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The Effect of Accrual Earnings Management, Real Earnings Management, and Institutional Ownership on Leverage

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ABSTRACT: The purpose of this research is to provide empirical evidence on the influence of accrual and real-based earnings management and institutional ownership on leverage. The dependent variable is leverage. The independent variables are accrual earnings management (DAC), real earnings management (CFO, PROD, DISEXP), and institutional ownership. This research uses multiple linear regression. The sample used is a manufacturing company listed on the Indonesian Stock Exchange and has an ESG score from 2018-2022. The sample for this research was selected using a purposive sampling technique with a total of 120 observation data. The results of this research show that earnings management using 4 proxies, namely accrued earnings management (DAC) and real earnings management (CFO, PROD, DISEXP) has a significant influence on leverage. Institutional ownership does not have a significant effect on leverage. The implications of this research are very large because it provides support for the application of agency theory. However, it is crucial to highlight that the scope of this research is confined to Indonesian manufacturing enterprises, therefore the conclusions may not be immediately transferable to other nations.

Keywords: Accrual Earnings Management, Real Earnings Management, Institutional Ownership, Leverage

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INTRODUCTION

The importance of implementing Environmental, Social, and Governance (ESG) in the current era cannot be ignored along with the rapid attention of many parties to matters related to sustainable development throughout the world (Pinheiro et al., 2022). This has an impact on the increasing desire of many parties to prefer company activities that focus on sustainability, as well as compliance with regulations related to the environment (Shakil et al., 2019 and Slacik et al., 2022).

In implementing Environmental, Social, and Governance (ESG), there are several bases used for assessment (idx.co.id) which consist of 3 main components, namely environmental, social, and governance. In the governance component, the components included in the assessment are transparency, accountability, and decision-making. Companies that implement good governance practices tend to be more transparent about their debt structure, debt use policies, and steps taken

to manage financial risks. Companies with high ESG score criteria are considered to have serious ESG risks (idx.co.id), which also shows that the company has higher financial risks. One example of financial risk is leverage.

According to agency theory, the higher the use of debt, the higher the agency costs. Because the higher the debt used by a company, the higher the risk borne by shareholders, which results in a higher ESG score. To anticipate companies getting into high ESG scores, efforts that can be taken are by carrying out earnings management. The company implements earnings management behavior as a form of effort to manage profit figures to avoid loan agreements, as well as to maintain access to necessary funding sources. Earnings management is a management behavior that can influence financial reports, either by manipulating the company's financial information or data or by selecting the accounting methods used (Suranta et al., 2014). The approach to earnings management consists of two approaches, namely the real and accrual approaches.

In the context of accrual earnings management, it is the act of manipulating financial reports through accounting methods. Accrual Earnings Management (AEM) utilizes wisdom in applying the accrual principle, namely having a depreciation method that will be used, estimating economic events that will occur in the future, and having an inventory valuation method. Examples of activities that companies can carry out in implementing management accrual earnings are by recognizing revenue prematurely which causes the presentation of profits to be greater in the current period, manipulating revenue recognition by offering an extension of the payment period.

Conversely, companies with significant levels of indebtedness may also resort to the practice of real earnings management. Diverging from the realm of accrual earnings management, real earnings management involves the manipulation of financial outcomes through direct intervention in the core operational activities of the company (Roychowdhury, 2006). In the domain of real earnings management, three distinct methods can be employed for this purpose, namely, the generation of abnormal cash flows stemming from operations (referred to as CFO), the manipulation of production costs to deviate from the norm (denoted as PROD), and the discretionary adjustment of expenses to achieve irregular outcomes (termed as DISEXP). The CFO method can be used to increase profit figures by increasing sales by providing discounts, delaying bill payments to increase cash flow for the current period, and accelerating the collection of receivables to increase current cash flow (Campa et al., 2023). In implementing PROD, the action that can be taken by a company is to overproduce to absorb fixed costs and increase reported profits, or conversely, underproduce to create a shortage and increase prices so that it can report higher profits. And the final method in real earnings management is DISEXP, the form of activity carried out in implementing DISEXP is by postponing maintenance and repairs to reduce costs in the current period and increase reported profits, reduce advertising or research and development costs so that reported profits can be increased and can be This is also done by changing accounting policies to delay the recognition of expenses such as depreciation or amortization to increase the profit to be reported (Roychowdury,2006).

Numerous prior investigations that have explored the connection between earnings management and leverage have yielded incongruent empirical findings. As per the outcomes of various research endeavors (Astuti et al., 2017; Mayangsari & Riharjo 2018; Dewi et al., 2019), the results

demonstrate a pronounced and inverse association between earnings management and the level of indebtedness. In contrast, alternative research conducted by (An et al., 2016; Dang et al., 2018) has unveiled a significant and positive relationship between earnings management and leverage. Additionally, several other research undertakings (Chandra & Djashan 2018; Zakia et al., 2019) assert that no discernible impact exists concerning the management of capital and the extent of leverage.

In agency theory, agency problems arise between owners and managers, and in terms of resolving this problem, one way is to use a debt policy. However, a higher debt policy will motivate managers to carry out earnings management, because managers do not want companies to have high ESG scores. Apart from using debt policy, another policy that can be used to solve the corporate problem is using institutional ownership (Chung et al., 2014). In terms of agency costs, institutional ownership can play a monitoring role which can reduce opportunistic behavior on the part of management. This can reduce existing agency problems so that managers will be more careful in managing debt and ultimately can reduce the level of debt used (Sherly, et al 2016). Institutional ownership refers to company shares controlled by bodies such as insurance companies, banks, pension funds, and similar entities (Tarighi, et al 2022).

In prior studies that explored the association between institutional ownership and leverage, disparities in research outcomes emerged. Research conducted by Wulandari et al. (2022) indicates a marked positive connection between institutional ownership and the level of indebtedness. Conversely, alternative investigations, including those by Kasaboglu et al. (2017) and Kiran et al. (2021), reveal a negative correlation between institutional ownership and leverage. Additionally, in separate research endeavors, such as the study by Hasan & Butt (2009), an inconsequential relationship is observed between institutional ownership and leverage.

The purpose of this research is to better understand the relationship between accrual earnings management and its impact on leverage, real earnings management and its impact on leverage, and the role of institutional ownership in affecting leverage. It accomplishes this by studying a sample of manufacturing businesses that are publicly traded on the Indonesia Stock Exchange and have obtained ESG rankings from 2018 to 2022.

Agency Theory

Jensen and Meckling (1976) put forth the concept of agency theory, which is frequently employed to elucidate the dynamics between corporate managers, functioning as agents, and shareholders, representing the principals. Under this framework, the principal delegates authority to the agent for the purpose of administering the company in alignment with the principal's interests. Nevertheless, this delegation of authority instigates a misalignment of interests, not only between managers and shareholders but also between creditors, managers, and shareholders. These conflicts of interest materialize because managers often harbor dissimilar objectives and incentives compared to shareholders. In many instances, managers tend to prioritize their personal gains and, as a consequence, may deviate from the overarching objective of wealth maximization for shareholders.

Managers, especially those possessing greater access to critical information, may be inclined to serve their self-interests rather than adhering to the overarching goal of augmenting shareholder wealth. In this context, the issuance of debt is regarded as a strategic maneuver aimed at mitigating these conflicts of interest and the associated agency costs. By employing debt, companies can introduce a mechanism for monitoring and disciplining managers, which, in turn, constrains their propensity for opportunistic behavior (Jensen, 1986). Nonetheless, it is vital to acknowledge that the issuance of debt can introduce a fresh set of agency conflicts and potentially elevate agency costs. Hence, a delicate balance must be struck, weighing the advantages against the inherent agency costs of employing debt, in order to ascertain the optimal capital structure (Jensen & Meckling, 1976).

Accrual Earnings Management and Real Earnings Management on Leverage

When preparing financial reports, managers can intervene to maximize their profits. This practice is known as earnings management. (Schipper, 1989) The concept of agency conflict is rooted in differences in interests between owners and managers and the separation between the two parties. This separation results in an information imbalance where managers have a deeper understanding of the company's information and prospects. In this situation, managers take steps for personal gain, and one form of this action is the practice of earnings management.

Agency theory is a theory that reveals the relationship between the owner (principal) and management (agent) in a corporate business organization. This theory explains that company owners want to get a large and fast return on investment, while management wants a large settlement for its performance. In the context of earnings management, agency theory explains that management can intervene in the process of determining profits to meet their personal goals.

Companies that have high leverage have a high debt-to-asset ratio. These companies often manipulate their financial results by shifting profits from the future to the present, such as through earnings management. Watss and Zimmerman (2012) also make it clear that management in debt-ridden businesses may increase reported profits to strengthen the firm's negotiating position, allay creditor concerns, and gain flexibility over borrowing restrictions.

From previous research that tried to test real earnings management against leverage, the results stated that there was a positive influence given by real-based earnings management on leverage (Adeneye, et al. 2022.) Other research that tested earnings management against leverage using accrual earnings management stated that The results show that accrual earnings management has a significant positive influence on leverage (An et al., 2016 ; Dang et al., 2018). From previous research, the first hypothesis proposed is as follows:

H1 : Acrrual Earnings Management has an effect on Leverage

H2 : Real Earnings Management has an effect on Leverage

Institutional Ownership on Leverage

The number of firm shares held by institutional investors is reflected in institutional ownership. The percentage of a company's total outstanding shares owned by institutional investment

institutions is sometimes represented as a percentage of the company's total outstanding shares. Institutional shareholders, such as banks and insurance companies, tend to have incentives to reduce the risk of their investments. Therefore, shareholders are more inclined to support more conservative financial policies.

In agency theory, agent costs refer to costs that arise from conflicts or problems of interest between company owners and managers. In terms of agency costs, institutional ownership can act as a substitute for leverage to be involved in monitoring the company. This replacement can help reduce agency costs due to risk transfer problems or underinvestment (Chung & Wang 2014). Monitoring actions carried out by institutional ownership, it will provide more effective supervision of company managers. Previous research results from (Chung & Wang 2014; Murat and Oytun 2017 ; A Sai & Narender 2021) stated similar results, namely that institutional ownership had a significant negative effect on leverage. Therefore the hypothesis proposed is:

H3 : Institutional ownership has an effect on leverage

METHOD

Model and Research Design

This study employs empirical and quantitative research to illustrate how a phenomena might affect an item. The purpose of this research is to look at hypotheses that claim to be able to explain specific relationships. The purpose of this study is to examine the impact of accrual and real-based earnings management, as well as institutional ownership, on leverage.

Sample Selection Method

The sampling method applied is purposive sampling, where samples are selected based on certain criteria rather than through random selection. In this study, we select manufacturing businesses as examples because they satisfy the conditions of having published comprehensive financial reports on the Indonesian Stock Exchange from 2017 to 2022, having adopted ESG, and having an ESG score from 2018 to 2022 that can be accessed on the IDX Website.

Table I. ESG Score Criteria

Index Score	Category	Description	Level
0-10	Negligible	Considered to have negligible ESG risk	5
10-20	Low	Considered to have low ESG risk	4
20-30	Medium	Considered to have moderate ESG risk	3
30-40	High	Considered to have high ESG risk	2
>40	Severe	Considered to have severe ESG risks	1

Source : www.idx.co.id

Data Collection Methods

In this research, the type of data applied is the use of secondary data from manufacturing companies. The data used includes financial reports of manufacturing companies from 2018 - 2022, with 2017 as the base year, which can be accessed from the Indonesian Stock Exchange (BEI). Apart from that, the company has also implemented ESG and has an ESG score for the 2018-2022 period, information about which can be found on the IDX (Indonesia Stock Exchange) website at www.idx.co.id.

Data Processing Method

The multiple linear regression approach was used in this study with the support of the IBM SPSS Statistics 27 program. This approach was chosen to examine the link between a single dependent variable (dependent variable) and several independent variables (independent variables or predictors). This model explains how the independent variable influences the dependent variable.

Operational Definition and Variable Measurement

Table II. Describe the method of operationalizing and measuring the variables of the study

Variables		Measurement	Source
Dependent Variable	**Leverage**	Debt to Asset Ratio (DAR) = $\frac{\text{Total Utang}}{\text{Total Aset}}$	Ruchiatna, Midiastuty, & Suranta (2020)
Independent Variable	**Accrual Earnings Management**	a. TACit = Niit – CFOit b. $\frac{TACit}{TAit-1} = \beta 1 \left[\frac{1}{TAit-1}\right] + \beta 2 \left[\frac{\Delta Salesit}{TAit-1}\right] + \beta 3 \left[\frac{PPEit}{TAit-1}\right]$ c. NDAit = $\beta 1 \left[\frac{1}{TAit-1}\right] + \beta 2 \left[\frac{\Delta Salesit - \Delta Recit}{TAit-1}\right] + \beta 3 \left[\frac{PPEit}{TAit-1}\right]$ d. DACit = $\frac{TACit}{TAit-1} - NDACit$	Sabrina, Fachruzzaman, Midiastuty, & Suranta (2020)
	Rill Earnings Management	$\frac{CFOt}{At-1} = \alpha 1 \left[\frac{1}{At-1}\right] + \alpha 2 \left[\frac{Sales}{At-1}\right] + \alpha 3 \left[\frac{\Delta Sales}{At-1}\right]$ **ABN_CFO** = CFOt - $\frac{CFOt}{At-1}$ $\frac{PRODt}{At-1} = \alpha 1 \left[\frac{1}{At-1}\right] + \alpha 2 \left[\frac{Sales}{At-1}\right] + \alpha 3 \left[\frac{\Delta Sales}{At-1}\right] + \alpha 4 \left[\frac{\Delta Sales-1}{At-1}\right]$ **ABN_PROD** = PRODt - $\frac{PRODt}{At-1}$ $\frac{DISEXPt}{At-1} = \alpha 1 \left[\frac{1}{At-1}\right] + \alpha 2 \left[\frac{Sales}{At-1}\right]$ **ABN_DISEXP** = DISESPt - $\frac{DISEXPt}{At-1}$	Roychowdury (2006)

	Institutional Ownership	Institutional Ownership = Number of institutional shares / Total outstanding shares	Wulanda & Azizah (2019)
Control Variable	**Firm Size**	Firm Size = Log Natural (Total Assets)	Suranta, Midiastuty, Marietza, & Ramadhani, (2014)
	Profitability	Net Profit Margin = Net Profit/ Net sales	Shagan (2022)

RESULT AND DISCUSSION

According to the criteria stated at the start of the research, the number of manufacturing enterprises having an ESG index during the observation period was 24 with a total of 120 observations. The purposive sampling approach used yielded 120 observation data.

Descriptive Statistic

Table III. Descriptive Statistics
Overall Descriptive Statistics of Research Variables

	Minimum	Maximum	Mean	Std. Deviation
LEV	0.028	2.458	0.405	0.268
DAC	-0.313	0.131	-0.024	0.063
CFO	-0.349	0.106	-0.062	0.086
PROD	-1.776	0.004	-0.584	0.414
DISEXP	-0.770	0.230	-0.033	0.163
TOTAL EM	-2.017	0.022	-0.680	0.430
IO	.0101	0.925	0.568	0.199
FSIZE	28.836	33.655	31.242	1.055
PROF	-0.033	0.466	0.093	0.085

Source : Secondary data has been processed with IBM SPSS Statistisc 27 (2023)

From Table 3 presented above, leverage as a dependent variable has an average value of 0.405. with a standard deviation value of leverage of 0.268. This value is lower than the existing average, meaning that the data from the LEV variable does not vary.

Descriptive statistics for independent variable earnings management (ABN CFO, ABN PROD, and ABN DISEXP) are used in this study as proxies for accrual earnings management (DAC) and real earnings management (ABN CFO, ABN PROD, and ABN DISEXP). The average value of accrual earnings management (DAC) is -0.024, illustrating that on average the companies sampled in this study carry out earnings management with an income-decreasing/income minimization pattern. Meanwhile, the maximum value of accrual earnings management (DAC) which is positive illustrates that there are companies sampled in this research that carry out earnings management with an income increasing/income maximization pattern. And the average value of real earnings management (CFO) is -0.062, this illustrates that on average companies tend not to carry out real

earnings management through cash flow transactions related to increasing sales. Furthermore, real earnings management (PROD & DISEXP) has an average value of -0.584 and -0.033, which means that on average companies take real earnings management actions by suppressing or reducing production costs and discretionary costs.

Hypothesis Test

The results of simple linear regression are presented in Table 4 below:

Table IV.
Linear Regression Results (Dependent Variable = Leverage)

Variable	**DAC** Koefisien t (sig)	**CFO** Koefisien t (sig)	**PROD** Koefisien t (sig)	**DISEXP** Koefisien t (sig)	**TOTAL REM** Koefisien t (sig)
(Constant)	-0.851	-0.756	-0.835	-1.026	-0.888
	-4.074	-4.166	-4.360	-4.164	-4.486
	0.000	**0.000**	**0.000**	**0.000**	**0.000**
Earnings Management	0.343	0.501	-0.043	-0.266	-.0103
	2.155	3.216	-1.177	-2.832	-2.736
	0.033	**0.002**	**0.042**	**0.005**	**0.007**
Institutional Ownership	0.212	0.227	0.208	0.186	0.192
	1.987	2.168	1.906	1.790	1.821
	0.049	**0.032**	**0.059**	**0.076**	**0.071**
Firm Size	0.097	0.098	0.104	0.095	0.103
	4.591	4.675	4.815	4.175	4.921
	0.000	**0.000**	**0.000**	**0.000**	**0.000**
Profitability	-0.40	0.249	0.012	-0.211	-0.011
	-0.212	1.253	0.061	-1.025	-0.634
	0.832	**0.213**	**0.951**	**0.308**	**0.527**
R Square	0.216	0.262	0.203	0.218	0.246
Adjusted R Square	0.188	0.236	0.174	0.190	0.219
F	7.777	10.049	7.180	7.873	9.115
Sig.	0.000	0.000	0.000	0.000	0.000

Source : Secondary data has been processed with IBM SPSS Statistisc 27 (2023)

Table 4 above presents the results of the F Test with Sig values. 0.000 which indicates that the model used is suitable for testing the hypothesis with the Sig value criteria. < 0.05.

First Hypothesis Testing and Discussion

Table V. The Results Of Multiple Linear Regression

Dependent Variable: Leverage	Unstandardized Coefficients B	t	Sig.
(Constant)	-.851	-4.074	.000
DAC	.343	2.155	.033
FSIZE	.097	4.591	.000
PROF	-.040	-.212	.832
IO	.212	1.987	.049

R Square	Adjusted R Square	F	Sig.
.216	.188	7.777	.000[b]

Source : Secondary data has been processed with IBM SPSS Statistisc 27 (2023)

According to agency theory, managers have a greater ability to provide information and control over the company. This creates a gap for managers to carry out earnings management. This earnings management action is carried out to cover excessive leverage and the form of business to avoid debt contracts. This is what causes a significant relationship between accrual earnings management and leverage.

In hypothesis 1, we test whether accrual earnings management has an effect on leverage. The proxy used to calculate accrual earnings management is DAC. According to the test findings in Table 5, the DAC variable has a coefficient value of 0.343 with a significance level of 0.033 ($\propto<5\%$), indicating that accrual earnings management has a positive and significant influence on leverage. When the firm has a high degree of leverage, this positive and significant effect demonstrates the organization's motivation to carry out earnings management. Earnings management is commonly used by businesses to avoid loan arrangements. The findings of this study are consistent with findings by Chamberlain et al. (2014) and Lazzem et al. (2018), which suggest that managers of high-leverage organizations tend to employ accounting practices to falsely enhance earnings.

From testing the data, the results obtained show that accrual earnings management has a positive influence on the company's leverage figures, so these results can prove that hypothesis one in this research is acceptable.

Second Hypothesis Testing and Discussion

Table VI. The Results Of Multiple Linear Regression

Dependent Variable: Leverage	Unstandardized Coefficients B	t	Sig.
(Constant)	-.756	-4.166	.000
CFO	.501	3.216	.002
FSIZE	.098	4.675	.000
PROF	.249	1.253	.213
IO	.227	2.168	.032

R Square	Adjusted R Square	F	Sig.
.262	.236	10.049	.000[b]

Dependent Variable: Leverage	Unstandardized Coefficients B	t	Sig.
(Constant)	-.835	-4.360	.000
PROD	-.043	-1.177	.042
FSIZE	.104	4.815	.000
PROF	.012	0.61	.951
IO	.208	1.906	.059

R Square	Adjusted R Square	F	Sig.
.203	.174	7.180	.000[b]

Dependent Variable: Leverage	Unstandardized Coefficients B	t	Sig.
(Constant)	-1.026	-4.164	.000
DISEXP	-.266	-2.832	.005
FSIZE	.095	4.715	.000
PROF	-.211	-1.025	.308
IO	.186	1.790	.076

R Square	Adjusted R Square	F	Sig.
.218	.190	7.873	.000[b]

Dependent Variable: Leverage	Unstandardized Coefficients B	t	Sig.
(Constant)	-.888	-4.486	.000
TOTAL REM	-.103	-2.736	.007
FSIZE	.103	4.921	.000
PROF	-.119	-6.34	.527
IO	.192	1.821	.071

R Square	Adjusted R Square	F	Sig.
.246	.219	9.115	.000[b]

Source : Secondary data has been processed with IBM SPSS Statistisc 27 (2023)

Agency theory also states that leverage can give rise to agency costs, such as the costs of information dissemination and manager monitoring. Therefore, managers may be inclined to use real earnings management to overcome the negative consequences of high leverage and to minimize potential agency conflicts. From several previous studies stated that managers prefer used real earnings management over accrual earnings management because the former is less easy to detect by external stakeholders(Kothari et al.,2016).

In Table 6, data for real earnings management is also presented. The coefficient value for the CFO REM variable is 0.501 with a significance level of 0.002 (∝<5%), which means that the CFO REM value has a positive effect on leverage. This illustrates the company's actions to increase profits and how to increase sales. REM PROD and REM DISEXP both have negative coefficient values and have a significant effect. This explains the real earnings management actions carried out by the company by reducing/reducing production costs and discretionary costs. In total REM, this significant negative result shows that the company is trying to reduce all production costs and discretionary costs and increase sales to increase profit figures. This finding is consistent with previous research (An et al., 2016; Dang et al., 2018), which found a significant relationship between real earnings management and leverage, with high levels of real earnings management actions taken by the company influencing the leverage figure as well.

From all the results of the coefficient values and significant levels of earnings management obtained from Table 6, the results obtained state that real earnings management can influence leverage. This supports Hypothesis 2 which states that there is an influence that real earnings management has on leverage.

Third Hypothesis Testing and Discussion

Table 4 shows that the coefficient value of the institutional ownership variable is in a positive number with different significance. It is explained in agency theory that there are agent costs which refer to the costs that arise from the conflict between the principal and the agent. In agency cost,

institutional ownership can play a role in monitoring agency costs. So when institutional ownership increases, managers will be given more pressure to meet investor expectations, which will lead to using higher leverage (Crutchley et al., 1999; Safitri et al., 2023)

In addition, when institutional ownership rises this can indicate that institutional investors such as pension funds, banks, or similar institutions have confidence in the company's performance. This can increase market confidence in the company and this makes it easier for the company to gain access to funds through leverage. Another thing that can cause a positive relationship between institutional ownership and leverage is that managers can use debt financing to fund projects that increase company value which will be profitable for managers and institutional investors. So institutional investors will also be more likely to choose companies with high leverage because it can increase the potential return on their investment.

From Table 4, the results obtained tend to be positive and not significant. This contradicts the previously provided hypothesis 2, hence hypothesis 2 is rejected. However, the results of this study are consistent with prior research that found a positive association between institutional ownership and leverage (Crutchley et al., 1999), and the findings were similarly not statistically significant (Hasan and Butt 2009).

CONCLUSION

The current study delves into an investigation concerning the impact of accrual-based and real earnings management, along with the influence of institutional ownership, on the leverage of a selected group of 24 manufacturing firms publicly traded on the Indonesia Stock Exchange, all of which have documented ESG scores spanning the years from 2018 to 2022. Additionally, this research endeavors to explore the potential role played by earnings management in shaping the value of leverage. Earnings management within this study is operationalized through the use of four proxies, specifically the management of accrual earnings (termed DAC) and the manipulation of real earnings (comprising CFO, PROD, and DISEXP). As for the results derived from the initial hypothesis testing, it is discerned that both accrual earnings management exert a discernible influence on the companies' levels of leverage. Likewise with real earnings management, in this research the results show that real earnings management has a significant effect on company leverage. The company implements earnings management behavior as a form of effort to manage profit figures to avoid loan agreements, as well as maintain access to necessary funding sources. These results are in line with research (Adeneye & Kammoun, 2022; An et al., 2016; Dang et al., 2018) which also states research results that earnings management can have an influence on leverage both in terms of accruals (DAC) and in real terms (CFO, PROD, and DISEXP). Furthermore, in the third hypothesis which examines the relationship between institutional ownership and leverage, it is found that there is no significant influence given by institutional ownership on leverage, this result is in line with research (Hasan and Butt, 2009).

Based on these findings, the study team recommends several avenues for further growth. This covers the scope of the variables studied, including aspects related to leverage (for example using

DER measurements). In addition, it is recommended to extend the research period so that we can explore more deeply the relationship between earnings management and institutional ownership on leverage.

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