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The Effect of Free Cash Flow, Profitability, Firm Size, and Leverage on Earnings Management

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Abstract

This study aims to determine and examine the effect of free cash flow, profitability, firm size, and leverage on earnings management. Differences in interests between management and external parties create opportunities for management to manipulate earnings, which is known as earnings management. This research employs a quantitative approach with a sampling technique using the purposive sampling method. The results of this study indicate that free cash flow, profitability, firm size, and leverage simultaneously affect earnings management. Partially, profitability has a significant effect on earnings management. Meanwhile, free cash flow, firm size, and leverage do not have a significant effect on earnings management.

Key Words: Earnings Management, Free Cash Flow, Profitability, Firm Size, Leverage.

INTRODUCTION

According to the Ikatan Akuntansi Indonesia (2022) in the Financial Accounting Standards (PSAK), financial statements are a structured presentation of the financial position and financial performance of an entity, aimed at providing information regarding the entity's financial position, financial performance, and cash flows that is useful to a wide range of users in making economic decisions. Management often engages in earnings manipulation through the selection of certain accounting policies to maximize or regulate profits in order to maintain the company's image and reputation, although this practice may potentially harm external stakeholders due to differences in interests between management and external parties (Amelia & Purnama, 2023). These differences in

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interests encourage managers to manipulate earnings, a practice commonly known as earnings management.

According to the Scott (2015) Earnings management is a practice carried out by management or other related parties with the aim of influencing the amount of profit through the implementation of certain accounting policies to achieve predetermined objectives. The primary objective of this practice is to present earnings that exceed the company's actual value while still complying with the applicable accounting standards (Yulianto & Aryati, 2022).

The practice of earnings management has been widely observed in Indonesia. One prominent example involves PT Envy Technologies Indonesia Tbk, a publicly listed company operating in the technology sector. According to a report by CNBC Indonesia (2021) in July 2019 the Indonesia Stock Exchange was surprised by allegations of manipulation in the annual financial statements involving the company and its subsidiary, PT Ritel Global Solusi. Based on the 2019 financial report, the company recorded revenue of IDR 188.58 billion, reflecting a 135% increase compared to the 2018 revenue of IDR 80.35 billion. In addition, net profit in 2019 rose by 19%, reaching IDR 8.05 billion compared to IDR 6.79 billion in the previous year. However, the company's financial performance showed a significant change in the third quarter of 2020, when cash declined sharply by 99% to IDR 314.65 million, while other receivables increased by 126% to IDR 30.45 billion. Short-term liabilities dropped by 100% from IDR 16.44 billion to zero, whereas other liabilities increased by 57% to IDR 10.72 billion. Consequently, the Indonesia Stock Exchange decided to temporarily suspend the trading of the company's shares from December 1, 2020, until December 1, 2022 (Bisnis.com, 2020).

Several factors are considered to influence the occurrence of earnings management. First, free cash flow represents the remaining cash that can be distributed to creditors or shareholders after the company fulfills its operational and investment requirements. Firms with substantial free cash flow may still engage in earnings management to obscure inefficiencies in asset management, even though high free cash flow generally reflects a healthy financial condition (Maharani & Amanah, 2025). Second, profitability describes a company's capability to generate profits. Because profit is commonly used as an indicator of organizational performance and success, managers may have incentives to adjust financial reports so that reported earnings appear higher (Wijayanti, 2024). Third, firm size also plays a role in financial performance. Larger companies tend to achieve greater profitability due to stronger market power and economies of scale, while smaller firms are often more susceptible to engaging in earnings

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management due to their resource limitations (Rambe, 2020). Fourth, leverage refers to the use of debt financing obtained from lenders, with interest rates determined based on the level of risk involved. After receiving loans, companies are expected to increase their investment activities to ensure their ability to meet future debt obligations (Fadhilah & Kartika, 2022).

Based on these considerations, this study aims to analyze the influence of free cash flow, profitability, firm size, and leverage on earnings management.

LITERATURE REVIEW

Agency Theory

Agency theory describes the relationship between company owners (principals) and managers (agents), where the principals grant authority to the agents to make decisions on their behalf. Nevertheless, since both parties often have different objectives and tend to prioritize their own interests, managers may not always act in ways that fully benefit the principals (Jensen & Meckling, 1976). These differences in interests, commonly referred to as conflicts of interest, can become a key factor behind the occurrence of earnings management. In such situations, management may adjust or manipulate financial reports to meet market expectations or internal targets, even though these actions may potentially disadvantage the shareholders of the company (Irawan & Apriwenni, 2021).

Earnings management

Earnings management refers to managerial actions that involve modifying accounting policies, particularly accrual-based policies, or making certain operational decisions in order to influence reported earnings so they conform to specific goals (Scott, 2015). This practice generally involves intentionally choosing particular accounting methods that may create a misleading picture of the company's actual financial performance or economic condition. Managers may undertake such actions to improve the appearance of financial statements and to gain personal advantages, such as performance bonuses or job security (William & Tjakrawala, 2025). The application of subjective judgment in financial reporting and transaction planning is one of the main mechanisms through which earnings management occurs, and these judgments are sometimes difficult to justify from a professional perspective (Kusumawati, 2020).

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Free cash Flow

Free cash flow represents an internal funding source for companies, and its allocation is largely determined by managerial decisions. These decisions may include dividend distribution, share buybacks, investment in assets, acquisitions, or other corporate policies that theoretically may not necessarily enhance firm value. The utilization of free cash flow can produce either positive or negative consequences for shareholders and creditors. In practice, free cash flow is calculated using financial data obtained from several financial statements, including the statement of cash flows, the income statement, and the statement of financial position (Wahyuni, 2023).

Profitability

Profitability is a financial ratio that measures a company's ability to generate profit from its operational activities, reflecting the efficiency and performance of the business. Investors tend to be attracted to companies with high profitability because they offer better potential returns on investment. Management that achieves performance targets may receive financial incentives from the company's owners (Sari & Khafid, 2020).

Firm size

Firm size refers to the scale of a company's operations, which can be measured using parameters such as total assets, sales revenue, or market capitalization. Larger companies tend to rely more on external financing and attract stricter scrutiny, prompting managers to be more cautious in avoiding earnings management. In contrast, smaller companies often report higher earnings to present optimal performance (Gunawan & Nurainun, 2025).

Leverage

Leverage measures the proportion of debt used to finance a company's assets, highlighting the company's dependence on external capital. Key indicators include the debt-to-assets ratio, which shows the percentage of assets financed by debt, and the debt-to-equity ratio, which compares debt to shareholder equity. Companies with high leverage tend to be more susceptible to earnings management, often manipulating the timing of earnings reports to shape external perceptions of their financial health (Kasmir, 2015).

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RESEARCH HYPOTHESES

The Effect of Free Cash Flow, Profitability, Firm Size, and Leverage on Earnings Management

T The presence of substantial free cash flow may also motivate management to conduct earnings management. Excess cash flow can potentially be misused when monitoring mechanisms are weak, allowing managers to conceal inefficiencies in managing corporate cash resources (Thyas et al., 2022). Profitability serves as a key indicator of corporate performance, as higher profitability reflects the company's stronger ability to generate income. Under certain circumstances, managers may attempt to manipulate reported earnings to improve the appearance of company performance, create positive signals in stock price movements, and maintain the confidence of investors. Both large and small firms have the potential to engage in earnings management as a means of enhancing the firm value presented in financial reports (Joe & Ginting, 2022). Meanwhile, companies with high leverage ratios, where debt is more dominant than assets, tend to have a greater potential to manipulate earnings to avoid violating debt covenants, since higher leverage is associated with higher risk that encourages increased earnings reporting (Astriah et al., 2021).

H1 : Free Cash Flow, Profitability, Firm Size, and Leverage affect Earnings Management.

The Effect of Free Cash Flow on Earnings Management

Based on agency theory, shareholders allocate capital to companies and entrust management to manage operations, with the expectation of receiving significant dividends. As a result, large cash flows indicate favorable prospects, which could potentially result in recognition or bonuses for management. This scenario may encourage managers to manipulate profits in order to increase reported earnings (Fadhilah & Kartika, 2022). In addition, the existence of abundant free cash flow encourages profit management, often manifested through investments in projects with low net present value (NPV) for personal gain. This action can reduce corporate performance, thereby further motivating profit management and reinvestment of free cash flow to increase management incentives (Natalie & Pratiwi, 2023).

H2 : Free Cash Flow affects Earnings Management.

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The Effect of Profitability on Earnings Management

Profit is a key metric in evaluating corporate performance, where high profits indicate superior operational capabilities and profitability (Joe & Ginting, 2022). On the other hand, a decline in profitability may encourage management to manipulate profits in order to strengthen the corporation's reputation and maintain stakeholder trust (Ayuningtyas & Damayanty, 2021). According to agency theory, effective and efficient management tends to increase profitability, which in turn enhances goodwill and provides greater benefits for shareholders (Christella & Santo, 2024).

H3 : Profitability affects Earnings Management.

The Effect of Firm Size on Earnings Management

There is a positive correlation between company size and earnings management, driven by increased company operational activity. Smaller entities often use earnings management to inflate the size of their assets in financial reporting (Joe & Ginting, 2022). On the other hand, small companies may face significant political costs; as high profits attract media and consumer attention, this dynamic may reduce the likelihood of earnings management (Anindya & Yuyetta, 2020).

H4 : Firm Size affects Earnings Management.

The Effect of Leverage on Earnings Management

Leverage measures the proportion between owners' funds and creditors' funds, or the extent to which a company's assets are financed by debt. Leverage is related to earnings management because it indicates the proportion of assets financed through debt. When the level of debt is high, management may engage in earnings management to make the company's obligations appear more efficient and attractive to investors. Leverage also reflects how a company gains the trust of investors (Joe & Ginting, 2022). A higher debt level increases the pressure on management to assure creditors that the firm is capable of fulfilling its obligations, including both principal repayment and interest payments. Therefore, maintaining consistent financial performance is essential to strengthen lenders' trust (Yulianto & Aryati, 2022).

H5 : Leverage affects Earnings Management.

RESEARCH METHODS

This study uses quantitative research methodology. The research population includes 47 technology companies listed on the Indonesia Stock Exchange (IDX) during

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the period 2019–2024. A total of 13 companies were selected through purposive sampling, with the following specific criteria: (1) technology sector companies listed on the IDX during 2019-2024; (2) technology sector companies that did not conduct an Initial Public Offering (IPO) during that period, or if they did, they had financial reports available for the 2019–2024 period; (3) technology sector companies that published financial reports on both the IDX and their official websites; and (4) companies that provided complete data on the variables studied. This study used secondary data obtained from financial reports accessed through the IDX or the companies' official websites.

1) Operational Variables and Measurement
   - Earnings management is proxied by Discretionary Accruals (DAC) calculated using the Modified Jones Model.
   - Free cash flow is proxied by Net Operating Profit After Tax (NOPAT) and net investment in operating capital relative to total assets.
   - Profitability is measured using Return on Assets (ROA) to indicate the company's ability to manage its assets in generating profit.
   - Firm size is measured by the natural logarithm of total assets.
   - Leverage is measured using the Debt to Assets Ratio (DAR) to determine the proportion of company assets financed by debt.
2) Data Analysis Technique

   Data analysis in this study was conducted using EViews 13 software. The analytical procedures included: (a) descriptive statistics to describe the characteristics of the variables; (b) model selection tests, which included the Chow, Hausman, and Lagrange Multiplier tests; (c) diagnostics of classical assumptions, including checks for normality, multicollinearity, heteroscedasticity, and autocorrelation, to validate the model; and (d) hypothesis testing through F-tests, t-tests, and coefficients of determination to assess the impact of independent variables on dependent variables, both collectively and individually.

RESULTS AND DISCUSSIION

Descriptive Statistical Analysis

	Y	X1	X2	X3	X4
Mean	1.118365	-0.005176	0.842379	28.24037	1.037757
Median	1.418772	0.027668	3.945871	28.34755	0.676815
Maximum	2.246580	0.268432	53.65857	31.46008	8.866166

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Minimum	0.061261	-0.894883	-125.6083	24.70276	0.213133
Std. Dev.	0.561638	0.176088	18.61997	1.359223	1.178772
Skewness	-0.523523	-3.075842	-3.952007	0.109617	4.541070
Kurtosis	1.923968	14.22729	29.25396	3.331215	27.79571
Jarque-Bera	7.325982	532.6593	2443.168	0.512742	2266.265
Probability	0.025656	0.000000	0.000000	0.773855	0.000000
Sum	87.23249	-0.403760	65.70554	2202.749	80.94504
Sum Sq. Dev.	24.28863	2.387534	26696.16	142.2565	106.9918
Observations	78	78	78	78	78

Figure 1 Descriptive Statistics

In the initial data, problems were found in the normality test and the heteroscedasticity test, therefore data transformation was carried out to overcome these issues. Based on the table, it can be explained that:

1) Earnings Management (Y)

   The variable Y has a mean value of 1.118365. The minimum value recorded is 0.061261 while the maximum value reaches 2.246580, with a standard deviation of 0.561638.

2) Free Cash Flow (X1)

   Variable X1 has a mean value of -0.005176, The minimum value recorded is -0.894883 while the maximum value reaches 0.268432, and a standard deviation of 0.17608.

3) Profitability (X2)

   Variable X2 has a mean value of 0.842379, The minimum value recorded is -125.6083 while the maximum value reaches 53.65857, and a standard deviation of 18.61997.

4) Firm Size (X3)

   Variable X3 has a mean value of 28.24037, The minimum value recorded is 24.70276 while the maximum value reaches 31.46008, and a standard deviation of 1.359223.

5) Leverage (X4)

   Variable X4 has a mean value of 1.037757, The minimum value recorded is 0.213133 while the maximum value reaches 8.866166, and a standard deviation of 1.178772.

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Model Selection Estimation

Panel data regression analysis uses three different models: Common Effects Model (CEM), Fixed Effects Model (FEM), and Random Effects Model (REM). Determining the most appropriate model involves Chow's test, Hausman's test, and Lagrange Multiplier (LM) test. The results of this selection test are as follows:

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.408943	(12,61)	0.0007
Cross-section Chi-square	40.028812	12	0.0001

Figure 2 Chow Test

The results of the Chow Test show that the probability value of Cross-Sections Chi-Square is 0.0001, which is below the significance level of 0.05. Therefore, the Chow test indicates that the Fixed Effect Model is the appropriate model.

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.699596	4	0.6093

Figure 3 Hausman Test

The results of the Hausman Test show that the probability value of Cross-Sections Random is 0.6093, which is above the significance level of 0.05. Therefore, the selected model is the Random Effect Model (REM).

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

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	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	13.56594	0.154838	13.72078
	(0.0002)	(0.6940)	(0.0002)
Honda	3.683197	-0.393495	2.326171
	(0.0001)	(0.6530)	(0.0100)
King-Wu	3.683197	-0.393495	1.666892
	(0.0001)	(0.6530)	(0.0478)
Standardized Honda	4.522124	-0.032719	-0.386018
	(0.0000)	(0.5131)	(0.6503)
Standardized King-Wu	4.522124	-0.032719	-0.940340
	(0.0000)	(0.5131)	(0.8265)
Gourieroux, et al.	--	--	13.56594
			(0.0004)

Figure 4 Lagrange Multiplier

The results of the Lagrange Multiplier Test indicate that the probability value of Cross-Sections Breusch–Pagan is 0.0002, which is below the significance level of 0.05. Thus, the appropriate model to be used is the Random Effect Model (REM). Based on the results of these three tests, the Random Effect Model (REM) is considered the most suitable model for this study compared to the other models.

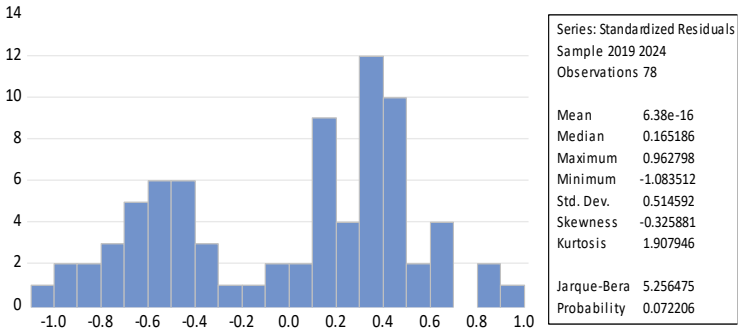


Figure 5 Normality Test

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Classical Assumption Test

The results of the normality test show that the probability value of Jarque–Bera is 0.072206 > 0.05, which means that the data used are normally distributed, therefore the normality assumption is fulfilled.

R-squared	0.202836	Mean dependent var	0.562824
Adjusted R-squared	0.159156	S.D. dependent var	0.481262
S.E. of regression	0.441305	Sum squared resid	14.21677
F-statistic	4.643664	Durbin-Watson stat	2.130725
Prob(F-statistic)	0.002143		

Figure 6 Autocorrelation Test

The test results show that the Durbin–Watson Statistic (DW) value is 2.130725 with a total sample size of 78 (n = 78) and 4 independent variables, resulting in dL = 1.5265 and dU = 1.7415, thus (4 − dU) = 2.2585. The Durbin–Watson (DW) value meets the criterion dU < DW < (4 − dU), namely 1.7415 < 2.130725 < 2.2585, which indicates that the model is free from autocorrelation.

	X1	X2	X3	X4
X1	1.000000	0.118008	0.218437	0.167185
X2	0.118008	1.000000	0.215612	0.018190
X3	0.218437	0.215612	1.000000	0.131055
X4	0.167185	0.018190	0.131055	1.000000

Figure 7 Multicollinearity Test

The multicollinearity test shows that the correlation coefficient values among each variable are less than 0.80, indicating that there is no multicollinearity among the independent variables.

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Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.453199	0.721179	0.628415	0.5317
X1	0.242453	0.161777	1.498689	0.1383
X2	0.001757	0.001508	1.165346	0.2477
X3	0.000467	0.025586	0.018263	0.9855
X4	-0.013093	0.026587	-0.492456	0.6239

Figure 8 Heteroscedasticity Test

The heteroscedasticity test conducted using the Glejser method shows that the probability values for each independent variable are 0.1383 for X1, 0.2477 for X2, 0.9855 for X3, and 0.6239 for X4. Since all probability values exceed the significance level of 0.05, it can be inferred that the regression model does not exhibit heteroscedasticity, indicating that the variance of the residuals is constant.

Research Result

The following are the results of the multiple linear regression test using the Random Effect Model (REM):

$$Y = 3.695239 - 0.386325 * X1 - 0.008804 * X2 - 0.094970 * X3 + 0.106507 * X4$$

1) The constant value is 3.695239, which means that if the independent variables (X) are equal to 0, then earnings management has a value of 3.695239.
2) The regression coefficient of free cash flow (X1) is -0.386325 with a negative direction, meaning that if free cash flow (X1) increases by one unit, earnings management (Y) will decrease by 0.386325.
3) The regression coefficient of profitability (X2) is -0.008804 with a negative direction, meaning that if profitability (X2) increases by one unit, earnings management (Y) will decrease by 0.008804.
4) The regression coefficient of firm size (X3) is -0.094970 with a negative direction, meaning that if firm size (X3) increases by one unit, earnings management (Y) will decrease by 0.094970.

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5) The regression coefficient of leverage (X4) is 0.106507 with a positive direction, meaning that if leverage (X4) increases by one unit, earnings management (Y) will increase by 0.106507.

	Weighted Statistics			
R-squared	0.202836	Mean dependent var	0.562824	
Adjusted R-squared	0.159156	S.D. dependent var	0.481262	
S.E. of regression	0.441305	Sum squared resid	14.21677	
F-statistic	4.643664	Durbin-Watson stat	2.130725	
Prob(F-statistic)	0.002143			

Figure 9 F-Test

Based on the regression results, the calculated F-statistic value is 4.643664 with a probability value of 0.002143 < 0.05, therefore H_0 is rejected. It can be concluded that the variables Free Cash Flow, Profitability, Firm Size, and Leverage simultaneously influence Earnings Management.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.695239	2.075364	1.780525	0.0792
X1	-0.386325	0.317587	-1.216440	0.2277
X2	-0.008804	0.002944	-2.989963	0.0038
X3	-0.094970	0.073523	-1.291707	0.2005
X4	0.106507	0.062104	1.714969	0.0906

Figure 10 t-Test

1) Free Cash Flow (X1)

The regression results show that the free cash flow variable has a coefficient value of -0.386325 with a t-statistic probability value of 0.2277 > 0.05. Therefore, it can be concluded that H2 is rejected and H_0 is accepted, meaning that free cash flow does not affect earnings management.

2) Profitability (X2)

The regression results show that the profitability variable has a coefficient value of -0.008804 with a t-statistic probability value of 0.0038 < 0.05. Thus, H3 is

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accepted and H_0 is rejected, indicating that profitability has a negative effect on earnings management.

3) Firm Size (X3)

The regression results show that the firm size variable has a coefficient value of -0.094970 with a t-statistic probability value of 0.2005 > 0.05. Therefore, H4 is rejected and H_0 is accepted, meaning that firm size does not affect earnings management.

4) Leverage (X4)

The regression analysis indicates that the leverage variable has a coefficient value of 0.106507 with a t-statistic probability of 0.0906, which is greater than the significance level of 0.05. Therefore, H5 is rejected and H_0 is accepted, suggesting that leverage has no significant influence on earnings management.

	Weighted Statistics		
R-squared	0.202836	Mean dependent var	0.562824
Adjusted R-squared	0.159156	S.D. dependent var	0.481262
S.E. of regression	0.441305	Sum squared resid	14.21677
F-statistic	4.643664	Durbin-Watson stat	2.130725
Prob(F-statistic)	0.002143		

Figure 11 Coefficient of Determination Test

The coefficient of determination (R^2) test produced an adjusted R-squared value of 0.159156. This indicates that the independent variables in the model explain 15.91% of the variation in the dependent variable. The remaining 84.09% is due to other factors outside the scope of the regression model in this study.

DISCUSSION

The Effect of Free Cash Flow, Profitability, Firm Size, and Leverage on Earnings Management

The test results show that free cash flow, profitability, company size, and leverage collectively influence earnings management among technology companies listed on the Indonesia Stock Exchange from 2019 to 2024. These results are in line with agency theory, which explains the dynamics between principals and agents. Earnings management arises from a conflict of interest in which both parties seek to maximize their welfare, so that

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agents tend to prioritize their personal interests over those of the principal. This study supports the findings of Joe & Ginting (2022) which show that company size, leverage, and profitability significantly influence earnings management simultaneously.

The Effect of Free Cash Flow on Earnings Management

The test results show that the free cash flow variable (X1) does not affect earnings management (Y). Free cash flow that is relatively high generally reduces the likelihood of earnings management, since investors tend to monitor free cash flow closely as a signal of a firm's capacity to distribute dividends. As a result, companies with substantial free cash flow may experience an increase in their share prices even without manipulating reported earnings. On the other hand, a low level of free cash flow does not always indicate poor performance, because a firm may currently be undergoing an expansion stage where production growth is financed through external funding such as loans or investment. The findings of this research are in line with the study by Thyas et al. (2022) which reported that free cash flow has no significant influence on earnings management. Nevertheless, this result contradicts the findings of Ayuningtyas & Damayanty (2021) who concluded that free cash flow has a significant negative relationship with earnings management. Conversely, Maharani & Amanah (2025) found that free cash flow has a significant positive impact on earnings management.

The Effect of Profitability on Earnings Management

The test results shows that profitability (X2) has a negative impact on earnings management (Y). This implies that managers tend not to manipulate earnings when performance is strong, as the main incentive arises when targets are not met. This finding is in line with Mupidah et al. (2025) who also observed a negative relationship. However, there are conflicting results, Ngabut & Arlita (2023) as well as Asmunandar & Friyanto (2022) reported a positive correlation. In addition Christella & Santo (2024) which concluded that profitability does not significantly affect earnings management.

The Effect of Firm Size on Earnings Management

The test results show that the firm size variable (X3) does not affect earnings management (Y). The lack of influence of firm size on earnings management may be due to strict supervision from various parties, such as the government and investors, who are involved in overseeing the company. This situation may reduce managers' willingness to engage in earnings management practices. The results of this study are consistent with

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the research conducted by Natalie & Pratiwi (2023) which states that firm size does not affect earnings management. However, this finding contradicts the study by Joe & Ginting (2022) which states that firm size has a positive effect on earnings management. Conversely, Christella & Santo (2024) found that firm size has a negative effect on earnings management.

The Effect of Leverage on Earnings Management

The test results show that the leverage variable (X4) does not affect earnings management (Y). Leverage can function as a disciplinary mechanism that reduces opportunistic managerial behavior. This discipline may pressure management not to engage in earnings management practices because any manipulation can be detected and may negatively affect the company's ability to meet its debt obligations. Theresults of this study are consistent with the research conducted by Astriah et al. (2021) which states that leverage has no effect on earnings management. However, this finding contradicts the study by Maharani & Amanah (2025), which states that leverage has a positive effect on earnings management. Meanwhile, Asmunandar & Friyanto (2022) found that leverage has a negative effect on earnings management.

CONCLUSION

The results of the study conclude that free cash flow, profitability, company size, and leverage collectively influence earnings management among technology companies listed on the Indonesia Stock Exchange from 2019 to 2024. However, individually, free cash flow does not show an impact. Conversely, profitability does influence earnings management. Similarly, company size and leverage do not show a significant influence on earnings management in this specific sector and time period.

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