

THE EFFECT OF RETURN ON ASSETS, COMPANY SIZE AND FINANCIAL LEVERAGE ON SMOOTHING MEASURES (EMPIRICAL STUDY ON STATE-OWNED CONSTRUCTION COMPANIES LISTED IN THE JAKARTA ISLAMIC INDEX FOR THE 2015-2018 PERIOD)

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Ari Kristin Prastyoningrum¹, Dessy Noor Farida², Vanila Hapsari³

¹Fakultas Ekonomi dan Bisnis Islam, UIN Walisongo Semarang, Indonesia

²Fakultas Ekonomi dan Bisnis Islam, UIN Walisongo Semarang, Indonesia

³Fakultas Ekonomi dan Bisnis Islam, UIN Walisongo Semarang, Indonesia

Abstract

The Indonesian government announces that Indonesia will have a new National Capital, one of its aims is to smooth the people's economy. Many companies in the construction sector owned by BUMN have long been listed on the Sharia stock exchange. With the existence of this mega project, the recording of profits of go-public companies as well as government-owned companies will receive special attention related to the recording of profits in several previous periods. However, investors must be observant regarding the possibility of companies taking income smoothing actions, some of which are through Return On Assets, Size of the Company and Financial Leverage.

The object of research is BUMN construction companies listed in the Jakarta Islamic Index (JII) from 2015 to 2018. The samples used 3 companies based on purposive sampling. Hypothesis testing uses multiple linear regression to test the effect of Return On Assets, Size of the Company and Financial Leverage on Income Smoothing actions by calculating Income Smoothing using the Eckel Index, the analysis technique used is linear regression and the hypothesis testing tool is SPSS 16. The results showed that Return On Assets and Size of the Company had no effect on income smoothing. Meanwhile, Financial Leverage affects income smoothing. Keywords: Return On Asset, Size of The Company, Financial Leverage, Income Smoothing.

Keywords: *Return On Asset, Ukuran Perusahaan, Financial Leverage, Income Smoothing.*

1. INTRODUCTION

Indonesia is one of the countries that has a dense population. In 2017, the population was recorded at 264,000,000. Along with the growth of Indonesia's population, the Government plans to move the State Capital (IKN) to the North Penajam Paser City, East Kalimantan Province. One of the goals of the IKN line is for the Indonesian economy to grow evenly, not centered on Java Island, while Java Island, especially DKI Jakarta, is already very dense and the economies of other islands are lagging behind. The economy is an important instrument for every country to prosper its people. One of the ways to achieve economic distribution outside Java is that infrastructure must also supported. The state prioritizes the development of public infrastructure because it is in a development that can increase economic growth and public services equitably

*Corresponding author. Email address: ari_kristin@walisongo.ac.id

in the long run. This prediction is evident from the fact that investment in the infrastructure sector increases every year. The impact of priority infrastructure is to provide accelerated growth for various related industries, but will also provide complexity through increased risk. Infrastructure in this case is through state-owned construction companies that will plan and carry out the construction of the IKN. After it was announced that the IKN would move to North Penajam Paser City in 2024, now the land price in the area has increased dramatically even though the construction of the IKN plan will only begin in 2020.

Some of these BUMNs include publicly traded companies listed on the Jakarta Islamic Index (JII), namely PT. Waskita Karya (Persero) Tbk, PT. Waskita Beton Precast (Persero) Tbk and PT. Wijaya Karya (Persero) Tbk. The three companies are companies that will contribute to building a new IKN, this project can make share prices soar along with the IKN project agreement. Investors are increasingly interested in investing in the three state-owned construction companies because they have large projects, and of course investors hope to get large dividends as well. Oftentimes investors only look at annual reports in the profit and debt section, but it is likely that the company "makes" its financial statements with the aim of attracting investors by smoothing income. The aim is to prove to outsiders that the company has a low risk, provide relevant information in predicting future earnings, increase business relationship satisfaction, increase positive thinking from external parties regarding company performance. The practice of income smoothing carried out by management is a rational and logical action because there is a reason to reduce the current year's profit and expenses so that the tax payable on the company is smaller. This means that the company does not convey the company's financial condition so that investors only see reports made by management so that they can manipulate. On the other hand, HR. Bukhari stated that

كَهَكَى سَاءُ كَم سَاءُ يَسْبِئِلُ كَيْ سَكَّتْ

Meaning: "each of you is a leader, and every leader will be held accountable" (Narrated by Bukhari)

In the context of this research, the hadith states that the leader in this case is the one who manages finances and must be accountable to internal and external parties regarding the financial statements of the company one leads.

2. HYPOTHESIS

Agency Theory

Agency theory is a relationship or contract between the owner (principal) and the agent, this is what happens in modern companies. The principal is the individual who invests in a company while an agent is a person who works for the principal and provides information to the principal about how the company is doing. Agency theory assumes that each individual acts in accordance with their own personal interests, so that it can create a conflict of interest between the owner (principal) and the agent. The difference in interests between each party, especially from the manager whose performance is measured based on the profit generated makes the manager try to achieve his desires easily through the manipulation of earnings contained in the financial statements with income smoothing.

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Perataan Laba (*Income Smoothing*)

Income smoothing is an action to minimize fluctuations in earnings that will be reported in each period. Income smoothing is used to smooth the fluctuations in earnings that occur each period so that the amount of profit generated for each period does not overly fluctuate. So that users of financial reports assess that the company's management performance as seen from the profit shows a definite performance, so that potential investors are sure of the profits that will be generated by a company. Methods often used to distribute profits:

1. Companies now prefer discount and credit policies. At the end of the quarter period, the amount of accounts receivable and sales and profits will appear stable at a certain period position.
2. Smoothing through the timing of transactions or transaction acknowledgments.

Smoothing through allocations for certain periods.

Return On Asset

Return On Asset is a ratio used to determine the ratio of net profit after tax to total company assets. The company's ability to generate profits on the basis of its assets shows the value of ROA. The variable Return On Asset (ROA) is measured by earning after tax (the ratio between profit) after tax and total assets, the calculation of ROA uses a ratio scale.

$$\text{Return On Asset (ROA)} = \frac{\text{Earning After Tax} \times 100\%}{\text{Total Assets}}$$

Company Size

The size of the company or firm size is the size or size of the company which is assessed in terms of total assets consisting of sales, total assets and others.

Financial Leverage

Leverage can occur when a company in its operations uses assets and sources of funds. The use of assets that cause fixed expenses is called operating leverage, while the use of funds with fixed expenses is called financial leverage.

Definition of Profit

Accounting profit has characteristics, including:

- a. Accounting profit is based on actual transactions primarily those that arise from the sale of goods or services.
- b. Accounting profit is based on the periodization postulate and refers to the company's performance in a certain period.
- c. Accounting profit is a measurement of expenses in the form of historical costs.

Purpose of Profit Reporting

Indirectly, earnings information can be used to fulfill various purposes including:

- a. The basis for making business decisions by the company management
- b. Management achievement measure.

- c. The basis for determining the amount of corporate tax.
- d. Determine the dividends to be distributed.

Islamic View of Profit

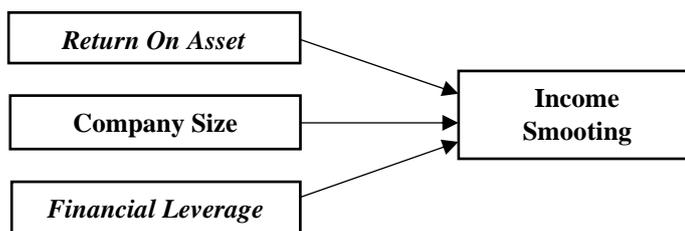
In the National Sharia Council Fatwa No. 87 / DSN-MUI / XII / 2012 allows income smoothing by taking into account:

- a. Decree of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) in Syari's Syari, number: 12 (number 3/1/5/14) which states if:
"Based on the company's articles of association or the decision of the shareholders, the company may hold company profits without being shared, or set aside a certain amount of profit periodically to strengthen the company's performance (solvency reserve) or form a special reserve to mitigate the risk of capital loss (investment risk reserve). or to maintain the stability of the profit sharing (profit equalization reserve) "
- b. Opinion of Wahbah al-Zuhail in Kitabal-Fiqhal-Islami wa Adillatuhu (Juz V, p. 3939):
"The Hanafiah Ulama is exaggerating to make a condition that one of the parties with the contract receives a certain amount of dinar which is known in terms of business profits exceeding a certain value. This requirement is considered valid and does not affect the validity of the mudharabah contract, because it does not lead to unclear profit (share). "

Decided that:

The income smoothing method is an arrangement for the recognition and reporting of profit or income from time to time by retaining a portion of the income in one period and diverted it in another period with the aim of reducing excessive fluctuations in profit sharing between Islamic Financial Institutions (LKS) and customers who deposit funds (Third Party Funds or DPK)

Theoretical framework :



Return On Asset (ROA) Relationship with Income Smoothing

Changes in ROA indicate changes in management's ability to generate profits by utilizing assets used in operating activities. If the change is bigger, it shows the greater the fluctuation in management's ability to generate profits. This situation affects investors when predicting profit and also predicting risk in investment so that it has an impact on investor confidence in the company. Meanwhile, on the other hand, management is motivated to carry out income smoothing practices so that reported earnings do not

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fluctuate so as to increase investor confidence in companies that have invested capital. In addition, a management practices income smoothing so that investors who have already invested in the company will continue to the next period and also attract new investors.

H1: Return on assets has an effect on income smoothing.

Hubungan Ukuran Perusahaan dengan Perataan Laba

One of the reasons for involving company size as an estimate of the effect of income smoothing is because small companies (the number of assets) have a tendency to carry out income smoothing practices compared to companies with relatively high total assets. This is because large companies get more "attention" (from investors) than small companies. The bigger the company, the greater the attention paid by the public or investors to the company, so that the bigger the size of the company, the less chance for managers to take income smoothing actions.

H2: Firm size has no effect on income smoothing.

Relationship between Financial Leverage and Income Smoothing

Debt Level or better known as Financial Leverage reflects the extent to which the company's assets can overcome the debt owned by the company. Financial leverage can be detrimental to the company if the company cannot get income from the use of these funds in the amount of fixed expenses that are regularly paid. Companies with low financial leverage ratio analysis have a smaller risk of loss, but also have lower returns. If the company has an analysis of financial leverage ratios or high debt levels, but also has the opportunity to earn a higher profit, and Vice Versa.

H3: Financial leverage affects income smoothing action

3. METHODOLOGY

This study uses secondary data, considering that secondary data obtained from the JII website is in the form of annual financial reports from 2015 to 2018 as well as other supporting data from the official websites of the related companies. The data collected is the annual report data and financial reports from construction companies owned by BUMN which are registered in JII from 2015 to 2018.

The population is BUMN-owned construction companies whose shares are listed on the Jakarta Islamic Index from 2015 to 2018. Meanwhile, the sampling technique used is all BUMN-owned construction companies listed in JII. From the above characteristics, it is found that companies engaged in construction owned by BUMNs registered in JII from 2015 to 2018, there are 3 construction companies owned by BUMN, namely PT Waskita Karya (Persero) Tbk with the ticker code WSKT, PT Wijaya Karya (Persero) Tbk with the ticker code WIKA and PT Waskita Beton Precast Tbk with the ticker code WSBP. This study uses purposive sampling technique, with the criteria applied are:

1. State-owned construction company registered in JII 2015-2018.
2. BUMN-owned construction companies that are not BUMN subsidiaries.

3. Companies that report audited annual financial statements for the 2015-2018 period.
4. Availability and completeness of audited 2015-2018 data.

Research Variables and Measurement Variables are presented in the table below :

Table 1. Variables and Measurement Variables

Variable	Operational Definition	Measurement
Income smoothing	Income smoothing is an action to minimize fluctuations in earnings that will be reported in each period. Measurement of income smoothing uses the Eckel Index (1981) using the Index Coefficient Variation (CV)	$\text{Income smoothing} = \frac{CV \Delta I}{CV \Delta S}$ where : ΔI : Change in profit over a period of time ΔS : Change in operating income for a period CV : The coefficient of variation of the variable, namely : $\text{Coefficient variation} = \frac{\text{Standard deviation}}{\text{Expected value}}$ Thus, $CV \Delta I$ = coefficient of variation for changes in earnings $CV \Delta S$ = coefficient of variation for changes in income $CV \Delta I$ or $CV \Delta S$ can be calculated as follows: $CV \Delta I \text{ and } CV \Delta S = \frac{\sqrt{\sum (\Delta X - \bar{\Delta X})^2}}{n-1}$ If the Eckel Index value is ≥ 1 , then the company does not do income smoothing and is given the symbol 0. Whereas if the Eckel Index value is <1 , then the company practices income smoothing and is given symbol 1.
Return On Asset	Return On Asset is a ratio used to determine the ratio of net profit after tax to total company assets.	$\text{Return On Asset (ROA)} = \frac{\text{Earning After Tax}}{\text{Total Assets}} \times 100\%$
Company Size	The size of the company or firm size is the size or size of the company which is assessed in terms of total assets	Company Size = Total Assets
Financial Leverage	Use of funds with fixed expenses.	$\text{Debt to equity ratio} = \frac{\text{Total liabilities}}{\text{Asset Capital}}$

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The research data will be analyzed using the SPSS analysis tool to test the hypothesis.

4. ANALYSIS

Descriptive statistics

Table 2. Descriptive statistics

	N	Min	Max	Mean	Std. Deviation
Return On asset	12	.03	.11	.0559	.02264
Company Size	12	10.32	18.64	16.6378	2.20768
Financial Leverage	12	.45	3.31	1.8672	1.06218
Income Smoothing	12	-4.82	2.01	-.3178	1.62733
Valid N (listwise)	12				

Source: processed data, 2019

The minimum value for the variable Return On Asset in BUMN-owned construction companies is 0.3 and the maximum value is 0.11 with an average value of 0.559. This means that the ratio of the smallest net profit after tax is 0.3 and the largest net profit ratio is 0.11. The standard deviation of 0.0226 shows the variations contained in the Return On Assets of construction sector companies. From the data on return on assets or profitability, it can be seen that the average value is 0.559 with a standard deviation of 0.0226, a standard deviation value that is smaller than the average indicates that the construction company being the sample is less varied or the sample lacks many values to be tested. The average value of return on assets of 0.559 is closer to the maximum, so that the average value of return on assets in this sample is quite high. Fixed assets in each sample company from year to year tend to increase. There are several factors that influence this, namely an increase in asset value, an increase in fixed assets which increases in value every year and so on.

The firm size variable has the smallest value of 10.32 and the largest value is 18.64 with an average value of 16.6378. Thus the value of company size affects the CVAI calculation which will also affect the income smoothing calculation. However, with an average value of 16.6378 this figure is not yet close to negative, so that the average company size value in the sample used is quite varied.

Variable Financial Leverage of the company, the greater the value of these variables, the greater the value of the ratio of debt to total assets. The smallest type of construction business was 0.45 and the largest value was 3.31 with an average value of 1.8672. This means that the sample companies have the least ratio between debt to total assets is 3.31. The standard deviation value for the Financial Leverage variable is 1.0621, which is greater than the mean value of 1.8672. This result shows that the construction companies owned by the BUMNs sampled in this study have on average financial leverage or use sources of funds from investors to finance operational activities. The company has a mean result of 1.8672 which is greater than the mean firm size. This result

is due to an increase in accounts payable experienced by each sample company. However, the increase in trade payables is directly proportional to the increase in construction work income.

Descriptive analysis test for the dependent variable, namely income smoothing, it can be seen that the standard deviation value is 1.627 and the mean value is -0, the smallest is -4.82, this means that most of the sample companies through the eckel index calculation do not perform income smoothing. The highest value of the income smoothing variable was 2.01, which means that from all data samples of construction companies owned by BUMN that were listed in JII, there was only 1 company in 1 period that carried out income control measures. Low income smoothing reflects the high level of honesty and transparency of management in the financial statements presented.

Classic Assumption Test

Normality test

The normality test is carried out to test whether the regression model is normally distributed or not. Normal distribution is detected using nonparametric statistical analysis Kolmogorov-Smirnov (K-S) with the decision rule if the significant value is more than $\alpha = 0.05$, it can be said that the data is normally distributed. Based on the SPSS output table, it is known that the significance value of Asymp.Sig (2-tailed) is $0.704 > 0.05$. Based on the decision making in the Kolmogorov-Smirnov normality test in the table, it can be concluded that the data is normally distributed, meaning that the companies that are the sample are normally distributed.

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		12
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	,76707224
Most Extreme Differences	Absolute	,203
	Positive	,144
	Negative	-,203
Kolmogorov-Smirnov Z		,705
Asymp. Sig. (2-tailed)		,704

a. Test distribution is Normal.

b. Calculated from data.

Multicollinearity Test

The multicollinearity test was carried out using the VIF value. A variable shows multicollinearity symptoms seen from the VIF (Variance Inflation Factor) value greater than 10, then multicollinearity occurs. Following are the multicollinearity test results:

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Tabel 4. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
	B	Std. Error	Beta	Tolerance	VIF
1 (Constant)	-.221	2.130			
Return On asset	-17.731	12.825	-.247	.872	1.147
Company Size	.145	.128	.196	.918	1.089
VAR_X3	-.425	.081	-.965	.824	1.213

a. Dependent Variable: Perataan Laba

Based on the output table "Coefficients" in the "Collinearity Statistics" section, it is known that the VIF value for the variables Return On Asset (X1), Company Size (X2) and Financial Leverage (X3) <10. So it can be concluded that all independent variables are used in the research regression model. it is free from multicollinearity.

Heteroscedasticity Test

The Glejser test is a hypothesis test to determine whether a regression model has an indication of heteroscedasticity or not in the presence of an inequality of variants of the residuals for observations in the regression model.

Tabel 5. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.486	.830		.586	.574
Return On asset	5.508	4.995	.318	1.103	.302
Company size	.001	.050	.005	.018	.986
VAR_X3	-.050	.031	-.470	-1.585	.152

a. Dependent Variable: ABS_RES2

Heteroscedasticity test with Glejser test saw the output table "Coefficients" with the variable Abs_RES2 acting as a role as the dependent variable. Based on the output, it is known that the significance (Sig) for the variable Return on assets (X1), Company Size (X2) and Financial Leverage (X3) which has been transformed has a significance value greater than 0.05, so according to the basis for decision making in the Glejser test, it can be concluded that there are no symptoms of heteroscedasticity.

Autocorrelation Test i

The autocorrelation test is carried out by using the Run Test, the results are as follows:

Tabel 6. Runs Test

	Unstandardized Residual
Test Value ^a	.10877
Cases < Test Value	6
Cases >= Test Value	6
Total Cases	12
Number of Runs	8
Z	.303
Asymp. Sig. (2-tailed)	.762

a. Median

Based on the "Unstandardized Residual" output, the Asymp value is known. Sig. (2-tailed) is $0.762 > 0.05$, which means that the null hypothesis failed to be rejected. Thus, the data used is quite random or random so that there is no autocorrelation problem in the variables being tested.

Hypothesis Testing

Hypothesis testing is a process to test the significance of multiple linear regression coefficients partially related to the hypothesis statement used in the study.

Tabel 7. Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.221	2.130		-.104	.920
Return On asset	-17.731	12.825	-.247	-1.382	.204
Company size	.145	.128	.196	1.129	.292
VAR_X3	-.425	.081	-.965	-5.258	.001

a. Dependent Variable: Perataan Laba

The variable return on assets with income smoothing and company size has a value of $\text{Sig} > 0.05$, which means that there is no significant effect between Return on Assets and Company Size on Income Smoothing. Financial Leverage variable with test value = $0.001 > 0.05$, which means that Financial Leverage has a significant effect on income smoothing.

The results of the simultaneous significant test (f test) produce a sig. with a value of $0.005 < 0.05$, it can be concluded that there is an influence between Return On Assets (X1), Company Size (X2), and Financial Leverage (X3) on income smoothing action (Y).

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Tabel 8. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.882 ^a	.778	.694	.89947	.778	9.335	3	8	.005

a. Predictors: (Constant), VAR_X3, Ukuran Perusahaan, Return On asset

Based on the Model Summary table, it is known that the magnitude of the influence of Return On Assets, Company Size and Financial Leverage (simultaneously) on the performance calculated by the correlation coefficient is 0.778, this indicates a moderate effect. Meanwhile, the simultaneous contribution or contribution of the variable Return on Assets, Company Size and Financial Leverage to income smoothing is 77.8% while 22.2% is determined by other variables. The probability value (sig F Change) = 0.005 < 0.05, the decision is that simultaneously Return On Assets, Company Size and Financial Leverage have a significant effect on income smoothing actions in BUMN-owned construction companies listed in JII from 2015 to 2018.

The Standard Error of the Estimate value results in a value of 0.8994, this indicates a value that is not too large so that it can be concluded that the regression model is suitable to be used to predict the dependent variable. Meanwhile, the R value of 0.882 shows that the relationship between the dependent variable and the independent variable (ROA, company size and financial leverage) is quite strong.

5. RESULTS

Income Smoothing

Referring to the results of this study's calculation, it shows that the majority of state-owned construction companies are classified as non-grading. There is only 1 company in 1 period that is classified as a leveler, namely PT Waskita Beton Precast (Persero) Tbk in 2017. From these results, the calculation of income smoothing, that later the red plate construction company will spearhead the development of a new capital free from income smoothing, so that the government will be able to make correct and accurate decisions regarding everything related to development expenditures. Based on the results of the eckel index test using categorized samples, in this study most companies did not perform income smoothing. However, there are other variables that can prove that the sample does income smoothing through the variables used in this study.

Return On Asset (ROA)

Return On Asset is a ratio used to determine the ratio of net profit after tax to the total assets of the company. The ROA value shows the company's ability to generate profits based on the assets owned by each company.

Based on the results of the analysis carried out on 3 construction companies owned by BUMN, the Jakarta Islamic Index for the 2015-2018 period obtained results that describe the level of income smoothing. The smoothing index value of the smallest construction company is - 0.482936 which is obtained from the comparison of the coefficient of variation (CV) of change in earnings (ΔI) and the coefficient of variation (CV) of change in sales in one period owned by PT Wijaya Karya (Persero) Tbk. Meanwhile, the largest smoothing index is 0.556366 at PT Waskita Karya (Persero) Tbk.

The results of descriptive statistics in this study show that the average construction company owned by BUMN has the value of Sig. 0.204 > 0.05 then there is no effect of the ROA variable on income smoothing. This indicates that the income smoothing action for construction companies owned by BUMN is low. This is probably due to the assumption that income smoothing is an act of fraud that is prohibited and must be prevented. However, in this study using an object on Sharia stocks, specifically the Jakarta Islamic Index, where if the company is going to enter or list the Sharia securities, of course, it has met the predetermined requirements. MUI DSN Fatwa No. 87 / DSN-MUI / XII / 2012 has considered if the company is allowed to save or reserve profits with the intention of guarding against possible unfavorable conditions in the next period so that it can make a company's profit decline and also the company's operational continuity. In addition, this can also indicate that management is less able to reduce the fluctuations in reported earnings. The best of all things considered, this article was originally published in Indonesian language.

The results of this study are contrary to the hypotheses that have been formulated, but are in line with the results of research conducted by Shanie Sukmawati, Kuasmuriyanto and Linda Agustina (2014) which result that return on assets has no effect on income smoothing.

Company Size

In the t test it is known that company size has an effect of 0.292 > 0.05, so there is no effect on income smoothing action. This result is in line with the hypothesis stated in the previous chapter if H2: firm size has no significant effect on income smoothing. The results of this study, which means that the bigger the company, the less chance the company manager will practice income smoothing. The insignificance of the size of the company in this study is probably due to the fact that company managers in terms of income smoothing practices have different personal interests regardless of whether the company is large or small, which means that large and small companies have the opportunity to carry out income smoothing practices depending on the personal manager of each company. In addition, company size has no effect on income smoothing because the income smoothing carried out by the sample companies is not triggered by the size of the sample companies, but on the basis of the company's goal of wanting a larger investment. During this research, the company had high assets because there was also an increase in projects in line with the central government's work program, namely infrastructure development to support the Indonesian economy.

This result is the same as the research conducted by Shanie Sukmawati, Kuasmuriyanto and Linda Agustina (2014) which results that company size has no effect on income smoothing. In addition, research conducted by Harris Prasetya and Shiddiq Nur Rahardjo (2013) also shows that there is no effect.

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Financial Leverage

Financial Leverage is measured by using total debt (liabilities) divided by total capital (equity) to produce a debt to equity ratio (DER). In calculating the DER, the composition of debt and equity is shown. The debt every year at each company tends to increase every year. This is the impact of routine activities of construction sector companies, namely other trade payables and equipment lease payables. In addition, there was also an increase in short-term bank debt by third parties.

Based on the test results of the influence of the Financial Leverage variable using the DER calculation on earnings after transforming the variable using the variance, it is known that the t test for the Financial Leverage variable has a Sig value. $0.001 < 0.05$, then there is an effect of the variable Financial Leverage on income smoothing. This result is in accordance with the hypothesis that "financial leverage affects income smoothing action" is accepted. This is consistent with research conducted by Sartono (2001) in Diastiti (2010) that financial leverage shows the portion of debt use to finance investment. In addition, research conducted by Siti, Muslih and Wiwin (2019) also stated that DER has an influence on income smoothing. In addition, there is research from Nur Fitri, Eyo Astro Sasmita and Amir Hamzah (2018) which also shows that Financial Leverage has an effect on income smoothing. The results showed that the financial leverage variable has an effect on income smoothing action, this means that if the company's debt is high, the company's risk is also high. Companies that have a high risk can make investors get more dividends from the investment they have given to the company. This can make managers practice income smoothing, so that the resulting profit looks stable (profit fluctuations are not too high or too low between periods). If the manager records a stable profit, investors will assume that the company is able to reduce risk.

6. CONCLUSION

1. Generate analysis showing that Return On Asset has no significant effect on income smoothing actions in BUMN-owned construction companies listed in JII 2015-2018. This indicates that management is less able to reduce reported fluctuations in earnings, because within a certain period of time it is likely that a company will experience fluctuations in earnings.
2. The results of the analysis show that company size has no effect on income smoothing actions in state-owned construction companies listed in JII 2015-2018. This proves that big or small a company has the opportunity to take income smoothing action depending on the personal manager of each company.
3. The results of the analysis show that financial leverage has an effect on income smoothing action in state-owned construction companies listed in JII 2015-2018. From these results it can be concluded that the higher the level of financial leverage of the company, the company chooses to practice income smoothing.

Limitations

This study has limitations, namely:

1. Using the Eckel Index (1981) which may have an insignificant effect on research conclusions.
2. The number of research objects only focuses on 3 companies for 4 periods so that the sample that can be used is 12.
3. Only use three variables of return on assets, company size and financial leverage

Suggestion

1. Future research, if you want to use state-owned companies, can combine it with private companies with similar fields so that a larger number of samples can be obtained.
2. Research that focuses on income smoothing should use an index or other calculation similar to the Eckel Index (1981).
3. For research that will test income smoothing as the “Y” variable, it is necessary to use other variables or add variables, such as type of business, net profit margin (NPM), ownership structure or other variables.

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