# CHAPTER V
# CONCLUSION

## 5.1 Conclusion

This research aims to obtain empirical evidence about the influence of accounting conservatism, tax avoidance, firm size, leverage, industrial type, and institutional ownership on earning management, also to know whether the institutional ownership has an effect on the relationship between independent variable which has significant value with earnings management. The samples used in this research are companies listed on the Indonesia Stock Exchange and included in the LQ45 index (during the 2019 period, exclude banking companies). By using the purposive sampling method, the data were collected from 2017-2019. Based on the hypothesis testing that has been done, it can be concluded that the research results are as follows:

1. Accounting conservatism does not influence earnings management, so that hypothesis 1 ($H_{1)}$ is rejected.
2. Tax avoidance does not influence earnings management, so that hypothesis 2 ($H_{2)}$ is rejected.
3. Firm size does not influence earnings management, so that hypothesis 3 ($H_{3)}$ is rejected.
4. Leverage influences Earnings Management, so that hypothesis 4 ($H_{4)}$ is accepted.
5. Industrial type does not influence earnings management, so that hypothesis 5 ($H_{5)}$ is rejected.
6. Institutional ownership influences earnings management, so that hypothesis 6 ($H_{6)}$ is accepted.
7. Institutional Ownership moderates the influence of Leverage on Earnings Management.

## 5.2 Limitation

This research has limitations that may disrupt the research results, including:

1. This research only took samples of 52 companies and only 18 that met

the criteria. Therefore, the results of this study cannot be generalized. In the LQ 45 index, companies included have stable financial performance, good corporate governance, and get more attention from many parties. Any management practices that contradict the applicable standards and regulations will be detected more quickly, making the company less sensitive to the factors that might influence earnings management in this study.

2. This study only used several variables: accounting conservatism, tax avoidance, firm size, leverage, industrial type, and institutional ownership. Many other factors can influence earnings management, which is indicated by the coefficient determination ($R^2$) test results only 10.6%, indicating that other variables can affect earnings management practices that are not examined in this research.
3. This study used the most common pattern of earnings management calculations. However, other several methods to calculate earnings management were not carried out in this study due to incomplete information. So, different formulas may produce different results.
4. The personal deepening of company managers does not support the interpretation of this study's results because it only uses secondary data and lacks availability of information and access to collecting other non-financial information.
5. This research is only an empirical study that provides evidence, rather than to prove, related to the influence of the independent variables on earnings management, so it does not have definite conclusions on earnings quality of companies used as samples in this study.

**5.3 Suggestion**

Based on the conclusions and limitations in the study, the author provides suggestions for improvement in the related research, such as:

1. For further research, it should be considered to use more samples from other top indexes, such as JII, IDX 80, and DIV 20, to capture more

extensive and representative data of top company’s reaction towards earnings management factors.

2. The next researcher can add other factors that might cause earnings management, for instance, tax planning, the auditor size, the number of board directors or commissioners, the free cash flow, tax planning, deffered tax, etc.
3. The next researcher can try the combination of earnings management measurement using other methods.
4. The next researcher can add qualitative studies through the personal deepening of company managers so that the study's conclusions will be more comprehensive.
5. For business practitioners, in the decision-making process related to investment in a company, it is important to assess the quality of earnings produced by the company in a comprehensive and historical manner so that the information obtained becomes more relevant and reliable.