THE EFFECT OF PROFITABILITY AND TAX PLANNING ON PROFIT MANAGEMENT MODERATED BY MANAGERIAL OWNERSHIP

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Abstract

This study aims to determine and analyze the effect of Profitability and Tax Planning on Earnings Management with Managerial Ownership as a moderating variable. The population in this study was financial sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period, of which there were 99 companies. The sample consisted of 21 companies selected through the purposive sampling method. This study used the secondary data obtained from the company's annual report. The data analysis method used Multiple Linear Regression Analysis and Moderation Regression Analysis (MRA) with the IBM SPSS 26.0 program. The results showed that Profitability and Tax Planning affect Earnings Management. Managerial Ownership can moderate the effect of Profitability on Earnings Management, but Managerial Ownership cannot moderate the effect of Tax Planning on Earnings Management.

Keywords: Earnings Management, Profitability, Tax Planning, Managerial Ownership

Abstrak

Penelitian ini bertujuan untuk mengetahui dan menganalisis pengaruh Profitabilitas dan Perencanaan Pajak terhadap Manajemen Laba dengan Kepemilikan Manajerial sebagai variabel moderasi. Populasi dalam penelitian ini adalah perusahaan sektor keuangan yang terdaftar di Bursa Efek Indonesia periode 2018-2021 yang berjumlah 99 perusahaan. Sampel terdiri dari 21 perusahaan yang dipilih melalui metode purposive sampling. Penelitian ini menggunakan data sekunder yang diperoleh dari laporan tahunan perusahaan. Metode analisis data menggunakan Analisis Regresi Linier Berganda dan Moderation Regression Analysis (MRA) dengan program IBM SPSS 26.0. Hasil penelitian menunjukkan bahwa Profitabilitas dan Perencanaan Pajak berpengaruh terhadap Manajemen Laba. Kepemilikan Manajerial dapat memoderasi pengaruh Profitabilitas terhadap Manajemen Laba, tetapi Kepemilikan Manajerial tidak dapat memoderasi pengaruh Perencanaan Pajak terhadap Manajemen Laba.

Kata kunci: Manajemen Laba, Profitabilitas, Perencanaan Pajak, Kepemilikan Manajerial

INTRODUCTION

Every company that goes public is required to submit an annual financial report. Financial statements are used as the basis for assessing the performance of a company and are a tool used by management to demonstrate the accountability of its performance to creditors, investors, suppliers, employees, customers, society, and the government. One of the most information contained in the financial statements is the company's profit. Profit information is often used by interested parties in the company, both internal and external parties as a basis for making various decisions (Khairiyahtussolihah & Herawaty, 2020).

In analyzing financial statements, profit is a benchmark used in making managerial decisions for the next period, including as a basis for calculating tax payments and a guide in determining investment policies. The higher the quality of the company's profits, the more interested investors will be in becoming one of the owners of the company's shares. However, on the other hand, company management also wants to minimize the taxable profit reported for tax purposes (Ettredge *et al.,* 2007). The next action taken to achieve these two goals is to manipulate the profit of the financial statements or known as profit management, where the profit in the financial statements will be manipulated through the policy it chooses to achieve the desired goals.

Profit management occurs due to agency conflicts, which are the impact of differences in interests between the owner of the company as the principal and the management of the company as the agent. Managers have a responsibility to optimize the profits of the owners, but they also have a personal interest in achieving their welfare to the maximum. So that it can cause the possibility that the manager as an agent will act opportunistically for his own interests. Managers who manage a company have broader access to the company's internal information compared to the owner, so managers must have ability to modify and manipulate financial statements that can generate profits for the manager himself.

The increase in competition in the business world has caused companies to implement profit management practices. One of the phenomena of profit management practices occurs at *P.T. Asuransi Jiwasraya* (Persero). Chairman of Financial Supervisory Agency of the Republic of Indonesia explained that Financial Supervisory Agency of the Republic of Indonesia had conducted two investigations on *P.T. Asuransi Jiwasraya* (Persero) from 2010 to 2019. The results of the audit showed that *Jiwasraya* had modified its financial statements in 2006. The bookkeeping that should have been counted as a loss was modified in such a way by Jiwasraya. This shows that there is a problem of liquidity pressure in *Jiwasraya* that has been going on for a long time. Not only that, Financial Supervisory Agency of the Republic of Indonesia also assessed that there was an irregularity in *Jiwasraya's* net profit bookkeeping in 2017. The net profit recorded at IDR. 360.3 billion which Financial Supervisory Agency of the Republic of Indonesia assessed had a shortage of reserves, namely IDR. 7.7 trillion, so if the reserves were carried out according to the provisions, the company should have suffered losses (Okezone, 2020).

Previous research has identified several factors that affect the occurrence of profit management practices, including profitability factors and tax planning. Profitability indicates a company's ability to earn profits over a certain period. Profit information is usually one of the decision-making considerations for investors. This creates an opportunity for management to practice profit management where the company will try to attract investors through financial statements by showing a stable profit value. One of the other factors that can affect profit management actions is tax planning. Tax planning is one of the functions of tax management to estimate the amount of tax that should be paid and the ways to reduce taxes (Achyani & Lestari, 2019). Companies tend to take actions to minimize taxable profits, aiming to reduce taxable profits imposed on companies, thereby minimizing political costs incurred.

There are differences in the results of previous research on the influence of profitability and tax planning on profit management. These previous studies show that there is an inconsistency in the results of the research. The inconsistency of the results of previous research is a reason to review the profitability variables and tax planning for profit management. To clarify the results of the influence of variables in this study, a moderation variable was added that will show the direction of the relationship (strengthening or weakening) the relationship between variables. Therefore, this study adds a moderation variable, namely managerial ownership in influencing the relationship between profitability variables and tax planning to profit management practices. Managerial ownership means that the company's management has a dual role as the company's board of directors and the company's shareholders. Managerial ownership provides opportunities for managers to be involved in stock ownership so that it will align the interests between managers and other shareholders and reduce conflicts that occur.

This study refers to the research of Khoerunnisa & Apriliawati (2021) related to the influence of profitability and tax planning on profit management. The difference in this research is that it changes the object and previous research period of manufacturing companies for the 2019-2020 period to financial sector companies listed on the Indonesia Stock Exchange (abbreviation as IDX) for the period from 2018 to 2021. In addition, this study adds a variable of moderation of managerial ownership. This difference was made to expand the results and clarify the relationship between the research variables.

LITERATURE REVIEW

The theory of positive accounting, formulated by Watts and Zimmerman in 1986, outlines accounting policies as well as their implementation in the context of companies. Positive accounting theory was put forward by Watts & Zimmerman (1986) with the aim of describing and explaining the accounting process from the beginning to the present, as well as how accounting information is compiled so that it can be effectively conveyed to other parties in the company. In positive accounting theory, there are three hypotheses used to test a person's ethical behavior in recording transactions and compiling financial statements, as explained by Sulistyanto (2008). The three hypotheses include the Bonus Plan Hypothesis, the Debt Agreement Hypothesis, and the Political Cost Hypothesis.

Agency theory is the relationship between two parties, namely the owner (*principal*) as the first party and the management (*agent*) as the second party. According to Scott (2015), agency theory is a development of a theory that studies a contract design in which agents (management) work on behalf of *the principal* (investor). Agency theory explains that there is a separation between the owner (*principal)* and the management of the company (*agent*). Through the theory of agency, it can be seen that *agents* and *principals* have different interests in a company.

In the agency theory, it is stated that each individual seems to be motivated only by their own interests, thus causing conflicts that occur between *agents* and *principals*. Agency theory assumes the existence of information asymmetry, which is a condition in which the agent who manages the company has more internal information of the company than the principal because the principal is unlikely to constantly observe every action taken by the agent (Setyawan & Harnovinsah, 2016). Agency theory states that profit management practices are influenced by conflicts of interest between agents and principals. This conflict arises because both parties have opposite goals. Due to conflicts of interest and information asymmetry, managers (agents) tend to present inaccurate information to owners (principals). Managers' attempts to manipulate, conceal, and alter numbers in financial statements by utilizing a company's accounting methods and procedures are often referred to as profit management practices.

The signaling theory was first proposed in 1973 by Michael Spence which explained that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient. Signal theory emphasizes the importance of information issued by companies on investment decisions for outsiders. According to Hartono (2013) the information published will provide signals for investors in making investment decisions. The information that has been submitted by the company will be received by investors and then interpreted and analyzed first whether the information is considered a good signal or a bad signal. Based on signal theory, the more positive the signal given to external parties, the better the perception of external parties (information recipients) towards the company. Signal theory explains how companies provide useful information to users of financial statements. These signals are generally in the form of information such as the company's financial statements. The report provides information about management's efforts to optimize the company's profitability and, also indicates the company's positive performance, as well as providing an overview of the company's future prospect.

Thought Framework and Hypothesis Development

The Effect of Profitability on Profit Management

Profitability is an indicator used to measure a company's ability to generate profits. The higher the company's profitability value, the greater the profit that the company has managed to obtain. Profit is related to the company's performance which can show the level of management effectiveness in managing the company. Profitability that remains stable will increase investors' confidence that the company has a strong performance in achieving profitability. This can trigger managers to take profit management actions, to make the company's profits look stable from time to time, namely by lowering or increasing profits to reduce volatility in financial statements. This has been coincided with the research conducted by Purnama & Nurdiniah (2019) and Luhgiatno & Novius Research (2019) shows that profitability has a significant effect on profit management. From this explanation, the research hypothesis is as follows:

H1: Profitability affects profit management?

The Effect of Tax Planning on Profit Management

Tax planning is an effort to reduce or minimize the tax burden that must be paid to the state, to minimize the imposition of taxes. Related to the theory of positive accounting related to the political cost hypothesis which includes all costs that must be borne by companies related to government regulations, one of which is the tax burden. In the Political Cost Hypothesis (W. R. Scott, 2000) it is explained that companies that face political costs tend to manipulate the decline in profits with the intention of reducing the political costs they have to face. The results of research conducted by Sihombing et al., (2020) and Nisa & Ernandi (2022) show that tax planning has an effect on profit management. Based on the description, the research hypothesis is as follows:

H2: Tax planning affects profit management?

The Effect of Profitability on Profit Management Moderated by Managerial Ownership

The owner of the company, as a principal, hopes that the management can manage the company's assets efficiently and achieve optimal profits. Agency theory explains that management and owners have different roles and interests in the company, so it can cause management to act opportunistically because management has a deeper understanding of the company's condition. However, this potential conflict can be mitigated if management also has a role as a shareholder in the company.

The owner of the company (principal) expects the management to be able to effectively manage the company's assets and achieve optimal profits. Agency theory explains that there is a division of duties between owners and management in running a company. This situation can create potential conflicts because management, as managers, has a deeper knowledge of the company's condition. However, these conflicts can be minimized when the management also owns the company's shares, so that their interests are in line with the owners. With this statement, it means that management will reduce agency conflicts, because managers align their interests with shareholders.

High and low profitability levels can trigger managers' actions to perform profit management. The existence of a high level of managerial ownership is expected to reduce profit management practices because managers as owners are expected to be able to align their interests with other shareholders, so that agency problems can be resolved. Research conducted by Jayanti *et al.,* (2018) with manufacturing companies on the IDX showed that managerial ownership structures moderate the influence of profitability on profit management. Based on the description, the research hypothesis is as follows:

H3: Managerial ownership is able to moderate the influence of profitability on profit management?

The Effect of Tax Planning on Profit Management Moderated by Managerial Ownership

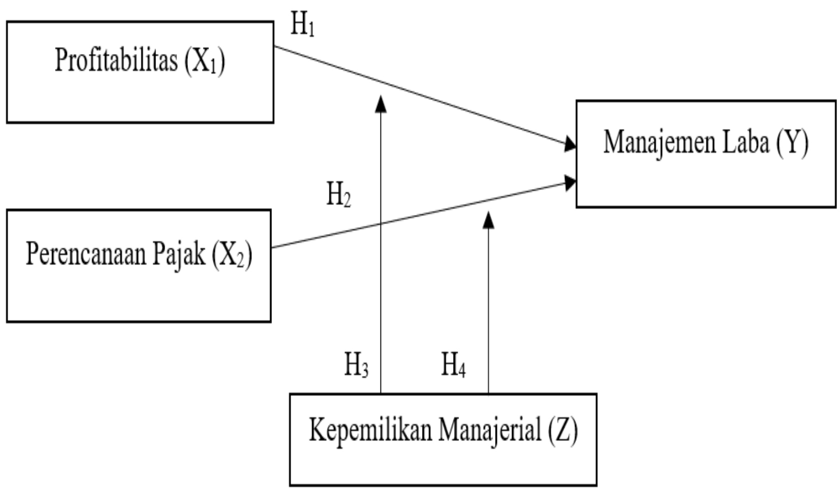
Managerial ownership means that the company's management has two roles, namely as the company's manager and as a shareholder who plays an active role in decision-making. Tax planning is an effort to reduce tax liabilities and optimize profits after tax payment, by taking advantage of the opportunities provided in the applicable tax regulations. In agency theory, there is a difference in interests between agents and principals due to the separation of ownership and supervision between agents and principals. Managerial ownership means that the manager becomes a manager as well as an owner.

With managerial ownership, it is hoped that the manager as the owner will be able to be in line with the interests of the owner or other investors in achieving the same goal. Companies with a high level of managerial shareholding will generally reduce the practice of profit management by managers. This is because the decisions he makes as a manager will also have an impact on him as a shareholder. Thus, the higher the managerial ownership, the less profit management practices occurred. Research conducted by Handayani *et al.*, (2023) states that managerial ownership moderates the influence of tax planning on profit management. Based on the description, the research hypothesis is as follows:

H4: Managerial ownership is able to moderate the influence of tax planning on profit management

Research Model

Figure 1. Research Model



RESEARCH METHODS

The population in this study includes all companies in the financial sector listed on the IDX during the 2018-2021 period, which totals 99 companies. Samples were taken using purposive sampling techniques based on certain criteria, including:

1. Financial sector companies listed on the IDX for the 2018-2021 period. Financial sector companies that present financial statements and annual reports for the period 2018-2021.
2. Financial sector companies that earned profits during the 2018-2021 period.
3. Financial sector companies that provide complete information as needed related to research variables during the 2018-2021 period.

The sample of this study consisted of 21 financial sector companies listed on the IDX during the 2018-2021 period. Based on the time span, there are a total of 84 samples. This research is a type of quantitative research. The data used comes from secondary data sources in the form of company financial statements. The data was obtained through financial statement documentation on the IDX website and the company's website related to the research.

Profit Management Dependent Variable (Y)

Profit management is a practice that involves manipulation in the preparation of a company's financial statements with the intention of increasing or decreasing recorded profits, with the aim of creating better company performance. Profit management is the manager's choice of accounting policies or real actions that will affect profits to achieve certain profit reporting goals (R. W. Scott, 2015). Profit management is measured using the Jones Modified Model. This model is a change from Jones's model which is specifically designed to avoid the use of estimates that may be inaccurate in determining discretionary accruals when discretionary accruals exceed revenue.

$$\text{DAC}it = \frac{TAC_{it}}{TA_{it-1}} - NDAit$$

Information:

DACit : *discretionary accruals* of the company in the year t

TAC_{it} : Total accrual of the company i in the year t

TA_{it-1} : : Total assets in the t-1 period

$NDAC_{it}$: Nondiscretionary accruals in year t

Profitability Independent Variable (X1)

Profitability is an indicator that measures the extent to which a company is able to make a profit over a period of time. In this profitability ratio, it can be said to the extent of the effectiveness of the overall management in creating profits for the company (Setyawan and Harnovinsah, 2016). Profitability is measured using the measurement *of Return on Assets* or ROA, which is the company's ability to generate profits with all assets owned by the company.

$$Return\ on\ Assets = \frac{Net\ Income}{\text{Total Assets}}$$

Tax Planning Independent Variable (X2)

Tax Planning is a systematic analysis of various different tax choices, which aims to minimize liabilities in the current year for the upcoming period (Suandy, 2011). Tax planning is measured using the measurement of *the Tax Retention Rate* (TRR) or tax retention rate. *Tax*

Retention Rate (TRR) is a tax planning measurement model that analyzes a measure of the effectiveness of tax management in the current year's financial statements (Wild *et al*., 2004).

$$Tax\ Retention\ Rate\ (TRR_{it}) = \frac{Net\ Income_{it}}{Pretax\ Income_{it}} X\ 100\%$$

Managerial Ownership Moderation Variable (Z)

Managerial ownership is a state in which the management of a company has a dual role as a manager and an active shareholder in decision-making. The measurement is carried out by the number of shares owned by the management divided by the total outstanding shares.

$$\text{Managerial ownership} = \frac{\text{Number of shares belonging to management}}{\text{Total shares outstanding}}$$

RESULTS AND DISCUSSION

Table 1. Descriptive Analysis Test Results

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Profitability	84	.00018	.09204	.0224819	.02168876
Tax Planning	84	.08245	1.33732	.7947261	.17128688
Profit Management	84	-.46238	.46536	.0068772	.12946764
Managerial ownership	84	.00001	.50680	.0331220	.10336605
Valid N (listwise)	84				

Source: Processed Data, 2023

Based on table 1, the results of the analysis of dependent variables on profit management showed the lowest value of -0.462, the highest value of 0.465, and the average value of 0.007 with a standard deviation of 0.129. In the first independent variable, namely profitability, the lowest value is 0.00018, the highest value is 0.092 and the average value is 0.022 with a standard deviation of 0.0217. The second independent variable, namely tax planning, showed the lowest value of 0.082, the highest value of 1.33732 and the average value of 0.795 with a standard deviation of 0.171. The results of the descriptive statistical test on the moderation variable, namely managerial ownership, showed the lowest value of 0.00001, the highest value of 0.507 and the average value of 0.033 with a standard deviation of 0.103.

Table 2. Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		84
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	.10118996
Most Extreme Differences	Absolute	.095
	Positive	.095
	Negative	-.071
Test Statistic		.095
Asymp. Sig. (2-tailed)		.057c

Source: Processed Data, 2023

Based on *one sample of Kolmogorov-Smirnov*, the value of *Asymp.Sig.(2-tailed)* of 0.057, which means that the number shows a value greater than sig. 0.05, thus indicating normal distributed data.

Table 1. Multicollinearity Test Results

Co-efficientsa			
		Collinearity Statistics	
Model		**Tolerance**	**BRIGHT**
1	(Constant)		
	Profitability	.768	1.302
	Tax Planning	.855	1.170
	Managerial Ownership	.891	1.123

Source: Processed Data, 2023

The results of the multicollinearity test in table 3 show a VIF value of < 10 and *a tolerance* value of > 0.1 in each research variable. This shows that the regression model does not occur multicollinearity.

Table 2. Autocorrelation Test Results

Model Summary					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.561a	.315	.289	.10306981	2.172

Source: Processed Data, 2023

From the autocorrelation test table in table 4, the Durbin-Watson value (d) was obtained of 2.172. The value based on the DW table is dU=1.7199 and dL=1.5723 so that the value of 4Du=2.2801. It can be concluded that the Durbin-Watson value lies between the dU and 4-dU values (1.7199 < 2.172 < 2.2801). The results show that there is no autocorrelation problem in the regression equation model.

Table 5. Heteroscedasticity Test Results

Coefficientsa						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Mr.**
		B	Std. Error	Beta		
1	(Constant)	.094	.033		2.837	.006
	Profitability	.539	.407	.167	1.324	.189
	Tax Planning	.033	.043	-.093	-.777	.439
	Managerial Ownership	.076	.074	-.120	-1.028	.307

Source: Processed Data, 2023

Based on table 5 shows the value of sig. Each variable is greater than the significance value of 0.05, so it can be concluded that there is no heteroscenity in the data.

Table 3. Multiple Linear Analysis Test Results

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Mr.
		B	Std. Error	Beta		
1	(Constant)	-.160	.052		-3.072	.003
	Profitability	2.509	.605	.417	4.150	.000
	Tax Planning	.155	.067	.231	2.305	.024

Source: Processed Data, 2023

Based on table 6, the regression equation model is obtained as follows:

$Y = a + \beta_1[X1] + \beta_2[X2] + e$

$Y = -0{,}160 + 2{,}509X1 + 0{,}155X2 + e$

Through the regression equation above, then:

1. The constant value (-0.160) indicates that if both variables X1 and X2 have a value of 0 (zero), then the value of the Y variable is -0.160.

2. The value of the variable regression coefficient X1 is 2.509 and has a positive sign. This means that every time the variable X1 is increased by one unit, assuming the other variables are fixed, the variable Y will increase by 2.509.
3. The regression coefficient value for variable X2 is 0.155 and has a positive sign. This means that every time you increase variable X2 by one unit, assuming the other variables are fixed, then the variable Y will increase by 0.155.

Based on the results of the regression test (table 6) by using a significance level of 0.05, it can be concluded as follows:

1. Profitability affects profit management, because the coefficient value of 2.509 and the siphonization value of 0.000 is smaller than 0.05 (0.000 > 0.05).
2. Tax planning has an effect on profit management, because the coefficient value of 0.155 and the synonymous value of 0.024 are smaller than 0.05 (0.024 > 0.05).

Table 4. Results of Hypothesis Interaction Test 3

Coefficientsa					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Mr.**
	B	**Std. Error**	**Beta**		
(Constant)	-.068	.020		-3.432	.001
Profitability	4.223	.746	.701	5.663	.000
Managerial Ownership	1.356	.774	1.146	1.751	.084
Profitability x Managerial Ownership	-34.937	17.495	-1.361	-1.997	.049

Source: Processed Data, 2023

From the table that has been presented, the output of the regression equation is obtained as follows:

$$Y = -0{,}068 + 4{,}223X1 + 1{,}356M - 34{,}937X1M + \varepsilon$$

Table 5. Results of Hypothesis Interaction Test 4

Coefficientsa					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Mr.**
	B	**Std. Error**	**Beta**		

(Constant)	.116	.070		-1.663	.100
Tax Planning	.167	.085	.250	1.957	.054
Managerial Ownership	-5.151	2.904	-4.354	-1.774	.080
Tax Planning x Managerial Ownership	6.096	3.428	4.377	1.778	.079

Source: Processed Data, 2023

From the table that has been presented, the output of the regression equation is obtained as follows:

$$Y = -0{,}116 + 0{,}167X2 - 5{,}151M + 6{,}096X2M + \varepsilon$$

The Effect of Profitability on Profit Management

Based on the results of the first hypothesis test using regression analysis shown in table 6, it produces a coefficient value of 2.509 and a significance value of 0.000 < 0.05, so that the profitability variable affects profit management. Therefore, it can be concluded that H1 is accepted and the profitability variable affects profit management in financial sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period.

This shows that the greater the level of profitability, the higher the likelihood that the company will perform profit management. The higher the current profitability level, the greater the opportunity to reduce profitability in the future, so that it can show less stable company performance. This encourages managers to practice profit management so that the company's performance is seen as good by investors. The company performs profit management by increasing or decreasing the company's profit in a certain period so that the company's profit appears stable. Based on signal theory, the company seeks to provide information through financial statements and provide signals for investors to make decisions. The company will show relatively consistent profits from each period to the other. Consistent profit means that it shows the company's good performance, so it will affect investor confidence in the company.

The results of this study are in line with research conducted by Purnama & Nurdiniah (2019) which states that profitability has a positive and significant effect on profit management. However, this result is not in line with the Wirawan Research (2020) which states that profitability has no effect on profit management.

The Influence of Tax Planning on Profit Management

Based on the results of the second hypothesis test using regression analysis shown in table 6, it produced a coefficient value of 0.155 and a significance value of 0.024 < 0.05. This shows that tax planning variables have an effect on profit management. Therefore, it can be concluded that H2 is accepted and tax planning variables affect profit management in financial sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period.

This shows that based on its function that is in line, the more the company maximizes tax planning, the higher the company's profit management practices. One of the motivations for companies to do profit management is tax motivation. Companies that carry out tax planning to minimize their tax burden will automatically review their profit level. Companies carry out tax planning by regulating how much profit will be reported to minimize the imposition of taxes so that this is included in the profit management indication. With the implementation of effective tax planning and management, companies can reduce tax payments optimally without violating applicable tax rules and policies.

The results of this study are in line with research conducted by Sihombing *et al.,* (2020) and Lestari *et al.,* (2018) which stated that tax planning has a positive and significant effect on profit management. However, this result is not in line with the research of Luhgiatno & Novius (2019) which states that tax planning does not have a significant effect on profit management.

The Effect of Profitability on Profit Management with Managerial Ownership as a Moderation

Based on the results of the third hypothesis test using *the Moderated Regression Analysis* (MRA) shown in table 7, it produces a coefficient value of -34.937 and a significance value of 0.049 < 0.05. This shows that managerial ownership is able to moderate the relationship between profitability and profit management. Through the regression equation, it is known that managerial ownership is a pure moderator variable. Therefore, it can be concluded that H3 is accepted and the managerial ownership variable is able to moderate the influence of profitability on profit management in financial sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period.

Managerial ownership is a situation where the manager also acts as a shareholder of the company. Managerial ownership is considered to have an effect on profit management actions. Managerial ownership is one way to control agency conflicts due to the separation of ownership and control in the company. The existence of managerial ownership will reduce the misalignment of interests between owners and shareholders so as to suppress agency conflicts. The larger the managerial ownership structure, the more it is expected to reduce profit management measures. The amount of managerial ownership is expected to improve the quality of financial reporting and the level of profit generated.

The results of this study are in line with the research of Jayanti *et al.*, (2018) which stated that managerial ownership structure moderates the relationship between profitability and profit management.

The Effect of Tax Planning on Profit Management with Managerial Ownership as a Moderation

Based on the results of the fourth hypothesis test using *the Moderated Regression Analysis* (MRA) shown in table 8, it produced a coefficient value of 6.096 and a significance value of 0.079 > 0.05. This shows that managerial ownership is not able to moderate the relationship between tax planning and profit management. Therefore, it can be concluded that H4 was rejected and the managerial ownership variable was unable to moderate the influence of tax planning on profit management in financial sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period.

This shows that managerial ownership is not able to moderate the relationship between tax planning and profit management. This means that managerial ownership that is considered to be able to reduce agency conflicts is not the main factor in influencing tax planning and profit management. The number of shares owned has an effect in reducing profit management measures. This can happen because the proportion of managerial shares is below 5%, so that managers as shareholder owners are still not able to decide on policies to be taken related to tax planning, because their ownership is not too significant. Whether or not there is managerial ownership, managers as employees in a company continue to manage profits related to *tax planning* in achieving company goals. The results of this study support the research of Yuniar *et al.*, (2021) which argues that managerial ownership does not moderate the relationship between tax planning and profit management.

CONCLUSION

The profitability has an influence on profit management practices, tax planning has an influence on profit management, managerial ownership is able to moderate the influence of profitability on profit management and managerial ownership is not able to moderate the influence of tax planning on profit management. This study has limitations where there are obstacles in the analysis of the normality test part, the data in the study is not normally distributed. Therefore, data transformation is needed in the analysis.

For the next study can be put forward analyzing for extending the research period and expanding the sample of research objects so that the research results are more comprehensive, considering the addition of additional independent variables that may affect profit management practices, so that it can strengthen the findings of the research, using different measurement indicators can be considered for research next, so that the results of the study can be confirmed with various methods and consider the use of different moderation variables to expand the understanding so that the research results are better.

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