefficients (Simultaneous Test f) Results

The F test is conducted to measure the influence of all independent variables on the dependent variable, with decisions based on significance values.

Table 10.
Omnibus Tests of Model Coefficients (Simultaneous Test f)

Omnibus Tests of Model Coefficients				
		Chi-square	**df**	**Sig.**
Step 1	**Step**	45,072	3	< 0.001
	Block	45,072	3	< 0.001
	Model	45,072	3	< 0.001

Source: SPSS Results, Processed Data, 2024

The results of the Simultaneous F Test show a Chi-Square value of 45.072, greater than the F table of 5.689, with a significance of <0.001. This proves that the independent variables have a simultaneous effect on the dependent variable.

Moderation Analysis Test Results

Moderation analysis test is conducted to evaluate the role of firm size in moderating the influence of cash holding, profitability, and leverage on income smoothing practices. This test is used to analyze the fourth, fifth, and sixth hypotheses.

Table 11.
Moderation Test 1

Variables in the Equation							
		B	**SE**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1a	X1 (Cash Holding)	83,009	20,127	17,009	1	< 0.001	1,123
	Z (Firm Size)	0.273	0.109	6,265	1	0.012	1,314
	CH*Firm Size	-3,109	0.734	17,961	1	< 0.001	0.045
	Constant	-7,604	3,098	6,026	1	0.014	0,000
a. Variable(s) entered on step 1: X1 (Cash Holding), Z (Firm Size), CH*Firm Size.							

Source: SPSS Results, Processed Data, 2024

The moderation analysis test shows that firm size weakens the relationship between cash holding and income smoothing practices significantly, with a significance value <0.001 and a negative regression coefficient. As a result, H4 is not supported. In addition, from the description above, the systematic equation can also be written, namely:

$$Y = -7604 + 83.0X1 + 0.273Z – 3.109X1Z + e$$

Table 12.
Moderation Test 2

Variables in the Equation							
		B	**SE**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1a	X2 (Profitability)	-246,844	47,026	27,553	1	< 0.001	6,263
	Z (Firm Size)	-0.585	0.135	18,625	1	< 0.001	0.557
	ROA*Firm Size	8,152	1,593	26,197	1	< 0.001	34,697
	Constant	17,172	3,939	19,008	1	< 0.001	28,692

a. Variable(s) entered on step 1: X2 (Profitability), Z (Firm Size), ROA*Firm Size.

Source: SPSS Results, Processed Data, 2024

The moderation analysis test in the table above shows that firm size significantly strengthens the relationship between profitability and income smoothing practices, with a significance value <0.001 and a positive regression coefficient. As a result, H5 is supported. In addition, from the description above, the systematic equation can also be written, namely:

$$Y = 17.172 + 246.844X1 - 0.585Z + 8.152X1Z + e$$

Table 13.
Moderation Test 3

Variables in the Equation							
		B	**SE**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1a	X3 (Leverage)	-1,551	4,445	0.122	1	0.727	0.212
	Z (Firm Size)	-0.181	0.130	1,922	1	0.166	0.835
	DER*Firm Size	0.086	0.155	0.307	1	0.579	1,089
	Constant	4,087	3,705	1,216	1	0.270	59,546

a. Variable(s) entered on step 1: X3 (LEVERAGE), Z (FIRM SIZE), DER*FIRM SIZE.

Source: SPSS Results, Processed Data, 2024

The moderation analysis test in the table above shows that firm size strengthens the relationship between leverage and income smoothing practices, but is not significant, with a significance value of > 0.579 and a positive regression coefficient. As a result, H6 is supported but not significant. In addition, from the description above, the systematic equation can also be written, namely:

$$Y = 4.087 - 1.551X1 - 0.186Z + 0.086X1Z + e$$

The Influence of Cash Holding on Income Smoothing Practices

Based on the results of the hypothesis test, it can be seen that the first hypothesis shows that cash holding has a regression significance value of 0.105, which is more than α = 0.05, so that H1 is not supported. This shows that cash holding does not have a significant effect on income smoothing. In line with the functional perspective that cash holding is only used for its function, namely to finance the company's operational activities and dividend payments to shareholders (Sarwinda & Afriyenti, 2019).

This result is in line with agency theory, where managers focus more on operational management and use cash holding as a liquidity instrument rather than practicing income smoothing, especially when the cash holding level is low. In addition, the variables of leverage, profitability, and firm size moderation make cash holding not dominant in influencing income smoothing practices. This finding is also supported by positive accounting theory, which states that low cash holding makes it easier for investors to monitor cash usage, so managers prefer to manage cash reserves rather than do income smoothing. This supports previous research conducted by the study (Sumani et al., 2021; Musyafa & Kholilah, 2023;2019; Atmamiki & Priantinah, 2023), which shows that cash holding does not have a significant effect on income smoothing practices.

The Influence of Profitability on Income Smoothing Practices

Based on the results of the hypothesis test, it can be seen that the second hypothesis shows that the profitability variable proxied by ROA has a significance value of 0.001, which is stronger than α = 0.05, so that H2 is supported. This shows that profitability, proxied by ROA, has a significant effect on income smoothing practices. Differences in the objectives of the interested parties can cause agents and principals to have different interests, which can result in profit manipulation practices (Nafiesah, 2023).

This finding is in line with agency theory, which states that management tends to do income smoothing when profitability is low to maintain reputation and avoid shareholder pressure. In addition, based on the bonus plan hypothesis, management tries to keep profitability stable in order to meet company targets and obtain the promised bonus. This supports research conducted by (Kusmiyati & Hakim, 2020; Musyafa & Kholilah, 2023;

Anwar, 2020; Soesetio et al. 2023) which concludes that profitability has a significant effect on income smoothing.

The Influence of Leverage on Income Smoothing Practices

Based on the results of the hypothesis test, it can be seen that the third hypothesis shows that leverage proxied by DER has a significance value of 0.001, which is smaller than $\alpha = 0.05$, so that H3 is supported. This shows that leverage, proxied by DER, has a significant effect on income smoothing practices. The greater the company's debt, the greater the risk faced by investors, so investors will ask for a higher level of profit(Nafiesah, 2023).

Following agency theory, management seeks to stabilize financial statements to reduce creditor pressure and demonstrate effective debt management. Meanwhile, based on the debt covenant hypothesis, income smoothing is carried out to meet stakeholder pressure and ensure that the company can still obtain loans from creditors. This supports research conducted by (Dalimunte & Prananti, 2019; Sylvia, 2022; (Tiningsih & Mubarok, 2021)which concludes that leverage has a significant effect on income smoothing practices.

The Effect of Firm Size Moderates the Effect of Cash Holding on Income Smoothing Practices

Based on the results of the moderation analysis test, it shows that the cash holding variable moderated by the firm size variable has a significance value <0.001 where the value is less than the significance level $\alpha = 0.05$ and the regression coefficient value of cash holding moderated by firm size shows a negative value so that H4 is not supported. This reveals that firm size does not strengthen the influence of cash holding on income smoothing. This is what makes the company have to prepare available cash due to tax motives (Helmi, S et al., 2023).

In line with the political cost hypothesis, it shows that companies with low firm size have generally weaker monitoring and governance systems than large companies. However, because the level of cash holding of the companies in this study is also low, management also has limitations in using cash reserves to carry out income smoothing practices. This supports previous research by (Musyafa & Kholilah, 2023;Sri & Suaryana, 2018; (Dalimunte & Prananti, 2019)which concludes that firm size does not strengthen the influence of cash holding on income smoothing practices.

The Influence of Firm Size Moderates the Relationship Between Profitability and Income Smoothing Practices

Based on the results of the moderation analysis test, it shows that the profitability variable moderated by the firm size variable has a significance value of <0.001 where the value is less than the significance level of α = 0.05 and the regression coefficient value of profitability moderated by firm size shows a positive value so that H5 is supported. When agents and principals do not know each other well, it makes agents likely to behave dishonestly to achieve their own goals in achieving their goals of obtaining bonuses that have been promised by the principal (Putri et al., 2020).

This finding shows that the larger the company size, the stronger the income smoothing practice. Large companies tend to stabilize their financial statements to maintain investor confidence. In addition, the high firm size in the research sample makes management try to maintain the company's image by presenting stable financial statements, thus attracting investor interest.

The Influence of Firm Size Moderates the Relationship Between Leverage and Income Smoothing Practices

Based on the results of the moderation analysis test, it shows that the leverage variable moderated by the firm size variable has a significance value of > 0.580 where the value is greater than the significance level of α = 0.05 and the regression coefficient value of leverage moderated by firm size shows a positive value so that H6 is supported. This means that firm size strengthens the influence of leverage on income smoothing practices.

In line with the debt covenant hypothesis and the political cost hypothesis, management seeks to maintain the company's image to maintain the trust of creditors and debt contracts. Income smoothing practices are carried out to avoid high political costs and reduce the tax burden from regulators. This is in line with research conducted by (Tami & Pohan, 2023; Soesetio et al., 2023; Putri et al., 2020) which states that firm size strengthens the influence of leverage on income smoothing practices.

CONCLUSION

Examining the relationship between organizational cultural traits and work discipline and employee performance is the main objective of this study. The results showed that company culture significantly affects employee performance in a positive way. The second point is that being disciplined at work leads to more output. Third, the simultaneous f-test shows that both organizational culture and work discipline have a positive effect on employee performance. This study's findings are anticipated to enhance the efficiency and effectiveness of workers at Regional Public Companies in West Java by addressing these variables. As a suggestion, companies need to instill organizational culture values that support employee productivity and welfare. In addition, companies need to periodically evaluate the effectiveness of organizational culture and the implementation of work discipline.

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