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The Influence of Investment Decisions, Earnings Management and Free Cash Flow on the Financial Performance of Companies Listed on the Indonesia Stock Exchange

by
Dra. Ec. Hartati Kanty Astuti TD, MM
University of W.R. Supratman Surabaya, Indonesia

ABTRACT

Managers as managers of the company know more about internal information and prospects of the company in the future than investors. As a manager, managers are required to disclose information about financial statements that can be used by various parties, including the management of the company itself specifically to measure financial performance. Financial performance is the company's benchmark in making a profit. Company profits are obtained through managers who can run the company effectively and efficiently.

This study aims to examine the effect of investment decisions, earnings management and free cash flow on the performance of companies listed on the Indonesia Stock Exchange in the period 2016-2018. The research sample is 25 manufacturing companies listed on the Indonesia Stock Exchange in period the 2016-2018. The research design is quantitative with hypotheses and data sources obtained from the Indonesia Stock Exchange website (www.idx.co.id). The analysis technique uses multiple linear regression. The research design is quantitative with hypotheses and data sources obtained from the Indonesia Stock Exchange website (www.idx.co.id). The analysis technique uses multiple linear regression.

The analysis shows that investment decisions have a significant effect on the performance of companies listed on the Indonesia Stock Exchange in the 2016-2018 period. If investment opportunities that can be utilized appropriately will only lead to profits for the company. Earning management has a significant effect on the performance of companies listed on the Indonesia Stock Exchange in the period 2016-2018 and earnings management that is still within the limits of SAK rules and fully disclosed regarding its impact on the financial performance of the current and future years. Free cash flow has no significant effect on the performance of companies listed on the Indonesia Stock Exchange in the period 2016-2018.

Keyword: *investment decision*, *earning management*, *free cash flow* and *financial performance*

INTRODUCTION

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Manufacturing companies in carrying out operational activities are always associated with raw materials. The process of making a product requires funds that must be supported by adequate human resources. In connection with manufacturing companies in order to grow and be able to compete with other companies, a healthy financial statement is needed. The company's financial statements can be used as material for owners (stakeholders) and investors to buy shares. Companies that are included in the Indonesia Stock Exchange, in order to increase capital, another investor is required to be able to buy company shares.

The growth of the manufacturing industry in 2016 to 2018 increased significantly. by 4% compared to 2017. In 2018 it slowed down compared to 2017 which was still able to grow 4.57% The increase was triggered by the production of the pharmaceutical industry, chemical drug products and traditional medicines increased by 8.01%. Then followed by an increase in the production of the leather industry, leather goods and footwear by 7.62% and the food industry by 6.26%. Meanwhile, the types of industries that experienced the largest decline in production were the rubber industry, rubber and plastic goods which fell 8.39%, the electrical equipment industry by -7.49%, and the apparel industry by -7.15% (Central Statistics Agency, 2018).

One reference to determine that a company has sound financial statements is marked by the company's value and improved company performance. The value of the company is marked by the company issuing shares in the capital market, the price of shares traded on the stock exchange is an indicator of company value. If the stock price continues to rise, it indicates that the value of a large company. Increasing the value of the company can attract investors to invest their capital. Investors need to determine the business prospects and to determine the level of risk that will be faced.

Manufacturing companies in order to continue to exist always pay attention to the company's performance. Financial reports which are published as a suggestion for the responsibility of management become a formal source of information. One way to measure financial statements is to look at the company's performance that includes the income statement. Financial reports by financial managers are grouped into three main activities, namely activities using funds, obtaining funding and profit sharing (Husnan, 2015:4). Financial managers must make decisions about the use of funds referred to as investment decisions to improve financial performance. This opinion is supported by the results of research conducted by Kipkorir, Namiinda and Njeje (2016) who concluded that investment decisions significantly influence financial performance.

Financial performance is a financial statement that is owned by the company / business entity concerned and that is reflected in the information obtained on the balance sheet (income statement), income statement, and cash flow statement as well as other matters who also support as a strengthened assessment. Stakeholders can assess the company's financial performance including looking at the level of profitability, liquidity, solvency and will be used as a basis for decision making (Fahmi, 2012:2).

The first factor affecting financial performance is investment decisions. Investment decision is a comparison of current assets and fixed assets. Investment decisions will be reflected in the company's assets. Thus it will affect the company's wealth structure. The users of financial statements want to find out information about the company's cash condition, to find out the company's ability to generate cash.

Earnings management also influences financial performance. Earnings management by business management will increase the value of the business entity and then it will go down. Earnings management can cause agency problems (agency cost)

that are triggered by the separation of roles or differences in interests between shareholders (principal) and managers or management of business entities (agents). This opinion is reinforced by the results of research conducted by Saidu, Ibrahim and Muktar (2017) which concluded that earnings management (SIZE, AGE and LPP) affect financial performance.

Factors that also affect financial performance is free cash flow. Free cash flow is cash flow available to be distributed to investors (both shareholders and bondholders) after the company invests in additional fixed assets, increased working capital, which is needed to maintain company growth (Husnan, 2015:67). This opinion is supported by Hong, Shuting and Meng (2012) who conducted research and it can be concluded that free cash flow has a significant effect on financial performance.

Based on the background that has been explained, it is interesting to study research with the title "The influence of investment decisions, earnings management and free cash flow on the financial performance of companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Financial Management

The financial manager is concerned with determining the appropriate amount of assets from investments in various assets and the selection of sources of funds to finance these assets. To finance these funds needs, financial managers can meet them from sources from outside the company and can also come from within the company. Sources from outside the company come from the capital market, namely meetings between parties needing funds and those who can provide funds. Funds originating from this capital market can be in the form of debt (bonds) or own capital (shares). Sources from within the company come from the allowance for company profits (retained earnings), reserves or depreciation.

After the funds are obtained, the funds must be used to finance the company's operations. Funds will be embedded in various real assets of the company, both tangible and intangible assets. Corporate funding sources, both tangible and intangible assets. While the sources of company funds will be manifested in various financial assets, namely a piece of paper that has market value, because by owning the paper, the owner can earn income. The size of the funds that must be obtained by the financial manager must of course be adjusted to the needs for the company's operations.

The use of funds for company operations can be used for various purposes. But if viewed from the time dimension, then the use of these funds can be for working capital (short term) can also be for capital investment (long term). After the funds are used, the company is expected to benefit from the use of these funds. If the company makes a profit then it must be decided whether this profit will be distributed to the owners of capital or reinvested into the company.

The purpose of financial management decisions is to maximize shareholder prosperity or maximize the value of the company, not maximize profit, minimize costs (expense or cost) in order to get a maximum decision making, in running the company towards development and a company that is running or surviving and expanding (Irawati, 2006:4).

Investment Decision

Pujiati and Widanar (2009) stated that investment decisions are decisions issued by companies related to company activities to release funds at the present time with the hope to generate future cash flows greater than those released at the time of initial investment, so that the company's expectations for always growing and developing will be increasingly clear and planned.

Every company usually has an investment activity which is done by choosing investment alternatives that are available, with various types of investments that can be carried out and are expected to provide good returns on investment for the company owner (Moeljadi, 2006:13). Investment decisions can be measured using the value of Price Earning Ratio (PER) (Lihan and Anas, 2010). Made (2011:23) states that this ratio measures how investors assess future growth prospects, and is reflected in the price of shares that investors are willing to pay.

In the basic framework of the preparation and presentation of financial statements in Financial Accounting Standards paragraph 3 (2012:131) which states that investment is an asset used by companies for growth of wealth (accretion of wealth) through the distribution of investment returns (such as interest, royalties, dividends and advances), for appraisal of the value of an investment, or for other benefits of an investing company such as benefits obtained through trade relations.

Investment is the placement of a number of funds at this time with the hope of obtaining future profits. The parties who carry out investment activities are called investors. Investment is expenditures to buy capital goods and production equipment with the aim of replacing and especially adding capital goods in the economy which will be used to produce goods and services in the future (Halim, 2012:4). Investors consist of (Halim, 2012:4) individual investors and institutional investors.

Investments increase the welfare of investors (investor's wealth). The purpose of investing is to get a more decent profit in the future, reduce inflationary pressures, encouragement to save taxes.

Types of investment are as follows (Halim, 2012:42)

1. Investment in financial assets
   Performed in the money market, for example in the form of certificates of deposit, commercial paper. Conducted on the capital market, for example in the form of shares, bonds, warrants, options, etc.
2. Investment in real assets
   Can be in the form of purchasing productive assets, building a factory

Based on the above understanding, it can be concluded an investment decision is the investment of funds made by a company into an asset with the hope of earning income in the future. According to Halim (2012:240) with the formula

$$\text{Inventory turn over} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

Earning Management

Managers as managers of the company know more about internal information and prospects of the company in the future than the owner or shareholder. Because managers who know directly in the company and holders can find out after the manager makes the company's financial statements. Therefore as a manager, the manager is obliged to give a signal regarding the condition of the company to the owner. The signal

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given can be done through the disclosure of accounting information such as financial statements (Ujiyantho, 2007).

The financial statements are intended to be used by various parties, including the management of the company itself. But most concerned with financial statements are actually external users (outside management). The financial statements are important for external users especially because this group is in the most uncertain conditions (Ali, 2002; in Herawaty, 2009).

According to Scott (2000) in Rahmawati, Suparno, and Qomariyah (2006), there are two kinds of information asymmetry, namely Adverse selection and Moral hazard. The existence of information asymmetry allows conflict between the principal and agent to try to take advantage of each other for their own interests. Eisenhardt (1989) in Ujiyantho (2007) suggests three basic human assumptions, namely 1) humans are generally self-interested, 2) humans have limited thinking power about the perception of the future (bounded rationality), and 3) humans always avoid risk (risk adverse).

Schipper (1989), Healy and Wahlen (1999) in Riduwan (2005) that earnings management does not merely shift the period of earnings recognition, but leads to managers' efforts to give stakeholders a false picture of company performance, so that stakeholders make economic decisions in accordance with manager's expectations. Earnings management is an intentional intervention by a manager or accountant in the external financial reporting process with the intention of obtaining personal benefits.

Neutrality of financial statements relating to the purpose of financial statements that information must be directed to the general needs of users, and does not depend on the needs and desires of certain parties (Ma'ruf, 2006). The purpose of financial statements in general is to provide information about financial position, company performance and cash flow which is beneficial for most report users in order to make economic decisions and demonstrate management responsibility for the use of resources entrusted to them.

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Healy and Wahlen (2010:6), defines earnings management as follows when managers use judgment in financial reporting and in structuring transaction to alter financial report to either mislead some stakeholder about underlying economic performance of the company, or to influence contractual outcome that depend on report accounting number. Based on these definitions it can be concluded that financial statements are a communication medium between company management and investors regarding the company's financial picture, therefore in the process of making financial statements must be made properly and presented honestly to users of financial statements so as to reduce the appearance of accounting manipulation.

The formula used in this study as follows

$$ROA = \frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$$

Free Cash Flow

According to Brigham and Houston (2010:65) Free cash flow is cash flow that is truly available for distribution to all investors (shareholders and debt holders) after the company places all of its investments in fixed assets, new products, and working capital needed to maintain the ongoing operation. The value of a company's operations will depend on all expected future free cash flow, which is defined as operating income. after tax minus the amount of investment in working capital and fixed assets needed to

maintain the business. Thus, free cash flow will reflect cash that is actually available to be distributed to investors.

Free cash flow describes the level of financial flexibility of a company. Ross et al. (2008), free cash flow is corporate cash that can be distributed to creditors or shareholders that are not used for working capital or investment in fixed assets. Free cash flow shows a picture for investors that dividends distributed by companies are not just strategies to get around the market with the intention of increasing the value of the company. Companies with excessive free cash flow will have better performance than other companies because they can benefit from various opportunities that other companies might not.

Managers prefer that the funds be invested again in projects that can generate profits, because this alternative will increase the incentives it receives. On the other hand, shareholders expect the remaining funds to be distributed so that they will increase their welfare. the availability of high free cash flow will tend to be misused by management for their own interests. Managers tend to use free cash flow to expand the company by investing despite generating negative net present value.

Brigham and Daves (2010:206) there are five uses of free cash flow, namely

1. Paying interest to creditors
2. Paying principal debt to creditors
3. Paying dividends to shareholders
4. Buy back shares from shareholders
5. Buying securities, and other non-operating assets

Free cash flow can be calculated from the cash flow statement as follows

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$$

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Financial performance

Financial performance is the presentation of information about assets, liabilities, expenses, and income changes in equity and cash flow (Sutrisno, 2009:53). This information, followed by notes, will help users predict future cash flows. Company performance is defined as the idea that a company is a collection of productive assets that are intentionally formed and consist of human, physical, and capital resources intended to achieve a goal. This statement is reinforced by Daft (2010) that company performance is the ability of a company to achieve its goals by using resources efficiently and effectively.

The company's performance is the result of a series of business processes at the expense of various kinds of resources namely human resources and corporate finance. The company's performance is usually focused on the group task, rather than the group matter subject internally (Gamal and Soemantri, 2017). If a company's performance improves, it can be seen from the company's intense business activities to generate large profits (Moerdiyanto, 2011) in Sanjaya and Devie (2017). In addition, research conducted by Richard et al. (2009) in Sanjaya and Devie (2017) concluded that company performance covers three specific areas, namely financial performance (profits, return on assets, return on investment, In addition, research conducted by Richard et al. (2009) in Sanjaya and Devie (2017) concluded that company performance covers three specific areas, namely financial performance (profits, return on assets,

return on investment, return on equity), product market performance (sales, market share) and shareholder return (total shareholder return, economic value added).

Ramanujam and Venkatraman (1986) in Sanjaya and Devie (2017) stated that company performance has three dimensions, namely financial performance, operational performance, and stakeholder performance. Supported by the research of Jahanshahi et al (2012) in measuring and determining company performance, there are various ways. Researchers have reviewed that company sizes that are often used in research are financial performance, operational performance, and market based performance. Stanwick and Stanwick (2002) define financial performance as a measure of how well a company can utilize assets from its main business activities and provide returns for investors, this is a measure of company effectiveness.

Performance measurement is used by companies to make improvements over their operational activities in order to compete with other companies. Financial performance analysis is a critical review process of reviewing data, calculating, measuring, interpret, and provide solutions to the company's finances in a certain period. Astuti, Widari, Pelitawati and Gamal (2018) Performance measurement is divided into four elements (1) companies to set goals, objectives and strategies. (2) Establish indicators and performance measures. (3) performance measurement of the level of success objectives and goals earned by the company and (4) evaluate performance continuously.

The formula is used to calculate financial performance (Husnan, 2015:80)

Current ratio (CR)

$$\text{Current asset} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

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Hypothesis Development

Effect of Investment Decision on Financial Performance

Investment decisions are important decisions for companies that involve allocating a number of funds to a number of assets during a certain period in the hope of getting a return in the future (expected return). Investment estimates the rate of return with risks that may arise, so it is necessary to consider the source of funds and the type of investment to be made. Investment is very important for the survival of the company concerned and its effect on financial performance.

Darminto (2006), the effect of asset investment, funding and management on financial performance, this research is a type of exsplanatory research by following the positivist paradigm and ex post facto design. Asset investment results have a significant effect on financial performance.

From this description, it can be proposed a hypothesis namely

H_1 : Investment decision has a significant effect on the financial performance of companies listed on the Indonesia Stock Exchange.

The Effect of Earning Management on Financial Performance

The application of earnings management can be more maximized and effective, so company management should change its orientation not only for planning purposes, but also by considering improvements in overall financial performance. In preparing the company's budget, clear criteria must be made for the figures presented. This is

important to measure the extent of the company's consistency in operating in accordance with the budget compiled.

Company management should strive for cost efficiency to be carried out on a number of cost items that are not controlled enough to affect the achievement of net profit. This is considered necessary so that financial performance after the application of earnings management can meet the wishes of most of its stakeholders.

Fakhrunnisa (2015), the effect of earnings management on corporate financial performance which is moderated by good corporate governance (empirical study on pharmaceutical manufacturing companies on the Indonesia Stock Exchange in 2010 - 2014). The results of this study indicate that earnings management affects the company's financial performance, which is moderated by good corporate governance affects the company's financial performance.

H_2 : Earning management has a significant effect on the financial performance of companies listed on the Indonesia Stock Exchange.

Effect of Free Cash Flow on Financial Performance

To evaluate the prospective company, the buyer must estimate the future cash flow that is expected to be added from the acquisition after tax deduction. The remaining cash flows after deducting from the expected income is called free cash flow. Free cash flow reflects the flexibility of the company in making additional investments, paying off debt, buying treasury shares or adding liquidity, so that high free cash flow indicates high company performance. Paramita (2012), free cash flow analysis of agency cost and financial performance. The results of this study indicate that free cash flow has a positive effect on agency cost and financial performance.

From this description, it can be proposed a hypothesis that is

H_3 : Free cash flow has a significant effect on the financial performance of companies listed on the Indonesia Stock Exchange.

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RESEARCH METHOD

Population and Research Sample

Research population is a collection of data to be examined sourced from financial reports published by the Indonesia Stock Exchange from 2016-2018. There are about 120 manufacturing companies listed on the IDX. The sample of this research was conducted using an annual report on the Indonesia Stock Exchange from 2016 to 2018, because there were quite a lot of companies, a cross section regression technique was carried out by fulfilling several criteria that could be taken as samples. Samples from a population of 25 companies that meet the sample criteria with restrictions

1. Companies listed on the Indonesia Stock Exchange for 2016 to 2018.
2. Companies that are active on the Indonesia Stock Exchange in 2016 to 2018 continuously in that year report their financial information in the form of annual reports.
3. Companies active in 2016 to 2018 continue to share profits.

Data Analysis Techniques

Data analysis techniques in hypothesis testing use multiple linear regression analysis testing which is a statistical technique used to test the effect of two or more variables and to see the effect partially and simultaneously. The empirical model

equation used in examining the effect of independent variables on the dependent variable, that is

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where Y is Financial performance, α is constant, $\beta_{1,2,3}$, is the regression coefficient, X_1 is investment decision, X_2 is Earning management, X_3 is Free cash flow and is error. This research model can be seen in Figure 1.

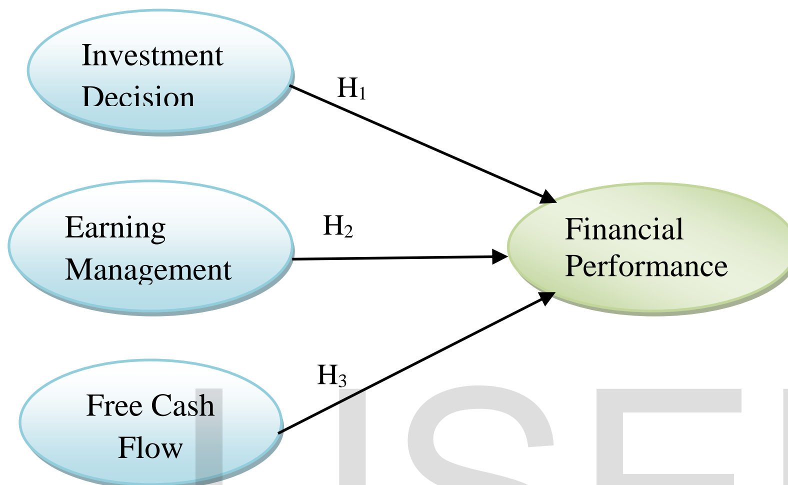

Figure 1. Conceptual Framework

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ANALYSIS OF RESEARCH RESULTS

Overview of Research Objects

In the Indonesia Stock Exchange there are 3 sectors, namely the main sector (raw material producing industry), the second sector (manufacturing industry), and the third sector (service industry). The main sector consists of agriculture and mining, the second sector is the basic industrial sector and chemical, various industrial sectors and the consumer goods industry sector, while the third sector consists of the property and real estate sector, the infrastructure sector, utilities and transportation, the financial sector, and the trade, services and investment sector.

Vision and Mission of the Indonesia Stock Exchange

Become a competitive exchange with world-class credibility

Build an easily accessible stock exchange and facilitate long-term fund mobilization. for all industrial lines and all company businesses. Not only in Jakarta but throughout Indonesia. Not only for institutions, but also for individuals who meet the qualifications to get equity through ownership. As well as enhancing the reputation of the Indonesia Stock Exchange, through providing quality and consistent services to all company stakeholders.

The object used in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2016-2018. During that period, the total population was 151 companies from 19 subsectors of manufacturing companies on the

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Indonesia Stock Exchange, but the companies that met the criteria in the study were 25 companies. The following is a list of companies used as research samples.

Table 1. Sample List of Manufacturing Companies in Period 2016-2018

No	Issuer Code	Company Name
1	ASII	Astra International Tbk
2	AUTO	Astra Otoparts Tbk
3	GDYR	Goodyear Indonesia Tbk
4	ARGO	Argo Pantes Tbk.
5	ERTX	Eratex Djaj Tbk
6	HDTX	Panasia Indo Resources Tbk.
7	PBRX	Pan Brothers Tbk.
8	STAR	Star Petrochem Tbk.
9	UNIT	Nusantara Inti Corpora Tbk
10	IKBI	Sumi Indo Kabel Tbk.
11	JECC	Jembo Cable Company Tbk
12	SCCO	Supreme Cable Manufacturing & Commerce Tbk.
13	POLY	Asia Pacific Fibers Tbk
14	ADRO	Adaro Energy Tbk
15	PTBA	Tambang Batu Bara Bukit Asam (Persero) Tbk
16	PTRO	Petrosea Tbk
17	MEDC	Medco Energy Internasional Tbk
18	RUIS	Radiant Utama Interinsco Tbk
19	DKFT	Central Omega Resource Tbk
20	TINS	Timah (Persero) Tbk
21	ITMG	Indo Tambangraya Megah Tbk
22	WIKA	Wijaya Karya Tbk
23	ANTM	Aneka Tambang Tbk
24	UNTR	United Tractors Tbk.
25	INAF	Indofarma (Persero)TbK

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Discussion

To determine the effect between the independent variables and the dependent variables used multiple linear regression analysis. The results of multiple linear regression tests and influenced by the following results

$Y = 206,161 - 1,835 X_1 + 7,216 X_2 - 3,222 X_3$

From the above equation, the constant value (α) of 206,161 means that if the investment decision (X_1), earnings management (X_2) and Free cash flow (X_3) are 0, then

the performance of the company (Y) is 206,161. Based on the results of calculations with SPSS version 23 program tools, the following results are obtained.

Table 2. Multiple Regression Analysis

	Unstandardized Coefficients	*Standardized Coefficients*	*Standardized Coefficients*	t	Sig.
	B	*Std. Error*	Beta		
(*Constant*)	206.161	33.827		6.095	.000
Investment decision	-1.835	.918	-.227	-1.999	.049
Earning managemnent	7.216	2.718	.335	2.655	.010
Free cash flow	-3.222	1.968	-.205	-1.637	.106

The influence of significant investment decision on financial performance

Data processing results show that investment decision variables on financial performance are significant with a t-statistic value of -1.999 (>1,669) with a significant value of 0.049 (<0.05) which indicates that the direction the relationship between investment decisions on financial performance is positive or bidirectional. So the first hypothesis stating investment decision has a significant effect.

The results of this study support the research conducted by Kipkorir, Namiinda, Njeje (2016) which concludes that investment decisions have a significant effect on financial performance. The results of this study also support the research conducted by Darminto (2006) it can be concluded that investment in assets has a significant effect on financial performance.

Investment decisions are important decisions for companies that involve allocating a number of funds to a number of assets during a certain period in the hope of getting a return in the future (expected return). Investment estimates the rate of return with risks that may arise, so it is necessary to consider the source of funds and the type of investment to be made. Investment is very important for the survival of the company concerned and its effect on financial performance. It can be concluded that investment decisions have not been able to become evidence or a strong point of attention from companies in assessing the success of financial performance.

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The influence of significant Earning Management on Financial Performance

Data processing results show that earnings management variables have significant financial performance with t-statistic value with t-statistic value of 2,656 (>1,669) with a significant value of 0.010 (<0.05) which shows that the direction of the relationship between the direction of the relationship between earnings management to financial performance is positive or two-way. So that the second hypothesis which states earnings management has a significant effect on financial performance is proven true.

The results of this study support the research conducted by Ibrahim, Jamila Muktar (2017) it can be concluded that earnings management which includes (SIZE, AGE and LLP) has a significant effect on financial performance. Also supported by research conducted by Fakhrunnisa (2015), it can be concluded that earnings management influences the company's financial performance, which is moderated by good corporate governance affects the company's financial performance.

The application of earnings management can be more maximized and effective, so company management should change its orientation not only for planning purposes,

but also by considering improvements in overall financial performance. The company's management strives to make cost efficiencies carried out on a number of cost items that are not controlled enough to affect the achievement of net profit. This is deemed necessary so that financial performance after the application of earnings management can meet the wishes of most of its stakeholders. So it can be concluded that earning management can be evidence or a strong point of attention of the company in assessing the success of financial performance.

The influence of significant free cash flow on financial performance

The results of data processing show that the variable of free cash flow on financial performance is significant with a t-statistic value of t-statistic of -1,637 (<1,669) with a significant value of 0.106 (>0.05) which shows that direction of the relationship between that the direction of the relationship between free cash flow to financial performance is positive or two-way. So the seventh hypothesis stating that free cash flow has no significant effect on financial performance is proven true.

The results of this study support the research conducted by Ria (2016), it can be concluded that cash flow does not have a significant positive effect on financial performance. The results of this study contradict the research conducted by Hong, Shuting, and Meng (2012) it can be concluded that free cash flow has a significant effect on financial performance.

The free cash flow that remains after deducting from the expected income is called free cash flow. Free cash flow reflects the company's flexibility in making additional investments, paying off debt, buying treasury shares or adding liquidity, so that high free cash flow indicates high company performance. It can be concluded that free cash flow is able to be evidence or a strong point of attention of the company in assessing the success of financial performance.

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CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the results of the discussion that has been described previously, the conclusions from this study are as follows

1. Investment decisions have a significant effect on company performance, this can be interpreted that if investment opportunities that can be utilized appropriately will actually lead to profits (increased performance) for the company.
2. Earning management significantly influences company performance, this can be interpreted that earnings management is still within the limits of SAK rules and disclosed in full its impact on the financial performance of the current and future years.
3. Free cash flow has insignificant effect on company performance, this can be interpreted that free cash flow as available cash flow is not distributed to all investors after the company invests its funds in fixed assets, new products and working capital needed to maintain the continuity of the company's operations. If a company has little free cash flow, then the company tends to have a declining performance.

Suggestion

Based on the results of this study, several things are suggested

1. For the Company, the company management needs to improve the performance of the company cash flow and especially investment decisions, and earnings management and free on the company, in order to help investors in making investment decisions in the company achieve the company's goals, namely to increase the value of the company.
2. For investors choosing companies with high profits, so investors can get high dividend returns.

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