

TAX PLANNING AND LIQUIDITY IMPACT ON EARNINGS MANAGEMENT : THE MODERATING ROLE OF FIRM SIZE

Audrey Velma Sasikirana¹; Melianawati²; Ubaydillah Azzam³;
Elyzabet Indrawati Marpaung⁴

Universitas Kristen Maranatha, Bandung^{1,2,3,4}

Email : Audreyvelma03@gmail.com¹; m3li82@gmail.com²;
ubaydillah.azzam@gmail.com³; elyzabet.im@eco.maranatha.edu⁴

ABSTRACT

This study explores how tax planning and liquidity relate to earnings management and whether firm size strengthens or weakens these relationships. Managers may be encouraged to use discretion in financial reporting due to conflicting interests with shareholders, which may result in earning management techniques. This research adopts a quantitative technique to investigate secondary data from enterprises in the raw materials sector that were listed on the Indonesia Stock Exchange (IDX) in 2018-2024. 32 of the 114 firms in the population met the sample criteria, resulting in 224 firm-year observations. The hypotheses were assessed using panel data regression, and the Chow, Hausman, and Lagrange Multiplier (LM) tests were used to choose a model. The results indicate that the random effect model is the most appropriate for the investigation. According to empirical studies, tax planning affects earnings management, but liquidity does not. Furthermore, whereas firm size does not attenuate the link between liquidity and earning management, it does strengthen the relationship between tax planning and earnings management. . The implications of this study suggest that understanding tax planning strategies and firm size is important for stakeholders in assessing the quality of reported earnings. These findings are expected to be useful for regulators, investors, and company management in improving the transparency and quality of financial reporting.

Keywords : Earnings Management; Tax Planning; Liquidity; Firm Size

ABSTRAK

Penelitian ini mengeksplorasi bagaimana perencanaan pajak dan likuiditas berhubungan dengan manajemen laba dan apakah ukuran perusahaan memperkuat atau memperlemah hubungan tersebut. Manajer mungkin didorong untuk menggunakan diskresi dalam pelaporan keuangan karena adanya konflik kepentingan dengan pemegang saham, yang dapat mengakibatkan manajemen laba. Penelitian ini mengadopsi teknik kuantitatif untuk menyelidiki data sekunder dari perusahaan di sektor bahan baku yang terdaftar di Bursa Efek Indonesia (IDX) pada tahun 2018-2024. Sebanyak 32 dari 114 perusahaan dalam populasi memenuhi kriteria sampel, menghasilkan 224 observasi perusahaan-tahun. Hipotesis dinilai menggunakan regresi data panel, dan Chow Test, Hausman test, dan Lagrange Multiplier (LM) test digunakan untuk memilih model. Hasil menunjukkan bahwa random effect model adalah yang paling tepat untuk penelitian ini. Menurut studi empiris, perencanaan pajak mempengaruhi manajemen laba, tetapi likuiditas tidak. Lebih lanjut, sementara ukuran perusahaan tidak memperlemah hubungan antara likuiditas dan manajemen laba, ukuran perusahaan justru memperkuat hubungan antara perencanaan pajak dan manajemen laba. Implikasi dari penelitian ini menunjukkan bahwa pemahaman

terhadap strategi perencanaan pajak dan ukuran perusahaan, menjadi penting bagi pemangku kepentingan dalam menilai kualitas laba yang dilaporkan. Temuan ini diharapkan dapat menjadi bahan pertimbangan bagi regulator, investor, serta manajemen perusahaan dalam meningkatkan transparansi dan kualitas pelaporan keuangan.

Kata Kunci : Manajemen Laba; Perencanaan Pajak; Likuiditas

INTRODUCTION

All parties with an interest in the firm are very concerned about earnings reporting discretion, which is a critical component in evaluating the quality of financial reporting. (Moghaddam & Abbaspour, 2017). Earnings management represents an accounting strategy used to portray a particular image of a company's financial position and operating results (Khoirunnisa et al., 2025).

From the standpoint of agency theory, earnings reporting discretion practices are seen to have developed as a consequence of management and business owners' divergent objectives, with each side working to attain or preserve a certain degree of welfare. A kind of intentional intervention in the financial reporting process with the purpose of achieving specific advantages for managers and the business as a whole is known as earnings management (Syaputra & Yurniwati, 2022). Such practices are considered legal as long as they comply with applicable regulations (Lovelytan et al., 2025).

In practice, earnings management is perceived to occur when management of financial reports is regulated to achieve certain results, It is said to result from a conflict of interest between shareholders acting as proprietors and management acting as agents (Soraya et al., 2023). One case that is often in the spotlight is the incident involving PT Semen Indonesia (Persero) Tbk, which is suspected of being related to the practice of inflating the budget in transactions in 2022. The gap of IDR 15,082 billion between the first stated transaction value of IDR 37,070 billion and the amount that was subsequently lowered to IDR 21,988 billion suggests that the corporation may have engaged in the process of window dressing while creating financial reports. The financial reports for the first and second quarters of 2023 did not include a transaction of IDR 37.070 billion; it later surfaced in the third quarter report of the same year. Additionally, this transaction value was lowered from IDR 37.070 billion to IDR 21.988 billion in the fourth-quarter financial records that were made public on March 10, 2024.

These differences in declared transaction values point to potential anomalies in the business's financial reporting procedures (Lovelytan et al., 2025).

Earnings management behavior is influenced by a variety of circumstances, such as tax planning, liquidity problems, and firm size. Among these factors, tax planning is seen as an important driver of earnings management. As an element of tax management, tax planning involves forecasting tax liabilities and formulating strategies aimed at lowering the total tax obligations faced by the firm (Achyani & Lestari, 2019). By making use of applicable tax regulations and lawful provisions, tax planning is intended to maximize tax efficiency, which in turn may enhance corporate profitability (Lovelytan et al., 2025). In this situation, financial reports may be adjusted via the use of earnings management, resulting in tax payments being lower than the amount that should be paid (Farida & Sugesti, 2023).

Empirical evidence suggests by Anwar et al. (2022), Indrati & Magfiroh (2023), Kennedy et al. (2023), Liman & Sambuaga (2025), Nugroho & Abbas (2022), and Soraya et al. (2023) consistently show that revenues are influenced by tax preparation reporting discretion. The results indicate that higher levels of tax planning lead firms to engage in earnings management. Conversely, Lovelytan et al. (2025) find a negative effect, while Achyani & Lestari (2019), Farida & Sugesti (2023), Levia & Wahyudi (2025) report no significant effect.

Liquidity represents the capacity of a company to fulfill its immediate financial obligations, indicating how readily its resources can be transformed into cash. Firms that maintain strong liquidity positions hold enough current assets to settle current obligations, which in turn lowers the risk of financial distress or insolvency (Moghaddam & Abbaspour, 2017).

Studies by Alfianti & Yulazri (2023), Khoirunnisa et al. (2025), Moghaddam & Abbaspour (2017) indicates that higher liquidity levels are associated with an increase in earnings reporting discretion practices. In contrast, Lovelytan et al. (2025), Paramitha & Idayati (2020), and Wahyuningtyas & Fitria (2023) document an inverse relationship between earnings management and liquidity while Felicia & Natalylova (2022) and Syaputra & Yurniwati (2022) find no significant Liquidity's impact on earnings management.

Firm size is often regarded as a key factor influencing earnings reporting discretion. The scale of a firm affects its propensity to exercise discretion in financial reporting, as smaller firms are more likely to adjust reported earnings to convey favorable financial conditions and attract potential investors. In contrast, larger firms generally exhibit greater caution in applying earnings reporting discretion due to increased public visibility and stricter oversight from investors and other external stakeholders (Kennedy et al., 2023).

Studies by Alfianti & Yulazri (2023), Ali (2015), Khoirunnisa et al. (2025), and Syaputra & Yurniwati (2022) suggests that firm size is positively associated with earnings reporting discretion. Conversely, studies conducted by (Kennedy et al., 2023; Syaputra & Yurniwati, 2022) document a negative correlation between earnings and business size reporting discretion. In contrast, findings from Paramitha & Idayati (2020) and Soraya et al. (2023) reveal no substantial the impact of company scale on earnings reporting discretion. These mixed results imply that company size alone cannot be relied upon as a definitive indicator of the presence of earnings reporting discretion.

In this study, company scale is employed as a moderating factor. The results of Lovelytan et al. (2025) demonstrate that firm size moderates the impact of tax planning on revenue reporting discretion, but it is unable to mitigate the impact of financial performance, debt level, audit efficacy, and information asymmetry on earnings management. Similarly, Sihombing et al. (2020) discover that although business size does not modify the profitability's influence on EM, it does influence the connection between tax planning and EM. Furthermore, Putri & Kadarusman (2021) provide evidence that firm the impact of tax preparation on EM is moderated by size.

The inconsistency of prior research findings and the observed phenomena motivate this study. Accordingly, the objective of this research is to determine whether tax planning and liquidity affect earnings reporting discretion and whether company scale moderates the effects of tax efficiency strategy and liquidity on earnings reporting discretion among publicly listed raw material sector companies. The raw material sector is selected due to its strong growth in recent years, as reflected in the significant improvement in its stock index performance, despite facing challenges during the early stages of the pandemic.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Jensen and Meckling's thesis states that agency theory explains how a principal and an agent work together to accomplish certain goals. The principal is the party that entrusts assets or capital to another entity, with the expectation that the agent will manage these resources to enhance the principal's welfare. This welfare is achieved through cooperation between both parties (Jatmiko & Miswanto, 2025).

According to Khoirunnisa et al. (2025), agency theory highlights conflicts of interest between managers and owners. In practice, to ensure that company operations run as expected, owners or shareholders appoint managers as agents who oversee the business and make decisions on their behalf (Nafiah et al., 2025).

Earnings Management

Khoirunnisa et al. (2025) state earnings reporting discretion as managerial actions undertaken to adjust numbers in order to create a particular image of a firm's financial performance. As long as such practices remain within accounting standards, they may be considered acceptable; however, excessive earnings management can have negative implications for investors and shareholders.

Santana & Wirakusuma (2016) state that earnings management is a deliberate action performed in compliance with financial accounting standards to control reported earnings. EM refers to management's utilization of accounting knowledge to influence reported figures while still complying with applicable rules and standards, resulting in financial report that may not accurately represent the company's condition but instead portray an image aligned with management's desired perception among stakeholders (Okafor et al., 2018; Tjahyadi & Marpaung, 2023).

Tax Planning

One way to legitimately reduce taxes is via tax planning (Levia & Wahyudi, 2025). Businesses employ tax planning as a legitimate approach to mitigate their tax liabilities by making advantage of measures allowed by relevant tax laws (Sari et al., 2025). Tax management strives to reduce the tax burden as much as possible by employing tax legislation and legal requirements, allowing enterprises to earn bigger profits (Lovelytan et al., 2025).

Liquidity

The ability to meet short-term commitments using present assets or other resources that can be swiftly turned into cash is known as liquidity. Liquidity has an important role because it shows the financial condition in short term (Jatmiko & Miswanto, 2025). A firm is considered liquid when its current liabilities are less than its current assets (Cahyani & Wirawati, 2019). Liquidity is the ability of a business to carry out its short-term financial commitments and is therefore an important element for the company's survival (Pratiwi et al., 2025).

Firm Size

Firm size is a measure of how large a company is (Bunyamin et al. 2023). According to Dani & Yanti (2025) firm size represents a structural aspect that describes the scale of a business entity through indicators such as total assets, revenue, and operational scope. Larger firms typically have more complex management structures and broader corporate strategies, including tax-related policies.

Hypothesis Development

Generally, tax management refers to the technique by which a firm arranges its tax-related transactions to reduce the tax burden while remaining compliant with existing tax rules. (Bunyamin et al., 2023). Through tax management, companies may reduce taxable income and maintain or increase profitability without violating tax laws (Suheri et al., 2020).

Dewi et al. (2017) argue that firms tend to handle taxes in order to lower tax obligations as long as it remains within legal boundaries. Earnings management provides flexibility for firms to report earnings aligned with specific objectives. Prior studies by Anwar et al. (2022), Indrati & Magfiroh (2023), Kennedy et al. (2023), Liman & Sambuaga (2025), Nugroho & Abbas (2022), and Soraya et al. (2023) find that tax planning positively affects earnings reporting discretion. Therefore, the following hypothesis is proposed:

H1: Tax management affects earnings management.

An indication of a company's capacity to pay short-term debts as they arise is liquidity (Putra & Lestari, 2016). Firms with low liquidity may experience difficulties in fulfilling short-term liabilities, potentially reducing creditor and supplier confidence and encouraging managers to present favorable financial performance through earnings

management (Rosalita, 2021). The findings of Lovelytan et al. (2025), Paramitha & Idayati (2020), and Wahyuningtyas & Fitria (2023) indicate that liquidity negatively affects management of earnings.

H2: Liquidity affects EM.

Utami & Ambarita (2023) argue that large firms tend to face stricter external monitoring, thereby limiting earnings management practices related to tax planning. Larger firms also have a broader stakeholder base, this mandates that management provide financial accounts that satisfy different stakeholders. In the end, this circumstance can motivate management to use earnings management techniques (Lovelytan et al., 2025). The findings of Liman & Sambuaga (2025) show that since bigger businesses incur more reputational risk, the impact of tax strategy on earnings management might vary depending on the size of the organization. As a result, The impact of tax strategy on earning management increases with firm size. Studies by Lovelytan et al. (2025), Putri & Kadarusman (2021), and Sihombing et al. (2020) show that the association between tax planning and earnings management is moderated by firm size.

H3: Tax planning on earnings management is moderated by firm size.

Kennedy et al. (2023) state that large firms generally possess stronger internal control systems and better corporate governance, enabling them to manage liquidity pressures without engaging in earnings manipulation. Meanwhile, Felicia & Natalylova (2022) find that in smaller firms, liquidity conditions have a greater influence on managerial decisions to adjust earnings. As a company grows in size, the influence of liquidity on earning management decreases.

H4: Firm size moderates the effect of liquidity on EM.

RESEARCH METHOD

This research takes a quantitative approach and makes use of secondary data obtained from Refinitiv Eikon. Refinitiv Eikon is used because of its reliability in providing financial reporting data and financial ratios. A drawback of Refinitiv Eikon is that it doesn't provide tax-related financial ratios. The study focuses on companies in the raw materials business that were listed on the Indonesia Stock Exchange (IDX) in 2018-2024. In the 2018-2024 period, companies engaged in earnings management practices, particularly amidst post-pandemic economic fluctuations. Purposive sampling is used to

choose the sample by taking into consideration a variety of predefined criteria based on the study's aims. For incomplete data, researchers have previously searched for data in financial reports on the company website and idx.co.id. Table 1 provides a summary of the sample needs. There are 32 businesses in the final sample, for a total of 224 firm-year observations.

Variable Operationalization

EM is the dependent variable in this study; tax planning and liquidity are the independent factors; and business size is the moderating variable..

Earnings Management

The discretionary accrual values are obtained using the following formula (Sari et al., 2023):

$$\text{Accruals}/\text{TA}_{t-1} = \beta_0(1/\text{TA}_{t-1}) + \beta_1(\Delta\text{REV} - \Delta\text{REC}/\text{TA}_{t-1}) + \beta_2(\text{PPE}/\text{TA}_{t-1}) + \beta_3\text{ROA} + \epsilon$$

The residual values from the above equation are estimated on an annual basis. Subsequently, the obtained residuals are converted into absolute values to capture earnings management activities, whether income is rising or falling (Pamungkas et al., 2021 and Sari et al., 2023). Absolute discretionary accruals are used to measure how manipulative a company's earnings are, with the higher the value, the lower the quality of the financial statements. By absoluteizing discretionary accruals, researchers can focus on the magnitude of manipulation (lower earnings quality) rather than the direction of manipulation (increasing/decreasing earnings).

Where:

- Accruals : net income after tax minus cash flow from operation
- TA t-1 : total assets of the firm in the previous year
- Δ REV : change in revenue from the previous period
- Δ REC : change in receivables from the previous period
- PPE : net property, plant, and equipment
- ROA : net income after tax divided by total assets
- ϵ : regression residual representing the estimated discretionary accruals

Tax Planning

The TRR is used to measure tax planning (Lovelytan et al., 2025):

$$\text{TRR} = \frac{\text{Net Income}}{\text{Pretax Income}}$$

Tax Retention Rate (TRR) is used as a proxy for tax planning because it is a measure of the effectiveness of tax management, which shows how much of the profit is not paid as tax. Data showing loss-making companies are not included in the TRR.

Liquidity

Liquidity is measured utilizing the CR (Alfianti & Yulazri, 2023):

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Firm Size

The natural logarithm of total assets is used to calculate firm size (Bunyamin et al., 2023) : Firm Size= LN (Total Assets).

Data Analysis Method

The data analysis approach employed in this study is regression analysis, whereas moderation testing is done using Moderated Regression Analysis (MRA). The following describes the regression model that was used to look at how tax preparation and liquidity affected earnings management:

$$EM_{it} = \beta_0 + \beta_1 TP_{it} + \beta_2 Liq_{it} + \epsilon_{1it} \dots\dots\dots (1)$$

Furthermore, the regression model used to examine the link between tax planning, liquidity, and earnings management is moderated by business size is formulated as follows:

$$EM_{it} = \beta_0 + \beta_1 TP_{it} + \beta_2 Liq_{it} + \beta_3 FS_{it} + \beta_4 TP_{it} * FS_{it} + \beta_5 Liq_{it} * FS_{it} + \epsilon_{1it} \dots\dots\dots (2)$$

Notes:

- EM_{it} = Earnings Management
- TP_{it} = Tax Planning
- Liq_{it} = Liquidity
- FS_{it} = Firm Size
- TP_{it}*FS_{it} = Interaction between Tax Planning and Firm Size
- Liq_{it}*FS_{it} = Interaction between Liquidity and Firm Size

RESEARCH RESULTS AND DISCUSSION

Descriptive Analysis

Table 2 displays the study variables' descriptive statistics. The average value of EM, as determined by discretionary accruals, is 0.0813, which is almost zero, suggesting that companies generally use very modest levels of earnings management. It seems that the distribution of discretionary accruals is not symmetric since the median value is significantly different from the mean. The standard deviation is much bigger than the mean, which also reflects this condition.

The ratio of net income to pre-tax income, or tax planning (TP), has an average value of 0.7580, meaning that businesses typically keep about 76% of pre-tax revenue as net income. The distribution of tax planning seems to be very symmetric, as shown by the median value being almost equal to the mean. A standard deviation that is lower than the mean lends more credence to this.

The current ratio, which is used to quantify liquidity (Liq), has an average value of 0.2021, or 20.21%, meaning that companies generally have very low levels of liquidity. A standard deviation that is much greater than the mean also indicates that the distribution of the current ratio is not symmetric, as shown by the significant difference between the median and the mean.

The sampled businesses are usually substantial in size, as shown by the average value of 28.4104, or around IDR 2.18 trillion, Firm size (FS) is calculated by taking the natural logarithm of total assets. The fact that the median value is almost equal to the mean indicates a relatively symmetric distribution of firm size. This is further supported by a much smaller standard deviation than the mean.

Moderated Regression Analysis

Model Selection Test

The model selection test aims to determine which estimating model is best: the fixed effects model, the random effects model, or the common (pooled) effects model. The Chow test, the Hausman test, and the Lagrange Multiplier (LM) test are the three specification tests used to choose an estimate model. The summary of the model specification test results is shown in table 3.

The REM is the best option for estimating the regression model, according to the findings of the three model specification tests. This result is reached because the FEM is only supported by the Chow test, whereas the random effects model is supported by both the Hausman and the LM tests. Classical assumption tests are not necessary since the random effects model was chosen.

Regression Model Estimation Results

The degree to which changes in earning management are impacted by tax planning and liquidity, both before and after being moderated by business size, is examined using regression model estimation. Table 4 presents the regression findings of

the impact of tax planning and liquidity on earning management, with business size as a moderating variable, based on the estimate results using the random effects model

The regression equations may be written as follows using the coefficients shown in Table 4:

$$EM = 0.0635 + 0.0235 TP + 0.0003 Liq \dots\dots\dots(3)$$

$$EM = -1.3039 + 0.1257 TP + 0.0066 Liq + 0.0455 FS + 0.0159 TP*FS + 0.0061 Liq*FS\dots\dots\dots (4)$$

Coefficient of Determination

Table 4 indicates that the model without moderation has an R-square value of 0.0019. This means that tax planning and liquidity combined only make up 0.19% of earning management for enterprises in the basic materials industry that are listed on the Indonesia Stock Exchange. This data suggests that tax planning and liquidity have little explanatory value for earning management without a moderating element. The model with moderation's R-square value of 0.1408 (14.08%) shows that company size also makes tax planning and liquidity better at describing how companies in the basic materials industry manage their earnings on the Indonesia Stock Exchange. This result indicates that the relationship among tax planning, liquidity, and earning management is significantly enhanced when firm size is included as a moderating factor.

Effect of Tax Planning on Earnings Management

Table 4 shows that tax preparation has a favorable effect on earning management. The t-statistic is 2.3791 and the probability value is 0.0182. It may be deduced that tax planning positively influences earning management in raw material sector companies listed on the Indonesia Stock Exchange, since the probability value is below 0.05 at a 5% significance level. This indicates that businesses that practice tax planning often oversee their income more comprehensively. As a result, the proposed theory is confirmed.

These findings are consistent with previous studies by Anwar et al. (2022), Indrati & Magfiroh (2023), Kennedy et al. (2023), Liman & Sambuaga (2025), Nugroho & Abbas (2022), and Soraya et al. (2023) which state that tax preparation has a beneficial impact on managing earnings. Nevertheless, the results contradict Lovelytan et al. (2025) who discover that tax preparation has a detrimental impact on

managing earnings, and with Achyani & Lestari (2019), Farida & Sugesti (2023), Levia & Wahyudi (2025) who document no significant effect of tax planning on EM.

Agency theory posits that conflicts of interest between managers and shareholders drive managers to use the flexibility of accounting rules to achieve specific objectives, aligning with the positive correlation between tax planning and earning management. In this case, tax planning is closely related to management initiatives to control performance perceptions via profits reporting in addition to being a tactic for tax burden efficiency. This finding supports prior research indicating that tax strategies may represent a key motivation for earnings management practices, as both pursue the common objective of maximizing a firm's economic interests.

Tax planning reflects the actions undertaken by individuals or firms to structure financial transactions (Imawan & Mas'adah, 2025) in a manner that minimizes tax burdens without violating tax regulations, thereby influencing accounting decisions that may potentially serve as tools for earnings manipulation (Nurkholifah et al., 2025). For firms, these findings provide a positive signal that tax efficiency can be achieved without necessarily reducing clear and honest financial reporting (Anggini & Sopian, 2025).

Effect of Liquidity on Earnings Management

Table 4 shows that liquidity has a favorable effect on earnings management since the t-statistic is 0.6585 and the probability value is 0.5109. For enterprises in the raw materials industry that are listed on the Indonesia Stock Exchange, liquidity has no influence on how they manage their earnings, according to the likelihood value above 0.05 at a 5% significance level. Therefore, there is no evidence to support the stated theory.

These results align with earlier research by Felicia & Natalylova (2022) and Syaputra & Yurniwati (2022) which state that the management of earnings is unaffected by liquidity. Nevertheless, the results contradict those of Alfianti & Yulazri (2023), Khoirunnisa et al., (2025), Moghaddam & Abbaspour (2017) who discover that liquidity improves earning management. In contrast, Lovelytan et al. (2025), Paramitha & Idayati (2020), and Wahyuningtyas & Fitria (2023) document liquidity and earning management are negatively correlated.

The little impact of liquidity suggests that earnings management strategies are not primarily motivated by a company's capacity to fulfill short-term commitments. Theoretically, liquidity reflects short-term operational conditions rather than managerial opportunistic incentives. Consequently, earnings management is more strongly influenced by strategic factors such as performance pressure, compensation contracts, and reputational concerns than by short-term financial ratios.

The absence of a significant liquidity effect further suggests that short-term solvency does not necessarily motivate management to manipulate earnings (Pradipta & Susanto, 2019). Syaputra & Yurniwati (2022) explain that earnings management decisions are more strongly driven by contractual incentives and performance pressure than by liquidity ratios.

Firm Size Moderates the Effect of Tax Planning on Earnings Management

Table 4 shows that tax planning, adjusted for company size, has a beneficial effect on earnings management. The t-statistic is 2.1433 and the probability value is 0.0332. The size of a company makes tax planning more important for managing earnings in raw material sector enterprises on the IDX. This is evidenced by the probability value being smaller than 0.05 at a 5% significance level.

This conclusion aligns with the outcomes of Lovelytan et al. (2025) They show how the impact of tax preparation on earning management is strengthened by business size. But this outcome contradicts the results of Putri & Kadarusman (2021) and Sihombing et al. (2020) studies show that the impact of tax preparation on earning management is lessened with business size.

Revenue, assets, and market capitalization are often greater for large businesses. These businesses often use effective tax planning techniques to reduce tax obligations since they have significant asset bases and earnings. However, big businesses have to be extra careful when using earning management techniques because of increased scrutiny from tax authorities. Therefore, the relationship between strategic tax planning and earning management techniques may be strengthened by greater business sizes (Lovelytan et al., 2025). Firm size is also an important indicator of more complex operational activities within a firm (Muiz & Ningsih, 2018).

Firm Size Moderates the Effect of Liquidity on Earnings Management

Table 4 shows that liquidity, which is regulated by firm size, has a favorable

effect on earnings management. This is shown by a t-statistic of 0.6564 and a probability value of 0.5123. According to the probability value over 0.05 at a 5% significance level, firm size does not lessen the effect of liquidity on earning management in enterprises in the raw material industry that are listed on the IDX. Firm size's negligible moderating effect suggests that liquidity pressure is not the main driver of earnings management strategies (Felicia & Natalylova, 2022). Kennedy et al. (2023) claim that most big businesses have internal control mechanisms that can handle changes in liquidity without manipulating profits. Additionally, a research by Chen et al. (2015) shows that there is no substantial direct association between liquidity and earnings management techniques after accounting for business characteristics and governance considerations. Liquidity may not always promote earning management, even in smaller businesses because of capacity constraints and varying degrees of external oversight (Syaputra & Yurniwati, 2022). These findings indicate that firm size is more relevant in the context of strategic policy considerations than in short-term liquidity management (Khoirunnisa et al., 2025).

CONCLUSION

The objective of this study is to ascertain the effects of tax planning and liquidity on earnings management, as well as to evaluate the role of firm size on these effects. The results show that tax preparation has a positive effect on earning management, but liquidity does not. The effect of tax planning on earnings management is enhanced by business size, but the effect of liquidity on earnings management remains unaltered.

It is anticipated that the study's practical consequences would provide business management helpful factors to take into account when creating tax planning strategies while maintaining openness and adherence to relevant accounting standards and tax laws. The results provide extra information for investors and other stakeholders to evaluate financial reporting and earning quality, especially in big enterprises. Additionally, these findings might help regulators create more efficient oversight guidelines for financial reporting and business tax planning.

The vast number of businesses with insufficient financial accounts and those claiming losses are only two of the study's drawbacks. Based on the results, it is advised that future studies broaden their focus to include additional industrial sectors and use longer observation times in order to provide more reliable and generalizable conclusions.

To give a more thorough knowledge of the elements impacting earnings management methods, future research may also include other variables such corporate governance, audit quality, leverage, or managerial ownership.

REFERENCES

- Achyani, F., & Lestari, S. (2019). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017). *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, 4(1).
- Alfianti, A., & Yulazri, Y. (2023). Pengaruh Likuiditas, Ukuran Perusahaan, Leverage, dan Profitabilitas Terhadap Manajemen Laba. *Syntax Literate: Jurnal Ilmiah Indonesia*, 8(12).
- Ali, U. (2015). Impact of Firm Size on Earnings Management ; A Study of Textile Sector of Pakistan. *European Journal of Business and Management*, 7(28), 47–56.
- Anggini, T., & Sopian, D. (2025). Pengaruh Perencanaan Pajak, Profitabilitas, Dan Ukuran Perusahaan Terhadap Manajemen Laba Pada Perusahaan Sektor Perindustrian Yang Terdaftar Di Bursa Efek Indonesia Tahun 2019-2023. *Jurnal Maneksi*, 14(2), 418–427. <https://doi.org/10.31959/jm.v14i2.2999>
- Anwar, R., Maryati, T., & Nurfadila, N. (2022). Tax Planning , Deferred Tax Expense and Deferred Tax Assets on Earnings Management. *Advances in Taxation Research*, 1(1), 39–51.
- Bunyamin, B., Nursari, F., & Wiyarni, W. (2023). The Effect of Tax Planning and Company Size on Earning Management (Study on Pharmaceutical Subsector Companies on the Indonesia Stock Exchange). *International Journal of Scientific Research and Management*, 11(02), 4582–4592. <https://doi.org/10.18535/ijstrm/v11i02.em07>
- Cahyani, G. A. P., & Wirawati, N. G. P. (2019). Pengaruh Likuiditas , Kebijakan Dividen , Profitabilitas , dan Ukuran Perusahaan pada Nilai Perusahaan. *E-Jurnal Akuntansi Universitas Udayana*, 27(2), 1263–1289.
- Chen, Y., Rhee, S. G., Veeraghavan, M., & Zolotoy, L. (2015). Stock liquidity and managerial short-termism. *Journal of Banking and Finance*, 60(July), 44–59. <https://doi.org/10.1016/j.jbankfin.2015.07.007>
- Dani, H., & Yanti, L. D. (2025). Pengaruh Profitabilitas , Likuiditas , Leverage , dan Ukuran Perusahaan pada Penghindaran Pajak Perusahaan. *ECo-Fin: Economics and Financial*, 7(3), 1715–1727. <https://doi.org/10.32877/ef.v7i3.3141>
- Dewi, R. E., Nuraina, E., & Amah, N. (2017). Pengaruh Tax Planning dan Ukuiran Perusahaan Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Property Yang Terdaftar Di Bursa Efek Indonesia()). *The 9th FIPA: Forum Ilmiah Pendidikan Akuntansi-Universitas PGRI Madiun*, 5(1), 854–882.
- Farida, A. L., & Sugesti, P. F. (2023). Determinant of Earnings Management: Financial Distress, Tax Planning, Audit Quality, and Public Accountant Firm Size. *Journal of Accounting and Strategis Finance*, 6(1), 1–15.
- Felicia, F., & Natalylova, K. (2022). Pengaruh profitabilitas, likuiditas, leverage, dan faktor lainnya terhadap manajemen laba. *Jurnal Akuntansi TSM*, 2(3), 185–198.
- Imawan, A., & Mas'adah, N. (2025). Pengaruh Perencanaan Pajak, Profitabilitas dan Beban Pajak Tangguhan Terhadap Manajemen Laba. *JAKUMA: Jurnal Akuntansi Dan Manajemen Keuangan*, 6(2), 311–319. <https://doi.org/10.55336/jpb.v3i1.41>

- Indrati, M., & Magfiroh, F. (2023). The Effect of Net Profit Margin , Debt Equity Ratio , and Tax Planning on Earnings Management. *International Journal of Multidisciplinary Research and Analysis*, 06(05), 1933–1942. <https://doi.org/10.47191/ijmra/v6-i5-14>
- Jatmiko, M. S., & Miswanto, M. (2025). Analysis of the Effect of Liquidity , Income Tax Expense , and Leverage on Profitability. *Asean International Journal of Business*, 4(2), 223–239.
- Kennedy, P. S., Franstitus, T. F., & Tobing, E. G. M. (2023). The Effect of Tax Planning on Earnings Management. *Asia Pacific Fraud Journal*, 8(2), 311–326. <https://doi.org/10.21532/apfjournal.v8i2.298>
- Khoirunnisa, L. N., Ilmiani, A., & Prasetiani, T. R. (2025). The influence of profitability , liquidity , company size , and corporate social responsibility on earnings management with institutional ownership as a moderating variable. *Business, Accounting, and Knowledge Journal*, 2(1), 1–14.
- Levia, C. M., & Wahyudi, I. (2025). The Influence of Tax Planning , Profitability , And Costs Operations For Earning Management. *Best Journal of Administration and Management (BEJAM)*, 3(3), 156–169.
- Liman, C., & Sambuaga, E. A. (2025). The Impact of Tax Planning and Deferred Tax Expenses on Earnings Management : Moderation by COVID-19. *Jurnal Bisnis Dan Kewirausahaan (Journal of Business and Entrepreneurship)*, 13(1), 64–73.
- Lovelytan, F., Novia, N., & Sonia, S. (2025). Earnings Management Analysis of Basic Materials Firms Listed on the Indonesian Stock Exchange (2021-2023) with Firm Size as a Moderating Variable. *Jurnal Manajemen Dan Kewirausahaan*, 10(1), 38–52.
- Moghaddam, A., & Abbaspour, N. (2017). *The Effect of Leverage and Liquidity Ratios on Earnings Management and Capital of Banks Listed on the Tehran Stock Exchange*. 7(4), 99–107.
- Muiz, E., & Ningsih, H. (2018). Pengaruh Perencanaan Pajak, Kepemilikan Manajerial Dan Ukuran Perusahaan Terhadap Praktik Manajemen Laba. *Jurnal Ekobis : Ekonomi Bisnis & Manajemen*, 8(2), 102–116. <https://doi.org/10.37932/j.e.v8i2.40>
- Nafiah, S., Syafriani, S., & Suryawati, C. (2025). The Impact of Universal Health Coverage (UHC) Implementation on Access and Quality of Primary Health Care in Indonesia : A Scoping Review of Policy and System Transformation (2015 – 2025). *Journal of Education, Science and Engineering*, 29–47.
- Nugroho, R., & Abbas, D. S. (2022). Pengaruh Beban Pajak Tangguhan dan Perencanaan Pajak Terhadap Manajemen Laba Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *SNISTEK* 4, 428–435.
- Nurkholifah, M., Azis, A. D., & Prasetia, A. (2025). Pengaruh Perencanaan Pajak dann Leverage Terhadap Manajemen Laba Dengan Profitabilitas Sebagai Variabel Moderasi. *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, 10(3). <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Okafor, T. G., Ezeagba, C. E., & Innocent, O. (2018). Effect of Earnings Manaement on Performance of Corp[orate Organisation in Nigeria. *International Journal of Business Management and Economic Review*, 1(03), 88–101.
- Pamungkas, P. A., Firmansyah, A., Qadri, R. A., Dinarjito, A., & Arfiansyah, Z. (2021). *The Role of Integrated Reporting in Emerging Market : Earnings Quality and Debt Maturity*. XXV(03), 380–399.
- Paramitha, D. K., & Idayati, F. (2020). Pengaruh Profitabilitas, Likuiditas, Ukuran

- Perusahaan Terhadap Manajemen Laba. *Jurnal Ilmu Dan Riset Akuntansi*, 9(2), 1–18.
- Pradipta, A., & Susanto, Y. K. (2019). Firm Value, Firm Size and Income Smoothing. *GATR Journal of Finance and Banking Review*, 4(1), 01–07. [https://doi.org/10.35609/jfbr.2019.4.1\(1\)](https://doi.org/10.35609/jfbr.2019.4.1(1))
- Pratiwi, F. G., Saputra, D. F. H., Purwantoro, P., & Isthika, W. (2025). PENGARUH PROFITABILITAS, LEVERAGE, LIKUIDITAS DAN UKURAN PERUSAHAAN TERHADAP PENGHINDARAN PAJAK PADA SEKTOR ENERGI TAHUN 2020-2023. *JIMEA | Jurnal Ilmiah MEA (Manajemen , Ekonomi , Dan Akuntansi)*, 9(2), 80–95.
- Putra, A. N. D. A., & Lestari, P. V. (2016). Pengaruh Kebijakan Dividen, Likuiditas, Profitabilitas dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Unud, E-Jurnal Manajemen*, 5(7), 4044–4070.
- Putri, I. D., & Kadarusman, K. (2021). The Effect of Tax Planning on Earnings Management With Firm Size As Moderatin Variable. *IE; Jurnal Inspirasi Ekonomi*, 3(3), 1–7.
- Rosalita, A. (2021). Pengaruh Profitabilitas , Leverage , Likuiditas , dan Corporate Governance Terhadap Manajemen Laba pada Perusahaan Go Public yang Terdaftar di CGPI Tahun 2011-2017. *AKUNESA: Jurnal Akuntansi Unesa*, 9(3).
- Santana, D. K. W., & Wirakusuma, M. G. (2016). Pengaruh Perencanaan Pajak, Kepemilikan Manajerial, dan Ukuran Perusahaan Terhadap Praktek Manajemen Laba. *E-Jurnal Akuntansi Universitas Udayana*, 14(3), 1555–1583.
- Sari, A. N., Mahwiyah, M., & Maulana, I. (2025). The Influence of Tax Planning and Tax Avoidance on Firm Value (Evidence from the Manufacturing Sector in Indonesia). *Jurnal Multidisiplin Sahombu*, 5(05), 1305–1316. <https://doi.org/10.58471/jms.v5i05>
- Sari, I. P., Trisnawati, E., & Firmansyah, A. (2023). PENGUNGKAPAN TATA KELOLA PERUSAHAAN , PERAN MODERASI PENGHINDARAN PAJAK. *Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik*, 18(1), 87–110.
- Sihombing, N., PA, E. D., & Gowon, M. (2020). Pengaruh Tax Planning dan Profitabilitas Terhadap Manajemen Laba Dengan Ukuran Perusahaan Sebagai Variabel Moderating Pada Perusahaan Terdaftar Di Bursa Efek Indonesia Periode 2013-2018. *Jurnal Akuntansi Dan Keuangan Universitas Jambi*, 5(1), 45–58.
- Soraya, D., Ikhsan, A., & Maipita, I. (2023). The Effect of Deferred Tax Expenses , Tax Planning , and Company Size on Earnings Management. *AISTEEL*. <https://doi.org/10.4108/eai.19-9-2023.2340508>
- Suheri, T. R. R., Fitriyani, D., & Setiawan, D. (2020). ANALISIS PENGARUH BEBAN PAJAK KINI , ASET PAJAK TANGGUHAN , DISCRETION ACCRUAL , DAN TAX PLANNING TERHADAP MANAJEMEN LABA. *Jurnal Manajemen Terapan Dan Keuangan (Mankeu)*, 9(03), 157–171.
- Syaputra, R., & Yurniwati. (2022). The Influence of Profitability, Liquidity, Leverage and Company Size on Earnings Management. *Jurnal Ekobistek*, 11(2), 79–85. <https://doi.org/10.35134/ekobistek.v11i2.316>
- Tjahyadi, L., & Marpaung, E. I. (2023). Perngaruh Manajemen Laba dan Kepemilikan Institusional Terhadap Kinerja Organisasi. *JIMEA | Jurnal Ilmiah MEA (Manajemen , Ekonomi , Dan Akuntansi)*, 7(3), 1–14.
- Utami, A. T., & Ambarita, D. (2023). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba Dengan Ukuran Perusahaan Sebagai Variabel Moderasi (Studi

Empiris pada Perusahaan Makanan dan Minuman Yang terdaftar Di Bursa Efek Indonesia Tahun 2017 – 2021). *Jurnal Pajak Vokasi (JUPASI)*, 4(2), 24–33.
Wahyuningtyas, J. R., & Fitria, A. (2023). PENGARUH PROFITABILITAS , LIKUIDITAS TERHADAP NILAI INTERVENING. *Jurnal Ilmu Dan Riset Akuntansi*, 12(7), 1–22.

FIGURE AND TABLE

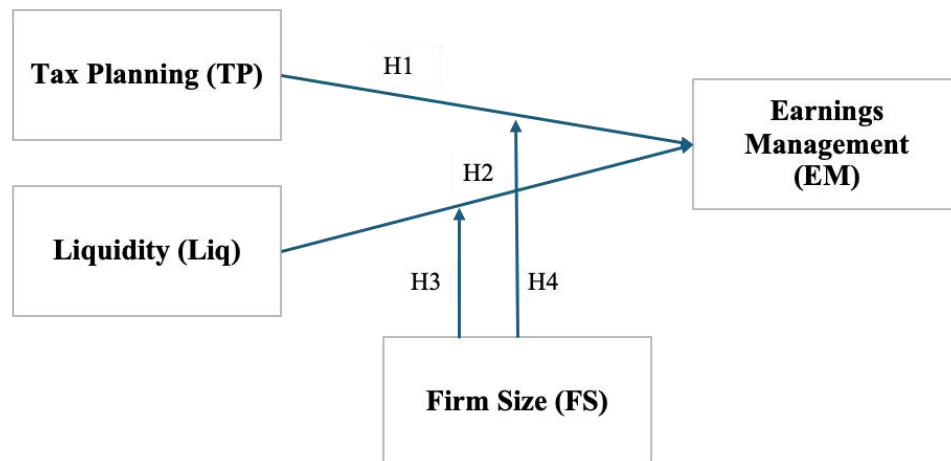


Figure 1. Research Model
Source: Authors

Table 1. Sampling Criteria

No	Description	Number of Firms
1.	Raw material sector companies listed on the IDX during 2018–2024	114
2	Raw material sector companies listed on the IDX during 2018–2024 that reported losses	(55)
3	Raw material sector companies listed on the IDX during 2018–2024 with incomplete data	(27)
	Total	32

Table 2. Descriptive Statistics of Research Variables

Statistic	EM	TP	LIQ	FS
Mean	0.081341	0.757982	0.202094	28.41038
Median	0.047350	0.763146	0.079990	28.27416
Maximum	1.151050	3.032228	14.29640	32.87537
Minimum	0.000520	0.083839	-4.631250	24.04355
Std. Dev.	0.146693	0.226921	1.330556	1.742874

Source: Processed data using EViews, (2025)

Table 3. Summary of Model Specification Test Results

Test Type	Model Comparison	p-value	Conclusion
Chow Test	FEM vs CEM	0.0000	<i>Fixed Effect Model</i>
Hausman Test	FEM vs REM	0.3274	<i>Random Effect Model</i>
LM Test	REM vs CEM	0.0000	<i>Random Effect Model</i>

Source: Processed data using EViews, (2025)

Table 4. Regression Analysis Results

Independent Variable	Without Moderation		With Moderation	
	Coefficient	p-value	Coefficient	p-value
Constant	0.0635	0.0628	-1.3039	0.0000
TP	0.0235	0.5160	0.1257	0.0182
Liq	0.0003	0.9506	0.0066	0.5109
FS	-	-	0.0455	0.0000
TP*FS	-	-	0.0159	0.0332
Liq*FS	-	-	0.0061	0.5123
R-Square	0.0019		0.1408	
Adj.R-Square	-0.0071		0.1211	
F-statistic (p-value)	0,2148 (0.8069)		7,1433 (0.0000)	

Source: Processed data using EViews, (2025)