ABSTRACT

The Influence of Firm Size, Profitability and Financial Leverage on Income Smoothing In the Banking Companies Listed on the Stock Exchange

Income smoothing (income smoothing) is a reduction in earnings fluctuations from year to year by transferring income from the years of high earnings for the periods that are less favorable. The purpose of this study was to determine whether there was an effect of firm size, profitability, and financial leverage on income smoothing the banking company. The variables used are firm size, profitability, financial leverage and income smoothing. This study uses 11 Banking Companies listed on the Indonesia Stock Exchange and use financial statements for 3 years.

The method used in this research is descriptive statistical methods, sampling techniques with use purposive sampling. Independent Variables: Company Size (X1), Profitability (X2), Financial Leverage (X3) and Dependent Variables are: Income Smoothing (Y).

In this study, the financial statements used are the annual financial statements from 2011 until 2013. The measurement or indicator used is: Company Size by using indicators Ln Total Assets, Profitability by using indicators Return on Assets (ROA), Financial Leverage by using indicators Debt To Total Assets ratio (DAR) and income smoothing using Index Eckel indicator.

Partially sized companies and financial leverage has a significant influence on income smoothing banking sector companies listed in Indonesia Stock Exchange during 2011-2013. Firm size effect of 31.2% and financial leverage effect of 21.8% on income smoothing, where the size of the company and the higher financial leverage will increase income smoothing banking sector companies listed in Indonesia Stock Exchange during the period from 2011 to 2013 . However, profitability did not have a significant effect on income smoothing banking sector companies listed in Indonesia Stock Exchange during 2011-2013.

Keywords: Firm Size, Profitability, Financial Leverage, and Income Smoothing