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Factors that have an impact on improving profit management of manufacturing companies

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ABSTRACT

This study aims to examine the effect of good corporate governance and accounting conservatism on earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. Using a quantitative approach and multiple linear regression analysis, the research analyzes data from five manufacturing companies, resulting in 15 samples from financial reports over three years. The findings reveal that good corporate governance has a positive and significant impact on earnings management, indicating that better corporate governance improves earnings management practices. However, the study shows that accounting conservatism has no significant effect on earnings management when analyzed independently. Despite this, the combined effect of good corporate governance and accounting conservatism on earnings management is found to be positive and significant. This suggests that while accounting conservatism alone does not influence earnings management, it contributes positively when combined with strong corporate governance practices. The implications of this research emphasize the importance of robust corporate governance for enhancing earnings management, while accounting conservatism helps present more accurate financial statements. Manufacturing companies are encouraged to strengthen internal controls through effective corporate governance and conservative accounting practices to boost stakeholder confidence and ensure sustainability.

Contribution/ Originality: This research is original as it uncovers the unique joint effect of corporate governance and accounting conservatism on earnings management in the context of post-pandemic (2020-2022) Indonesian manufacturing companies, a new perspective that has not been widely explored in previous studies, with up-to-date data and analysis.

1. INTRODUCTION

Accounting was born with the aim of providing services to its users in the form of financial information needed for decision-making. One of these services is the provision of financial reports. Financial reports are a tool for conveying financial information about management's responsibility for its performance. The goal of the accounting conceptual framework is to provide clarity on a company's financial flows so that decision-makers may make well-informed choices by converting financial reporting into the essential component of accounting. It must represent the

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core elements of excellent financial information, including timeliness, verifiability, comparability, and understandability, and it must depict financial transactions (Wiharno, Hamzah, & Pangestu, 2023).

Profit as an indicator for measuring how efficient and effective a company is in managing its resources and achieving improvements from time to time. Company management is encouraged to increase profits; not a few managers take actions that deviate from the benefits offered. This misleading practice affects financial statements's users to make decisions that are not of good quality due to the discrepancy between the information obtained and the actual situation and actual situation of the company (Cahyani & Khafid, 2020). The task of a manager, known as profit management, involves adjusting the reported profits from a unit under their purview, without altering the long-term profit unit. Profit management acts by intervening during the company's financial reporting process, which is deliberately carried out for personal gain. The manager takes this action because there is an opportunity, when preparing a transaction, he may choose an accounting method to change the statements of financial; thus, it misleads a company owner regarding the company's economic results and affects its financial performance (Vidiyastutik & Hendra, 2020).

Manager's profit management practices lead to a financial report's lack of reliability and an increase in recording errors, confusing users who trust these reports to be authentic and unmanipulated (Azelita & Prihandini, 2021). Profit management is divided into three categories, including white, gray, and black. White profit management indicates transparent reporting, destructive profit management (black) is related to misrepresentation and fraud; and gray profit management is report manipulation that is still within the boundaries of compliance and clear standards, is opportunistic, and increases efficiency. Countries that still have high corruption index scores prove that many opportunistic actions occur due to many cases of account fraud in the Republic of Indonesia, such as the railway company, Kimia Farma (pharmaceutical industry), and also PT Hanson International (real estate company) and PT Garuda Indonesia (airline company) (Narsa, Afifa, & Wardhaningrum, 2023). Indonesia has found two hundred thirty-nine troubles of fraud in that place, where the fraud of financial statements reached 6.7%, or 16 cases. Based on 93 respondents (38.9%), it is known that the financial media has made a very large contribution in exposing fraudulent financial statements in Indonesia. Therefore, exploring financial profits in Indonesia is always interesting to discuss (Association of Certified Fraud Examiners (ACFE) Indonesia Chapter, 2019).

Good Corporate Governance (GCG) is needed by companies to maintain performance to face intense business competition by implementing ethics in their operational activities on a regular basis (Budiyono, 2021). Business people and the government need and are required to create very strong motivation for GCG by issuing regulations that regulate Good Corporate Governance in companies (Azmy, Anggreini, & Hamim, 2019). Indonesia Institute to Cooperate Governance. The main goal of GCG is to comply with regulations. The corporation views the implementation of GCG as a means of integrating distinct ethics at work, and it has become a long-standing corporate standards. Meanwhile, GCG adoption in the company would increase the organization's worth and image.

The number of commissioners has an important role in carrying out its functions. The commissioners of board are tasked with monitoring whether the company is operating based on GCG standards. Then, commissioners's board would also provide input ideas and suggestions to the directors for further consideration regarding the management of the company. Increasing the number of members will facilitate the exchange and the communication of innovative ideas within the company. The audit committee is an independent, certified body overseeing the financial reporting process. They operate autonomously in their tasks and lack the power to address the shareholders' general assembly. The committee of audit which is they try the main one of the job in aiding the directors in the statements of financial performance in the organization. The audit committee also supervises the corporate control structure to ensure that it is appropriately and correctly executed (Rahayu, 2021).

Management profits might also entice investors to put their money into the company. Because this is because the company's financial reporting makes a profit, the company would give the profits to investors in the form of a dividend. For share owners and/or investors, profit means an increase in value economic (wealth), which will be received

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through the distribution of dividends and profits as well as using the tools to measure the performance of company management in assessing performance on management responsibility in resource management resources entrusted to them, so that investors can use them to know the prospects of the company's future.

Implementing GCG mechanism can minimize current earnings management behavior. Some of them mean the objectives of GCG are to reduce the management actions or practices that are often carried out by company managers. With the existence of a monitoring and control system as a basic principle of GCG, there are hopes of reducing earnings management actions or practices in the implementation of GCG, especially the implementation of existing principles.

Investors use manager's accounting conservatism as a positive consideration for investors. This is due to accounting conservatism; managers are more conservative in reporting earnings. As a result, the company's image will be considered good by the community so that it can increase the price of the stock. And also, the increase in the stock price will reduce the difference in information that investors receive from managers (Afridah & Yanto, 2015; Rodrigues & Galdi, 2017). Conservatism is said to be the precautionary principle that is applied when a company is faced with an uncertain or uncertain environment so that the company is more careful in facing financial difficulties. The principle of conservatism, which companies adopt in the face of economic difficulties, encourages mangers to prepare the best prudential statements for the benefit of all financial statement users, given the uncertainties. A typical and complete example of financial manipulation is the case of the Toshiba Corporation. The audit team selected by Toshiba Corp. The result was that the company was overly profitable, with a profit of the 151.8 billion yen in IDR 16 trillion from April 2008 to March 2014 (Tribunnews, 2015). Toshiba argues that the large profit is due to long-term financial calculation and recording errors and continued abuse of accounting procedures. This information is bad news for investors, creditors, shareholders, and other parties. Errors in calculating and recording the financial statements reflect the application's lack of the accounting's principle of conservatism in recording income and expenses when the preparation process of financial reports is carried out (Sugiarto & Fachrurrozie, 2018). According to the explanation, now the researcher wants to do research to know about the influence of GCG and accounting conservatism in the management of profit in the companies of manufacturing listed on the IDX in 2020 – 2022.

2. LITERATURE REVIEW

2.1. Good Corporate Governance

Good corporate governance (GCG) guarantees effective, responsible, and transparent business operations. It guarantees adherence to rules, regulations, and standards while balancing the interests of many stakeholders, including the public, employees, and shareholders. In order to shield the business and its stakeholders from harm, GCG also attempts to avoid conflicts of interest and the misuse of authority (Gusmiarni & Alisa, 2022).

GCG places a high value on transparency, mandating that businesses give stakeholders accurate and timely information. This guarantees trustworthy business judgments, reduces mistakes, and fosters trust, all of which improve a positive business reputation (Wibowo & Sari, 2021). Good corporate governance (GCG) is a concept that guarantees investors get their money back. Regulations and relationships between those in charge and those making decisions are involved, along with oversight. (Utomo, 2020). advocates for a reduction in profit management, specifically managerial ownership.

2.2. Accounting Conservatism

The concept of accounting conservatism emphasizes prudence in ambiguous situations to avoid overstating income or assets or understating liabilities. This strategy seeks to close the information gap between management and shareholders. Accounting conservatism is a component of initiatives taken by companies to ensure the accuracy and transparency of financial statements (Nguyen, Duong, Nguyen, & Bui, 2020).

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Accounting conservatism is a careful approach to financial reporting with the goal of minimizing earnings manipulation and avoiding exaggeration of a company's financial performance. The prudential concept, which mandates businesses to value their assets and liabilities using cautious estimation, serves as its foundation (Shubita, 2021). Accounting conservatism ensures the accuracy and clarity of financial statements, thereby facilitating corporate decision-making. By showing investors that the company's performance is reliable, management hopes to ease investors' concerns over the company's financial stability (Qin, 2017).

2.3. Profit Management

Earnings management is a deliberate corporate management practice to alter reported results and possibly provide artificial economic benefits. In the long run, this can be harmful as it violates financial accounting norms and generates misinformation (Muliani, Ilham, Akhyar, & Maimunah, 2023). One of the characteristics of accounting is earnings management, which is the process of assessing, modifying, and estimating accruals in financial statements to control earnings. It involves the deliberate manipulation of external financial reporting earnings to gain personal benefit by raising or lowering business profits (Manurung & Isynurwardhana, 2017).

3. METHODS

Research of a quantitative nature employs the multiple linear regression analysis. According to Wagner, Moore, and Aryel (2011), statistical calculations of multiple linear analysis are useful in seeing the several variables of independents effected on the variable of dependent that previously have knew the value of the independent variables beforehand. By using multiple regression, researchers can test how much the independent variables jointly affect the dependent variable. Good corporate governance and accounting conservatism are the two independent factors examined in this study. Multiple regression allows for the simultaneous analysis of both factor's impact on earnings management. With multiple regression, the direction and level of the relationship between the variables under study can be determined. Through the use of this methodology, researchers can ascertain the existence and strength of the positive, negative, or negligible impact of good corporate governance and accounting conservatism on earnings management. The financial statement of the company's manufacturing is the second data and also has been registered with the IDX. The manufacturing companies number is 5 companies with a period of 2020 to 2022. This study concentrate its analysis on certain companies that are deemed representative or significant examples in the manufacturing industry. Thus, researchers can be more in-depth in analyzing the effect of good corporate governance and accounting conservatism on earnings management. Samples were taken using a purposive sampling technique. Therefore, it was understood that the research's number of samples used was 15 samples (N = 15). The framework of research is shown in Figure 1, while Table 1 lists the manufacturing companies used in the study.

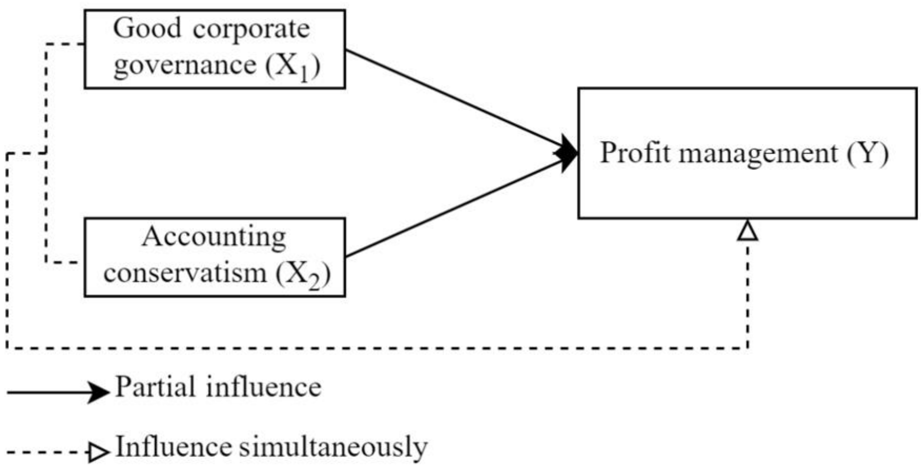

Figure 1. Framework of thinking.

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Table 1. Company names.

No	Code	Company name
1	AISA	PT FKS food Sejahtera
2	GOOD	PT of Garudafood Putra Putri Jaya Tbk
3	MYOR	PT of Mayora Indah Tbk
4	UNVR	PT of Unilever Indonesia Tbk
5	ICBP	PT of Indofood CBP Sukses Makmur

3.1. Good Corporate Management

The GCG is a system of regulation, management, control, and supervision of the ongoing business so as to increase the value of company and show concern for society, investors, creditors, and shareholders (Azmy et al., 2019). GCG internal mechanisms include the ownership of the managerial, commissioners of independent, meetings of audit committee frequency, and also audit committee competency. This research is deep GCG calculations using audit committees (Nurlaily, 2022). The supervisory board sorts and gathers data for the audit committee, a self-contained working committee unit (Dewi, Sudarto, Ramadhani, Putri, & Saputri, 2022). Financial reports audited by Big Four and non-Big Four accountants are used to generate the audit quality variable. This variable is tested using a dummy variable that is 0 if Public Accounting Firm (PAF) listeners are not in the Big Four group and 1 if PAF listeners are in the Big Four group (Purba, 2016).

3.2. Accounting Conservatism

Conservatism's accounting is measured by Beaver and Ryan (2000) who use an expert's net worth to define the value of market at the company's book value. The book value computation begins with an equity on December 31, as well as the stock closing price on the issue date, which can be used to estimate market value. The following formula is used to calculate accounting conservatism:

$$\mathrm{MBT_{it}} = \frac{\mathrm{Market\ Price_{it}}}{\mathrm{Book\ Value\ Per\ Share_{it}}}$$

Information :

MTB $_{it}$: The Market to Book Value.

Market Price $_{it}$: Close price of the outstanding share of the firm on financial statement's date publication

Book Value Per Share $_{it}$: The Value Equity an outstanding share on December 31 in t-period.

3.3. Profit Management

Discretionary accruals are a tool for profit management calculations. Discretionary accruals are determined and use the modified Jones Model. This model is deemed superior to others since it has a lower standard error and the regression results of the total accrual value are lower (Dechow, Sloan, & Sweeney, 1996).

3.4. The Total Accruals (TA)

$$\mathrm{TACCit} = \mathrm{NIit} - \mathrm{OCFit}$$

$$\mathrm{TACCit/TAit} - 1 = \alpha_1(1/\mathrm{TAit} - 1) + \alpha_2(\Delta\mathrm{REVit/TAit} - 1) + \alpha_3(\mathrm{PPEit/TAit} - 1)$$

Information:

TACCit	= Total Accrual of the Company in Year t
Niit	= Net Income of the company In Year t
OCFit	= Operating Cash Flow of the company In Year t
TAit-1	= Total assets of the company In Year t-1
ΔREVit	= Change in the company income In Year t
PPEit	= The value of the company's fixed assets In Year t

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3.5. Non Discretionary Accruals (NDA)

$$NDACCit = \alpha_1(1/TAit - 1) + \alpha_2(\Delta REVit/TAit - 1 - \Delta RECit/TAit - 1) + \alpha_3(PPEit/TAit - 1)$$

Information:

NDACCit = Non Discretionary Accruals of company In Year t.

TAit-1 = Total assets of company In Year t-1.

ΔREVit = Change in company income In Year t.

ΔRECit = Change in receivables of company In Year t.

PPEit = The value of the company's fixed assets In Year t.

3.6. Discretionary Accruals (DA)

$$DACCit = (TACCit / TAit - 1) - NDACCit$$

Information:

DACCit = Discretionary Accruals of company In Year t.

NDACCit = Non Discretionary Accruals of company In Year t.

TACCit = Total accruals of company In Year t.

TAit-1 = Total assets of company In Year t-1.

4. RESULTS

4.1. Normality

The normality test was employed to verify whether or not the research model of regression of the dependent and independent variables had a normal distribution (Ghozali, 2013). Multiple linear regression models will be authorized if the data is normally distributed or close to normal. The test, in general, is a non-parametric statistical analysis with the Kolmogorov-Smirnorv sample. Testing with Kolmogorov-Smirnorv, the data has been declared normally distributed if it has an Asymp value. Sig > 0.05, and vice versa (Ginting & Silitonga, 2019). Figure 2 and Table 2 are the normality test results that have been processed using SPSS version 22.

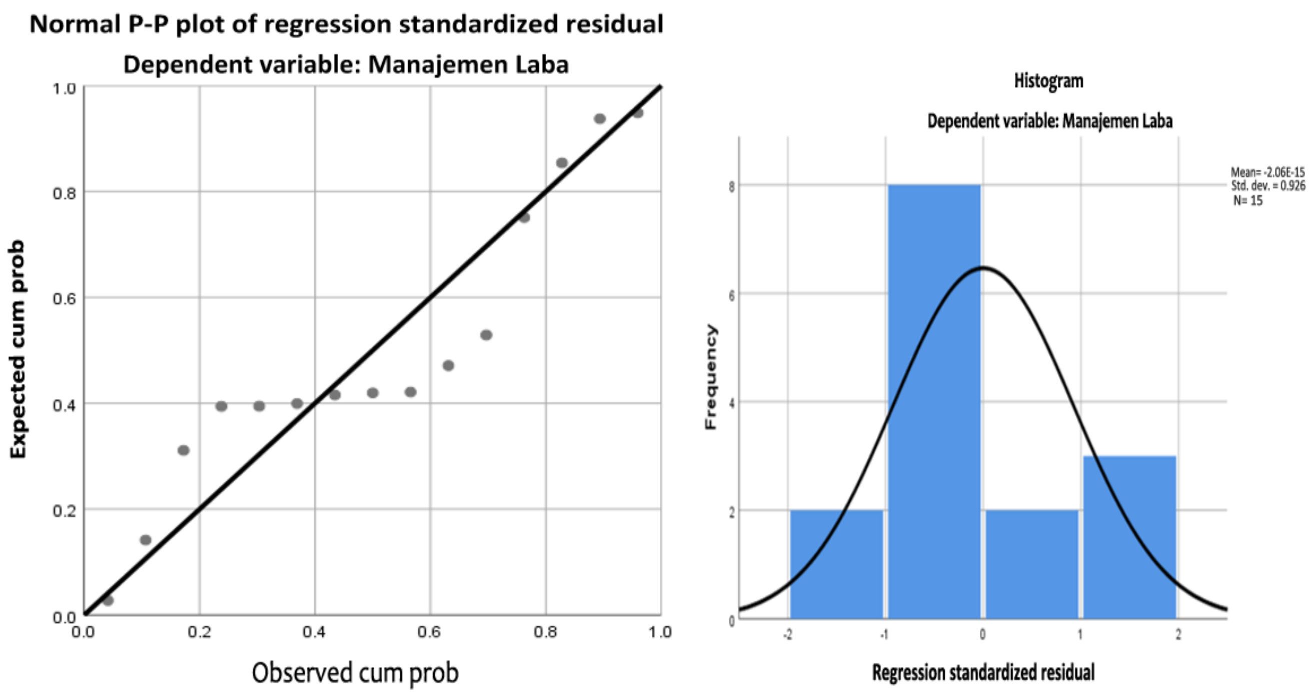

Figure 2. Normality test plot.

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Table 2. Test results of normality.

Component	Unstandardized residuals
N	15
Kolmogorov-Smirnov	0.2 02
Asymp. sig (2-tailed)	0.100 _ _

And when the Asym. Sig (2-tailed) a value is also greater than 0.05, the data can be deemed to be normally distributed using a Kolmogorov-Smirnov test. The Kolmogorov-Smirnov outcome test in Table 3 yielded an Asym.Sig (2-tailed) value of 0.1 00 > 0.05. Figure 2 clearly demonstrates the regular distribution of the data.

4.2. Multicollinearity

Multicollinearity testing is useful in examining the model of regression, which has the relationship among other independent variables; a regression model can be accepted if there is no multicollinearity. If any multicollinearity that the independent variables are correlated with the variable is called an orthogonal variable. The regression model does not have multicollinearity if it has (variance inflation factor) VIF value < 10 and a tolerance > 0.1. This value indicates collinearity, which can still be tolerated by researchers (Indri & Putra, 2022).

Table 3. Results test of multicollinearity.

Variables	Tolerance _	VIF
Good corporate governance (X_1)	1,000	1,000
Accounting conservatism (X_2)	1,000	1,000

The regression model can be accepted if it has collinearity values that can still be tolerated, namely Tolerance > 0.1 and VIF <10. Table 3 shows the Tolerance and VIF values of the regression model in this research. The independent variable Good Corporate Governance (GCG) has a value of tolerance 1.000 > 0.1 and VIF 1.000 <10. Then the dependent variable Accounting Conservatism has a value of tolerance 1.000 > 0.1 and VIF 1.000 <10. By this value found, which is nothing, the multicollinearity between the independent variable and the model of regression is acceptable.

4.3. The Heteroscedasticity

The heteroscedasticity test seeks to determine whether there are differences between the residual variants of all data in a regression model in the study. The scatterplot graphic shows heteroscedasticity testing for the regression model. The variables must be spread out and also not form a certain pattern in order for the regression model to be accepted (Nibayah, 2019). Figure 3 depicts the scatterplot SPSS test results.

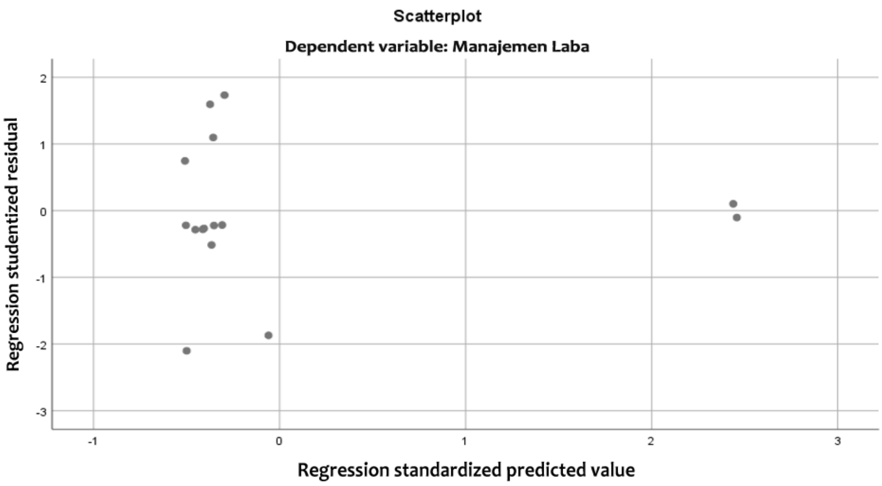

Figure 3. Heteroscedasticity test results.

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The regression model can be accepted if it meets the requirements, namely nothing on heteroscedasticity. Figure 3 describes the heteroscedasticity result test, which has been processed using SPSS. Figure 3 shows that the plots for each variable didn't form a specific pattern. That is, there is no hetorscedasticity in the model of regression in the research.

4.4. T Test

The T test will show the influence exerted by each independent variable, partially or individually, on the dependent variable. The variable of independence in the research are Good Corporate Governance (GCG) (X_1) and Accounting Conservatism (X_2), while the variable of dependence in the research is profit management (Y) (Wardani & Permatasari, 2022). Table 4 shows the multiple linear results method tests that have been processed using SPSS.

Table 4. The method of multiple linear test results.

The model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Betas		
1	(Constant)	-1,398	0.316		-4,420	001
	Good corporate governance (X_1)	0.559	099	0.849	5,652	0.000
	Accounting conservatism (X_2)	088	0.141	094	0.626	0.543

$$Y = -1398 + 0{,}559X_1 + 0{,}088X_2 + e$$

1. Constant, profit management (Y) that occurs but is not influenced by the variable of independent of GCG (X_1) and an accounting conservatism (X_2) is -1.398.
2. X_1 = 0.559, indicating that the positive and significant influence given by the GCG (X_1) is 0.559 on the dependent variable profit management (Y). If there is one increase, an effect of GCG (X_1) on profit management (Y) of 0.559. Meanwhile, if there are two increases, the influence of GCG is 1.118 on profit management.
3. X_2 = 0.088, showing the effect of an accounting conservatism (X_2) on profit management (Y) of 0.088. When there is an increase in accounting conservatism, the positive effect given is 0.088. Furthermore, if there are two increases, the positive influence given is 0.176.

4.5. A Coefficient of Determination

The determination's coefficient (R^2) is the correlation of squared coefficient (R^2). The results test for the coefficient of determination have a correlation coefficient between $-1 < R^2 < +1$, meaning that the coefficient of determination is never negative. Meanwhile, if the determination's coefficient is between 0 and 1, the coefficient of determination can also be expressed as percent (%), indicating that changes in the Y variable are affected by R 2 (%) variations in the X variable (Ulum, 2018). Table 5 shows how the determination's coefficient was calculated using SPSS version 25.

Table 5. Determination's coefficient (R^2).

Model	R	R square	Adjusted R square	Std. error of the estimate
1	0.854a	0.729	0.684	0.130

Note: a: Predictors: GCG and accounting conservatism.

Table 5 explains that there is an influence exerted by the variables independent in the form of GCG (X_1) and accounting conservatism (X_2) on profit management (Y). The effect exerted with the independent variable on the dependent variable is 85.4%. Furthermore, 14.6% is influenced by circumstances outside of the research. The number "a" in the R value (0.854) indicates that this value results from a combination of the independent variables used, namely GCG and accounting conservatism, which affect earnings management.

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4.6. F Test

The F or simultaneous test is beneficial for observing the independent variable's impact on the dependent variable concurrently or simultaneously (Lind, Douglas, & Samuel, 2014). The test findings indicates a simultaneous influence when the computed F value > F table and the significance level is set at 0.05. The F result test was processed using SPSS version 25 as shown in Table 6.

Table 6. F result test.

The model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	0.547	2	0.274	16.166	0.000b
	residual	0.203	12	0.017		
	Total	0.750	14			

Note: b: Predictors: (constant) GCG and accounting conservatism.

Table 6 lists a significance value of 0.000 F_{count} of 16.166. F_{table} with a total of 15 data points is 3.885. These results found the variables of GCG (X_1) and accounting conservatism (X_2) have the simultaneous effect on negative and positive and significant on profit management (Y). This proved with the value's significance 008 <0.05 then a calculated F value of 5.743 > F_{table} 3.885. In addition, the number "b" in the significance value of 0.000 indicates that the result is highly significant, and the significance value of 0.000 <0.05 indicates that the effect of the two independent variables on the dependent variable is highly significant.

5. DISCUSSION

H_1: GCG (X_1) partially has the positive simultaneous and significant effect on profit management (Y).

This research found any positive and significant influence exerted by GCG on management of profit in the company's manufacturing as listed on the IDX. This proved with the value of T_{count} 5.652 > 2.179 T_{table} and *p-value* 0.0 00 < 0.05. The findings indicate that excellent corporate governance has a significant and partly beneficial effect on profit management. That is, the greater a company's good corporate governance, the better and more profit management. Linear research with the results of this study was obtained by Ricky, Darmawati, Wibowo, Dewi, and Kristiawan (2023), Nugroho (2020) and Asitalia and Trisnawati (2017) specifically whether GCG has any positive and significant affect on profit management. Profit management involves manipulating financial statistics inappropriately in order to achieve specific goals, such as increasing stock prices in order to meet profit targets. Companies that use GCG are more transparent and accountable when it comes to communicating financial information. GCG has the ability to steer clear of unethical profit management strategies.

Audit committee activities being busy has an impact on the audit committee's effectiveness, if the audit committee occupies an additional position on the corporate board, then it will be heavily involved in the profit management. The impact of positive activities of members of the audit committee on earnings management adds to understanding regarding the audit committee's role attribute differences in financial reporting. Ghafran, O'Sullivan, and Yasmin (2022) suggest non-executive action by focusing on specific subcommittee activities and studying their impact on the core tasks of subcommittees, so linking activities to produce appropriate results.

Research that contradicts the results obtained by Taco and Ilat (2016), Yusran, Kristanti, and Aminah (2018) and Mahrani and Soewarno (2018) namely GCG in the form of the committee's audit, which has no impact on profit management. The committee of audit has no effect of significance on profit management because the company involved in the audit only aims to comply with regulations, but is not an expert in their fields, so they carry out their work unprofessionally. This demonstrates the audit committee's number members' independence is not the most significant factor that an audit committee must possess (Nasution & Nengzih, 2020).

H_2: Accounting Conservatism (X_2) partially has a positive and significant effect on profit management (Y).

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The research obtained a T test result of T_{count} 0.626 < 2,179 T_{table} and p-*value* 0.543 <0.05. This value explains that there is no effect and it is not partially significant from accounting conservatism on profit management. That is, accounting conservatism on managements of profit, which has no effects. Based on these results, it is known that H2 was rejected and H20 was accepted, where there is no impact of accounting conservatism on profit management. Research that obtains results similar to these results, namely Ani and her partner Al Ani and Chong (2021) knew that the conservatism of accounting does not affect profit management.

According to Lara, Osma, and Penalva (2009) and Lin, Wu, Fang, and Wun (2014) research that is contrary to these findings and has the negative or the impact of significant accounting conservatism on management profit was produced. It means the more accounting conservatism in a corporation, the less likely leaders are to be involved in profit management. Conservatism predicts business failure (Mahardhika & Fitriana, 2019).

H_3: Good Corporate Governance (X_1) and Accounting Conservatism (X_2) simultaneously have a significant effect and are positive on profit management (Y).

Simultaneous testing with the test of F contained the F results $_{count}$ 16,166 > F $_{table}$ 3.885. and sig 0.00 0 <0.05. These results explain any positive and significant simultaneous effects of the variable in the form of GCG and conservatism of accounting on the variable of dependent profit management in manufacturing companies from financial reports in 2020 to 2022.

6. CONCLUSION

Based on the research that has been conducted, this study finds that there is a positive and significant influence exerted by good corporate governance on earnings management in manufacturing companies listed on the IDX. Good corporate governance has a beneficial and considerable effect on earnings management. This means that the better the corporate governance, the better earnings management will be. This study also found that accounting conservatism has no effect and is not partially significant on earnings management. This means that accounting conservatism on earnings management has no effect. Furthermore, this study also found that there is a simultaneous positive and significant effect, which means that there is an influence exerted by the independent variables in the form of good corporate governance and accounting conservatism on the dependent variable earnings management in manufacturing companies for the financial reporting period 2020 to 2022. The implication of this research is that manufacturing companies can improve their internal control by implementing excellent corporate governance principles. Conservative accounting practices can also contribute to the presentation of more accurate financial statements, which will increase stakeholder confidence and sustainability. The limitations in this study are Dependence on a portion of manufacturing companies listed on the Indonesia Stock Exchange limits the application of findings across industries. In addition, the research time 2020-2022 does not show long-term trends.

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