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REAL EARNING SMOOTHING AS A MEDIATION BETWEEN FINANCIAL DECISIONS, GCG AND EVA WITH FINANCIAL PERFORMANCE

Ainun Jariah
Doctoral Student, Faculty of Economic & Bussiness University of Jember, Indonesia

Isti Fadah
Promotor and lecturer at Jember University, Indonesia

Hadi Paramu
Promotor and lecturer at Jember University, Indonesia

Purnami Titisari
Promotor and lecturer at Jember University, Indonesia

Abstract

Investors and creditors use information about the company's financial performance to see the ability to maintain funds in the company. Earnings information is the main concern in assessing performance or management accountability. Earnings information helps owners or other parties estimate the company's future earning power. Companies must pay attention to factors that affect their financial performance, including funding decisions, investment decisions, dividend policies, good corporate governance, economic value-added, and real earnings smoothing. This study analyzes the effect of funding decisions, investment decisions, dividend policies, good corporate governance, and economic value added on financial performance through real earning smoothing in Indonesia. The sample used is 37 companies listed on the Indonesia Stock Exchange from 2012 to 2017, especially those that distribute dividends. The data analysis method used was the AMOS Structural Equation Model (SEM) and the Sobel test. The results showed that of the six independent variables, only dividend policy, good corporate governance, and economic value added significantly affected the company's financial performance. Funding decisions are the only independent variable that affects real earning smoothing, and real earning smoothing is unable to mediate between financial decisions, good corporate governance, and economic value added on financial performance.

Keywords: Financial decisions, Good Corporate Governance, Economic Value Added, Real Earning Smoothing, Financial Performance.

Introduction

For investors, information about the company's financial performance can be used to see whether they will maintain their investment in the company or look for other alternatives. If the company's performance is good, the business value will be high, thus making investors look to the company to invest their capital, then there will be an increase in stock prices. According to Fahmi (2015: 239), financial performance is an analysis conducted to see the extent to which a

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company has implemented proper and correct financial implementation rules.

Earnings information is generally the main concern in estimating performance or management accountability. Earning information helps owners or other parties assess the company's future earning power (Statement of Financial Accounting Concepts No.1). Therefore, management has a tendency to take actions that can make financial reports better, one of which is earnings management (Hardiningsih, 2009). Opportunistic profit management often uses income smoothing techniques. The practice of income smoothing is caused by management'smanagement's motivation to reduce the fluctuations in reported earnings. Management chooses to maintain a stable profit value compared to the profit value, which tends to be volatile so that management will increase reported earnings if the actual profit amount decreases from the previous year's profit. Conversely, management will choose to decrease reported earnings if the actual profit increases compared to the previous year's profit (Novita, 2009).

The profit obtained from the profit calculation stated in the income statement is still not real or real because the deduction of income/sales is not all cash costs, but there are still non-cash expenses, such as depreciation expenses. In accounting, there are two basics, cash basic, and accrual basic. Almost all companies in Indonesia and abroad use an accrual basic because it has several strengths and weaknesses. But investors and potential investors will want real or real income and profit data, therefore financial reports are needed that are able to meet the expectations of investors and potential investors and even creditors, namely cash flow reports. The cash flow statement will describe the cash flow into and out of the company from three activities: operational activities, investing, and financing.

Measurement of financial performance based on financial statements, has been widely used, namely by using financial ratios, including liquidity ratios, leverage, activity, and profitability ratios. These measurements have advantages over each of the methods but also have weaknesses. The advantage of these measurements is that they are easy to calculate as long as historical data is available. At the same time, the weakness is that this method cannot measure the company's performance accurately. This is because the data used are accounting data that cannot be separated from interpretations/estimates that can cause various kinds of distortions so that the company's financial performance is not measured accurately and accurately (Widjaya, 2001).

Various problems that arise in measuring financial performance based on accounting data will be resolved by measuring financial performance based on value (value-based). This measurement can be used as a basis for company management in managing its capital, financing plans, a means of communication with shareholders and can be used to determine incentives for employees (Widjaya, 2001). With value-based as a measure of company performance, management is required to increase company value. The value-added measurement that has been widely discussed is Economic Value Added (EVA) (Widjaya, 2001).

This Economic Value Added (EVA) analysis tries to see from an economic point of view in measuring company performance fairly based on the concept of stakeholder satisfaction (all company members), the form is by considering the expectations of employees, customers, and

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providers of capital (investors/shareholders). The degree of fairness is indicated by the weighted average cost of capital and guided by market value (Pakpahan, 2013). However, according to several opinions that have discussed economic value added, this analysis still has many shortcomings, including the use of accounting profit (net operating after-tax). According to Young (2009), it is not appropriate to create value if you still use accounting profit proxies. In accounting, profit does not reflect the true cash flow value.

One way to improve a company/organization's performance is to implement good corporate governance, commonly known as good corporate governance. Guidelines for good corporate governance are guidelines for all company personnel in making decisions and taking actions based on high morals, compliance with applicable laws and regulations, and awareness of corporate social responsibility towards interested parties (stakeholders) consistently. A company, in principle, has the same goals, namely: Survive (guarantee the company), growth (develop), and profit (generate profit). The purpose of a company is to achieve maximum profit and improve the company owners or shareholders' welfare, and no less important is to maximize the value of the company as reflected in its share price. These objectives are not substantially different. It is just that the emphasis that each company wants to achieve differs from one another. (Harjito & Martono, 2005).

This research gap is that there is still no performance appraisal based on financial decisions, good corporate governance, and economic value added through income smoothing. This study aims to determine an assessment based on financial decisions, good corporate governance, and economic value added through income smoothing in several types of companies listed on Indonesia and China Stock Exchanges. Another research gap is that there is still no research on measuring income smoothing using a cash flow statement. Income smoothing is measured by the Eckel index using changes in earnings but still accounting for earnings. Accounting profit is still based on historical data. According to Sambharakreshna (2011) providing "Criticism of the Concept of Accounting in Measuring Profit," finding that the weakness of accounting profit is (1) accounting profit fails to recognize an unrealized increase in the value of assets held in a certain period by applying historical cost and realization principles; (2) the dependence of accounting profit on the historical cost principle makes comparisons difficult because differences in the accepted cost calculation methods and different cost allocation methods are considered arbitrary and irreparable; (3) dependence of accounting profit on the realization principle, historical cost principle and conservatism may result in data that is misleading and misunderstood or data that is irrelevant to users.

Income smoothing that is based on cash flow is known as real earning smoothing. Real earning smoothing is the act of smoothing income based on the cash flows listed in the cash flow statement. Some of the advantages/advantages of real earning smoothing include: (1) real profit is able to recognize the unrealized increase in the value of assets owned in a certain period; (2) real profit is able to provide actual and highly relevant data for users (shareholders) and even creditors; (3) able to compare accurately the costs received with those allocated. Based on this, it is proposed to measure income smoothing departing from the cash flow statement, especially cash flows from operating activities. Income smoothing that uses a cash flow

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statement is called real earning smoothing.

Literature review

Several authors have often researched the effect of funding decisions, investment decisions, dividend policies, good corporate governance, economic value-added, and income smoothing on financial performance. Likewise, research on the effect of funding decisions, investment decisions, dividend policies, good corporate governance, economic value added on income smoothing has been repeatedly conducted by previous researchers. Fadah et al. (2005) show that financial ratios that act as a differentiator in the grouping of companies with the good and bad financial performance from 1999-2002 in 15 companies listed on the Indonesia Stock Exchange, using a stepwise discriminant method, the most dominant are a total debt to total capital assets. Tajang (2011) researched palm oil industrial companies in the period 2005 - 2009, the results of the leverage study had an important influence and had a positive relationship to profitability (Binti & Tajang, 2011). Jubaedah and Argo (2012) researched manufacturing companies listed on the Indonesia Stock Exchange for the period 2008-2010, the results of research on funding decisions affect financial performance (Argo, n.d.). Chandrapala and Knapkova (2013) examined 974 companies for the period 2005 - 2008 in the Czech Republic with the results of research that debt ratios have a negative impact on financial performance (ROA) (Chandrapala & Knápková, 2013). Warmana and Widnyana (2017) also argue that funding decisions have a significant negative effect on financial performance (Warmana & Widnyana, 2017). In addition, Gayatri N (2018) has the opinion that funding decisions have a significant effect on return on equity (ROE). Syahrir et al. (2019), with the study results that funding decisions have a negative and significant effect on financial performance. Some of the above studies are not supported by Innocent et al. (2014) researched pharmaceutic companies in Nigeria for the period 2001 - 2012, the results showed that financial leverage had a negative and insignificant effect on financial performance for return on assets (Innocent, Ikechukwu, & Nnagbogu, 2014).

Hutchinson (2002) conducted a study on 229 companies in Australia in 1998, and the results showed that investment decisions affect financial performance (Hutchinson, 2002). Hsiao and Hsu (2011) with research results show a positive relationship between the investment opportunity set and company performance (Hsiao, Hsu, Li, & Hsu, 2011). Tajang (2011) researched palm oil industrial companies in the period 2005 - 2009, the results of investment research had an important influence and had a positive relationship to profitability (Binti & Tajang, 2011). Jubaedah and Argo (2012) researched manufacturing companies listed on the Indonesia Stock Exchange for the period 2008-2010, the results of research on investment decisions affect financial performance (Argo, n.d.). Jariah (2018), with the results of research on investment decisions, has a significant effect on financial performance. Mantisa and Tandika (2017) researched with the result that the investment opportunity set (IOS) has a positive effect on return on equity (ROE) (Finance & Go, 2017). Gayatri N (2018) with the research results that investment decisions significantly affect equity (ROE). Wakhidah (2019), with his research results, states that the investment opportunity set (IOS) has a significant effect on financial

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performance. The above studies contradict research conducted by Sharif (2017), who researched Modarabas companies (sharia-compliant financial sector companies) which were listed on the Pakistan Stock Exchange in 2015 period, the results showed that investment prospects had no effect on the level of compensation and at the same time has no effect on financial performance.

Ajanthan (2013) researched 16 companies in the hotel and restaurant sector on the Colombo Stock Exchange. The results showed a positive relationship between dividend policy and company profitability (Ajanthan, 2013). Adediran and Alade (2013) researched 25 companies in Nigeria, and the results showed a significant positive relationship between dividend policy and organizational profitability (Adediran & Alade, 2013). Ng'ang'a and Kiuru (2014) researched 28 companies from various sectors listed on the Nigerian Stock Exchange. The study results showed a relationship between dividends and company performance (Ng'ang'a, Kiuru, 2014). Meanwhile, Hassan et al. (2015) researched energy and textile companies in Pakistan from 1996 - 2008, with the results showed that the dividend payout ratio negatively affected profitability. Natalia (2016) researched manufacturing companies listed on the Indonesia Stock Exchange for the period 2010-2014, and the results showed that dividend policy had a negative and insignificant effect on firm value (No Title, 2016). Sudarmakiyanto et al. (2012) examined companies listed on the Indonesia Stock Exchange for the period 2008-2012, and the results showed that dividend policy had no significant effect on financial performance (Sudarmakiyanto, Prasetya, & Anoraga, 2012). Sugiarti (2015) examined the LQ45 company for the period 2011-2014, the dividend payout ratio (DPR) variable had a positive and statistically insignificant effect on firm value (Sugiarti, 2015).

Paragh (2012) conducted a study that resulted in economic value-added, affecting company profitability and stock market performance. Khaddafi and Heikal (2014) with the results of the research showing that the EVA method is used as a tool to analyze the company's financial performance, if EVA is negative, it means that financial performance is decreasing and vice versa if it is positive, the company's financial performance is increasing or good. Furthermore, Jakub et al. (2015) examined 60 - 65 company groups in Slovakia, and the results showed that EVA was used as a measure of financial performance. For EVA, research results from several researchers resulted in the same conclusion, namely that EVA has an effect and is used as a measure of company performance.

Alexandri and Anjani (2014) examined 10 National Private Foreign Exchange Banks on the Indonesia Stock Exchange for the period 2009 - 2013, with the study results that leverage affects income smoothing. Jariah and Ato'illah (2015) researched 24 manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2014, and the results showed that the debt to equity ratio was able to distinguish companies that did and did not do income smoothing. Husaini and Sayunita (2016) researched 68 companies listed on the Indonesia Stock Exchange for the period 2013-2014, and the results showed that leverage has a positive effect on income smoothing. Meanwhile, Mohammadi et al. (2012) examined companies listed on the Tehran Stock Exchange for the period 2005 - 2010, and the results showed that leverage did not affect income smoothing. Mohebi et al. (2013) examined companies listed on the Tehran

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Stock Exchange, and the results showed that the debt ratio did not affect income smoothing in companies listed on the Tehran Stock Exchange.

Sarunggolo and Siregar (2012) researched companies on the Indonesia Stock Exchange for the period 2007 - 2009, and the results showed that managers in companies with high investment opportunities would have a greater possibility of managing earnings through income smoothing measures. Chen et al. (2010) examined companies in Taiwan, and the results showed that companies that have many investment opportunities would tend to be involved in earnings management. Meanwhile, Fanani and Basuki (2007) conducted a study on 350 manufacturing businesses listed on the Jakarta Stock Exchange from 1997 to 2002, and the results showed that the investment opportunity set did not show a significant effect on earnings management.

Methodology

The research population is companies on the Indonesia Stock Exchange in the period 2012-2017. Sampling was carried out by purposive sampling method, with the following criteria: (a) Manufacturing companies have been registered since 2010; (b) Companies that pay dividends during the research period. Based on the criteria, the research sample was 37 companies from various industrial sectors. The variables in this study consisted of exogenous variables and endogenous variables. The exogenous variables in this study are (a) Funding Decisions; (b) Investment Decisions; (c) Dividend Policy; (d) Good Corporate Governance; (e) Economic Value Added. Endogenous variables in this study are (a) Real Earning Smoothing; (b) Financial Performance. The data analysis method in this study will be carried out using structural equation modeling (SEM).

Results and Discussion

Descriptive statistics

The research sample was 37 x 6 periods = 222. Descriptive statistics of research variables on funding decisions (X1), investment decisions (X2), dividend policy (X3), good corporate governance (X4), and economic value added (X5). Real earning smoothing (Z), and company financial performance (Y) for Indonesia.

Table 1. Results of Research Variable Descriptive Statistics

Variable		Minimum	Maximum	Mean	Std Deviation
X1	DER	0,15	3,36	0,79	0,64
	DTAR	0,13	0,75	0,37	0,16
X2	MVE/BVE	0,00	9,80	2,88	2,53
	CAONS	0,00	1,55	0,52	0,23
	CAP/BVA	-0,01	0,95	0,05	0,09
X3	DPR	0,00	2,24	0,47	0,39
	DY	0,00	0,64	0,03	0,06
X4	Board of Directors	2	16	6,59	2,75
	board of Commissioners	2	13	5,23	2,17

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	Independent Commissioner.	0	6	1,91	1,01
	Audit Committee	0	5	3,06	0,75
X5	EVA	18,71	32,49	27,50	2,52
Z	RES	0,01	3,23	0,80	0,62
Y	ROA	-0,07	0,66	0,12	0,11
	ROE	0,00	1,44	0,22	0,27
	NPM	0,00	0,39	0,10	0,07

b. Assumption Test for Structural Equation Modeling (SEM)

1) Normality Test

The test results obtained that the CR for multivariate and univariate data was between -2.58 and 2.58, it could be stated that the data was normal.

2) Outliers Test

The outliers test results show that the Mahalanobis d-squared value is smaller than the Chi-Square value, meaning that all cases do not experience outliers.

c. Analysis of Structural Equation Modeling (SEM)

1) Model Fit Test (Goodness of Fit Test)

The results of the Model Suitability Test (Goodness of Fit Test) can be seen in Table 2

Table 2. SEM Conformity Index

Criteria	Value Cut Off	Test result	Description
Chi-Square	It is expected that it is smaller than X^2 at df = 41, which is 64.950	38,874	Good
Sig. Probability	≥ 0,05	0,108	Good
RMSEA	≤ 0,08	0,050	Good
GFI	≥ 0,90	0,972	Good
AGFI	≥ 0,90	0,911	Good
CMIN/DF	≤ 2 to 3	1,555	Good
TLI	≥ 0,95	0,969	Good
CFI	≥0,95	0,988	Good

2) Direct Effect Testing

The results of the path coefficient test can be seen in the following table:

Table 3. Causality Test Results

Influence			Estimate	SE.	CR.	P	Keterangan
Z	<---	X1	-0,566	0,266	-2,126	0,034	Significant
Z	<---	X2	-0,005	0,016	-0,329	0,742	Not significant

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Z	<---	X3	0,137	0,107	1,273	0,203	Not significant
Z	<---	X4	0,068	0,175	0,392	0,695	Not significant
Z	<---	X5	-0,016	0,017	-0,948	0,343	Not significant
Y	<---	X1	0,009	0,022	0,402	0,688	Not significant
Y	<---	X2	0,001	0,001	0,503	0,615	Not significant
Y	<---	X3	0,023	0,009	2,483	0,013	Significant
Y	<---	X4	-0,045	0,019	-2,380	0,017	Significant
Y	<---	X5	0,004	0,001	2,536	0,011	Significant
Y	<---	Z	0,009	0,006	1,597	0,110	Not significant

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

$$Y = 0{,}009X1 + 0{,}001X2 + 0{,}023X3 – 0{,}045X4 + 0{,}004X5 + 0{,}009Z$$

$$Z = - 0{,}566X1 - 0{,}005X2 + 0{,}137X3 + 0{,}068X4 - 0{,}016X5$$

3) Testing the Indirect Effect between Funding Decisions, Investment Decisions, Dividend Policy, Good Corporate Governance, and Economic Value Added, on Financial Performance with Real Earning Smoothing as an Intervening Variable

Table 4. Indirect Effect Testing Results

			Direct Influence	**Indirect Influence**	**Description**
Y	<---	X1	0,026	(0,009 x 0,566) = 0,00509	Not significant
Y	<---	X2	0,032	(0,009 x 0,005) = 0,00005	Not significant
Y	<---	X3	0,161	(0,009 x 0,137) = 0,00123	Not significant
Y	<---	X4	0,209	(0,009 x 0,068) = 0,00061	Not significant
Y	<---	X5	0,169	(0,009 x 0,016) = 0,00014	Not significant

Discussion

1) Effect of Funding Decisions, Investment Decisions, Dividend Policy, Good Corporate Governance, Economic Value Added, and Real Earning Smoothing on Financial Performance

The Effect of Funding Decisions on Financial Performance

The results of this study are not able to prove previous research, and this condition is because one of them is that the companies studied are all types of manufacturing companies (meaning that they do not focus on one sub-sector), whether it is recognized or not, each sub-sector has an industry average for different debt ratios. Not all debts owed by the company must bear interest expenses, for example, salary payable, this salary payable is the employee's unpaid salary. This test supports the opinion of Innocent et al. (2014). However, it does not support the research conducted by Fadah, et al. (2005), Tajang (2011), Jubaedah and Argo (2012), Chandrapala and Knapkova (2013), Sudarmakiyanto, et al., (2012), Gayatri N (2018), Warmana and Widnyana (2017), Syahrir, et al., (2019)

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The results showed that investment decisions had no significant effect on financial performance. MVE / BVE reflects that the stock market price through the return of the company's investment in the future will be greater than the expected return on its equity. This shows that investment opportunities will affect the stock market price, not the company's financial performance. This is why investment does not affect financial performance. The results of this study support the results of research conducted by Sharif (2017). And it is not in line with the opinions of Hutchinson (2001), Hsiao and Hsu (2011), Jubaedah and Argo (2012), Jariah (2018), Gayatri N (2018), Mantisa and Tandika (2017), Wakhidah (2019).

The results showed that the dividend policy had a significant effect on financial performance, positive meaning that the company's financial performance increased when the dividend policy was high. Conversely, when the dividend policy is low, the company's financial performance decreases. In accordance with the dividend signaling hypothesis that the announcement of dividend payment by management is a signal that the company can still generate the desired profit and wants to show shareholders that the company can meet their expected dividend payments. The results of this study support the research of A. Ajanthan (2013), Adediran and Alade (2013), Ng'ang'a and Kiuru (2014), and Hassan et al. (2015) researched energy and textile companies in Pakistan for the period 1996 - 2008, with the results that the dividend payout ratio had a negative effect on profitability.

The results showed that good corporate governance has a significant effect on financial performance, negative means that the higher good corporate governance, the company's financial performance decreases. Conversely, when good corporate governance is low, the company's financial performance increases. In this study, good corporate governance is proxied by the number of boards of directors, number of commissioners, number of independent commissioners, and audit committees. The more the number of each proxy will result in a decrease in the company's financial performance. The results of this study support Hirotsugu and Asaoka (2003), Ji Li et al. (2006), Giovannini (2009), Hassan and Ahmed (2012), Mirza and Javed (2013), Putra and Simanungkalit (2014). However, this study's results contradict Brown and Caylor (2009) and Jannati et al. (2014).

The results showed that economic value added had a significant effect on financial performance, positive meaning that when economic value-added was high, the company's financial performance increased. Conversely, when economic value-added is low, the company's financial performance decreases. EVA has a significant positive effect on financial performance because EVA is a financial analysis tool to assess company operations' realistic profitability, and EVA uses the cost of capital in its calculations. The results of this study support the opinions of Paragh (2012), Khaddafi and Heikal (2014), Jakub et al. (2015), Awan (2014), Nugraha and Bahtiar (2012).

The results showed that real earning smoothing had no significant effect on financial performance, meaning that high or low real earning smoothing did not affect the company's financial performance. The results of this study contradict research conducted by Putra and Simanungkalit (2009), Gill et al. (2013), Ngunjiri (2017), Sanjaya and Devie (2015), Aminah and Use (2015), Fitriyani et al. (2014). In addition, the results of this study support Kamalnejad

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and Salteh (2014), Hejazi et al. (2009).

2) Influence of Funding Decisions, Investment Decisions, Dividend Policy, Good Corporate Governance, and Economic Value Added on Real Earning Smoothing

The Effect of Funding Decisions on Real Earning Smoothing. The results showed that funding decisions had a significant effect on RES, negative meaning that when funding decisions were high, RES decreased, and vice versa when funding decisions were low, RES increased. The results of the research contradict Alexandri and Anjani (2014), Jariah and Ato'illah (2015), Husaini and Sayunita (2016), Kurniawati et al. (2015). Herawati and Yuli (2018), Putra and Suardana (2016), Sincerre (2016). However, these results support the research of Mohammadi et al. (2012), Mohebi et al. (2013).

Effect of Investment Decisions on Real Earning Smoothing in Indonesia. The results showed that investment decisions had no significant effect on RES, meaning that they had no impact on RES when investment decisions were high or low. Investment activities are reported in the cash flow statement on investing activities, whereas RES is based on the cash flow statement on operating activities, and the effects of investing activities will have an impact on the company in the future. The results of this study support the research conducted by Fanani and Basuki (2007), Adriani and Syafruddin (2009), Faradhilla (2011). But contrary to research conducted by Sarunggolo and Siregar (2012), Chen et al. (2010), Puteri and Rohman (2012), Juwita (2019).

The Effect of Dividend Policy on Real Earning Smoothing in Indonesia. The results showed that the dividend policy had no significant effect on Real Earning Smoothing, meaning that it did not affect RES when the dividend policy was high or low. Cash dividends or shares are not reported in the income statement but in the statement of changes in capital and in the cash flow statement from investing activities. The results of this study support Kustono (2009), Mukhtaruddin et al. (2014). At the same time, the results of this study contradict Huang et al. (2009), Im et al. (2016), Yuli (2018), Anwar and Chandra (2017).

Effect of Good Corporate Governance on Real Earning Smoothing. The results showed that good corporate governance has no significant effect on Real Earning Smoothing, meaning that it does not affect RES when good corporate governance is high or low. The results of this study support the research conducted by Mappanyukki et al. (2016), however, the results of this study are contradictory to Yang et al. (2010), Mohebi et al. (2013), Nasution and Setiawan (2007), Dwiati and Ambarwati (2017), Mayasari, et al. (2019), Patrick, et al. (2015).

The Effect of Economic Value Added on Real Earning Smoothing in Indonesia. The results showed that economic value added had no significant effect on Real Earning Smoothing, meaning that negative or positive economic value added could not influence RES's changes. RES is an income smoothing action based on cash income, not accounting profit. Accounting earnings still have accrual data. The results of the study contradict research conducted by Erviana (2014), Helaludin Ahmed (2015), Ningsih (2017).

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3) The Effect of Funding Decisions, Investment Decisions, Dividend Policy, Good Corporate Governance, and Economic Value Added on Financial Performance Through Real Earning Smoothing

The Effect of Funding Decisions on Financial Performance through Real Earning Smoothing. The results showed no significant effect of funding decisions on financial performance through real earnings smoothing in Indonesia. This means that the hypothesis, which states that there is a significant effect of funding decisions on financial performance through real earnings smoothing in Indonesia, is not proven.

The Effect of Investment Decisions on Financial Performance through Real Earning Smoothing. The test results show no significant effect of investment decisions on financial performance through Real Earning Smoothing. This means that the hypothesis, which states that there is a significant effect of investment decisions on financial performance through real earnings smoothing in Indonesia, is not proven. This is because the investment decision will have an effect on income and profit in the next period. The return from the investment will be reported in the cash flow statement from investing activities so that changes in investment return do not affect earnings and cash / cash sales.

The Effect of Dividend Policy on Financial Performance through Real Earning Smoothing. The test results show no significant effect of dividend policy on financial performance through real earning smoothing in Indonesia. This means that the hypothesis, which states that there is a significant effect of dividend policy on financial performance through real earnings smoothing in Indonesia, is not proven. The amount of dividends distributed to shareholders is based on the company's accounting profit, and dividend payments do not affect the company's profit, both accounting and cash / cash.

The Effect of Good Corporate Governance on Financial Performance through Real Earning Smoothing. The results showed no significant effect of Good Corporate Governance on financial performance through real earning smoothing in Indonesia. This means that the hypothesis that there is a significant effect of good corporate governance on financial performance through real earning smoothing in Indonesia is not proven. The Board of Directors has the role of making the company grow in the future, maintaining healthy and strong financial performance.

The Effect of Economic Value Added on Financial Performance through Real Earning Smoothing in Indonesia. The results showed no significant economic value effect on financial performance through real earning smoothing in Indonesia. This means that the hypothesis, which states a significant economic value effect on financial performance through real earnings smoothing in Indonesia, is not proven true. Direct economic value added has a significant effect on financial performance, so there is no need for income smoothing action, either accrual or cash / cash basis.

Conclusion

Based on the descriptions that have been disclosed in the discussion, several conclusions

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can be drawn as answers to the main problems raised in this study, namely: dividend policy, good corporate governance, and economic value added to have a significant effect on financial performance. Only funding decisions have a significant effect on real earning smoothing. Furthermore, real earning smoothing cannot become an intervening variable in the effect of funding decisions, investment, dividend policy, good corporate governance, and economic value added on financial performance. This study's results are expected to benefit various parties, including management, investors, potential investors, creditors, potential creditors, and the government. For further researchers, it is advisable to conduct research on the same topic but in different government systems apart from Indonesia and China and considering conditions before and after the coronavirus pandemic (Covid 19) so that the research results are more varied in terms of research findings.

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