THE INFLUENCE OF PROFITABILITY, CORPORATE VALUE, AND INDEPENDENT COMMISSIONERS ON PROFIT SMOOTHING IN SHARIA ACCOUNTING

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Abstact: *Profit smoothing is a management practice carried out to smooth profit formats to create an impression of consistency before investors. However, from an Islamic perspective, this practice has the potential to violate the principles of honesty and trustworthiness. This study examines the influence of profitability, company value, and independent commissioners on income smoothing practices in Sharia accounting. The study population consisted of 10 agricultural companies measured by the Indonesian Sharia Stock Index (ISSI) during the period 2020 to 2023, and there were 8 samples that met the criteria for the propositional sampling technique. The method used was quantitative. Data analysis was performed using logistic regression with SPSS version 25, with income smoothing practices as the dependent variable. The research findings indicate that profitability and independent commissioners have no significant effect on income smoothing, while company value has a significant negative effect. These results indicate that external monitoring mechanisms through market perception are more effective than internal mechanisms in suppressing income smoothing practices. This study provides compulsion for companies to prioritize the principles of honesty and transparency in financial reporting that are aligned with Sharia values.*
Keywords*: Profitability, Company Value, Independent Commissioner, Income Smoothing*

Abstrak: Perataan laba merupakan praktik manajemen yang dilakukan untuk meratakan fluktuasi laba guna menciptakan kesan konsistensi di hadapan investor. Meskipun dalam pandangan Islam, praktik ini berpotensi melanggar prinsip kejujuran dan amanah. Penelitian ini mengkaji tentang pengaruh Profitabilitas, Nilai Perusahaan, serta Komisaris Independen terhadap praktik Perataan Laba dalam Akuntansi syariah. Populasi penelitian terdiri dari 10 perusahaan pertanian yang tercatat dalam Indeks Saham Syariah Indonesia (ISSI) selama periode 2020 hingga 2023 dan terdapat 8 sampel yang memenuhi keriteria teknik proposive sampling. Metode yang digunakan adalah Kuantitatif. Analisis data dilakukan menggunakan regresi logistik dengan mengunakan SPSS versi 25, dengan variabel dependen berupa praktik perataan laba. Temuan penelitian menunjukkan bahwa Profitabilitas dan Komisaris Independen tidak berpengaruh signifikan terhadap perataan laba, sedangkan Nilai Perusahaan berpengaruh negatif secara signifikan. Hasil ini mengindikasikan bahwa mekanisme pengawasan eksternal melalui persepsi pasar lebih efektif dibandingkan dengan mekanisme internal dalam menekan praktik perataan laba. Penelitian ini menyediakan implikasi bagi perusahaan untuk lebih

memprioritaskan prinsip kejujuran dan transparansi dalam pelaporan keuangan yang selaras dengan nilai-nilai syariah.

Kata Kunci: Perataan Laba, Profitabilitas, Nilai Perusahaan, Komisaris Independen

INTRODUCTION

Accounting plays a crucial role in generating financial information that is relevant, reliable, and transparent to support stakeholders in making sound economic decisions.(Weygandt & Kieso, 2010) The preparation of financial statements in accordance with generally accepted accounting principles enables companies to present objective and measurable information regarding their financial condition. Such high-quality information assists investors, creditors, and other related parties in evaluating business performance, managing risks, and allocating resources efficiently.(Craig Deegan, 2009) In this context, accounting does not merely function as a record-keeping tool but also serves as a vital instrument in realizing good corporate governance. Additionally, pressures stemming from global economic dynamics and international competition compel companies to continually innovate, enhance efficiency, and adopt new technologies to maintain competitiveness in the global market (Masharif al-Syariah Journal).(Aulia et al., 2024)

One form of managerial response to such external pressures is income smoothing—an effort by management to reduce fluctuations in earnings from one period to another so that reported earnings appear more stable. The objective is to present a steady performance image to investors, creditors, and regulators (Mushtaq et al., 2016) Although this practice does not always violate accounting standards, it may nonetheless affect the quality of financial statements and reduce the relevance of the information for decision-making purposes. Within the perspective of Sharia accounting, income smoothing requires special attention because Sharia principles emphasize honesty (*shiddiq*), transparency, and justice (*'adl*) in the presentation of financial information.

These values align with Allah's command in **QS. An-Nisa [4]: 58** which states:

اِنَّ اللّٰهَ يَأْمُرُكُمْ اَنْ تُؤَدُّوا الْاَمٰنٰتِ اِلٰٓى اَهْلِهَاۙ وَاِذَا حَكَمْتُمْ بَيْنَ النَّاسِ اَنْ تَحْكُمُوْا بِالْعَدْلِۗ اِنَّ اللّٰهَ نِعِمَّا يَعِظُكُمْ بِهٖۗ اِنَّ اللّٰهَ كَانَ سَمِيْعًاۢ بَصِيْرًا ۝

"Indeed, Allah commands you to convey trusts to those entitled to receive them, and when you judge between people, to judge with justice. Indeed, Allah gives you the best instruction. Truly, Allah is All-Hearing and All-Seeing." (Qur'an Kemenag, 2024)

This verse reaffirms that, in fulfilling a trust including the management and reporting of financial information a Muslim must act justly and transparently. Manipulating data, including through misleading income-smoothing practices, may contradict this command as it potentially harms stakeholders..

Research on Sharia-compliant companies remains relatively limited, even though income-smoothing practices have been found within them. Maotama and Astika (2020) reported that profitability and firm size significantly influence income-smoothing tendencies, while other studies highlight the role of financial leverage as a contributing factor. These mixed findings indicate that income-smoothing patterns in Sharia-compliant companies cannot be fully explained using evidence from conventional firms due to differences in value orientations, governance principles, and ethical requirements in financial reporting. Novius (2018) emphasized the relevance of size and profitability in detecting earnings management, suggesting that internal financial factors remain dominant in shaping reporting behavior, even within Sharia-compliant operational frameworks. Therefore, further empirical investigation is required to determine whether these variables exert consistent effects in Sharia-compliant firms, particularly those listed in the ISSI. A quantitative approach using secondary data is relevant because it allows objective testing of inter-variable relationships and provides a clear picture of the extent to which reporting practices conform to Sharia principles emphasizing honesty, accountability, and transparency.

Despite the emphasis on honesty and transparency in Sharia principles, income-smoothing practices continue to occur among companies included in the ISSI. Management often undertakes such practices to project performance stability and meet market expectations, which ultimately conflicts with Sharia values. Astari and Suryanawa (2023) showed that variables such as profitability, leverage, bonus compensation, and institutional ownership significantly influence the likelihood of income smoothing. Such practices may generate conflicts of interest between managers and owners, and can erode investor trust when financial statements fail to reflect the true condition of the company (Ribeta et al., 2025). Within the Sharia economic framework, manipulative behavior not only undermines accountability but may also harm the reputation of Sharia-compliant firms. Therefore, consistent implementation of Sharia Accounting Standards (PSAK Syariah) is essential to maintain transparency and integrity in financial reporting (Ikatan Akuntan Indonesia, 2019).

The researchers identified income-smoothing phenomena in **PT. Astra Agro Lestari Tbk (AALI**) a firm listed in Indeks Saham Syariah Indonesia (ISSI). From 2020–2023, the company experienced significant fluctuations in net income. For instance, AALI recorded net income of **Rp 2.067 billion** in 2021, increasing from **Rp 893 milliar** in 2020, before declining again to **1.792 milliar** in 2022 due to falling CPO prices and rising production costs (Tbk, 2023) These conditions indicate a potential for earnings management aimed at preserving the company's positive image before investors.

Previous research demonstrates that factors such as profitability, firm value, and governance structures—including the presence of independent commissioners—affect income-smoothing practices. High profitability, measured through ROA, can motivate firms to maintain the perception of stable performance through income smoothing (Haniftian & Dillak, 2020). Firm value also serves as a driver of profit smoothing, as management seeks to maintain a positive market valuation.(Amalia Haniftian & Juliana Dillak, 2020) Independent commissioners, meanwhile, play a crucial supervisory role. Sari and Darmawati (2021) argue that a strong and independent board of commissioners can significantly constrain earnings management. (Sari & Darmawati, 2021) However, most of these studies focus on conventional firms such as those listed in the LQ45 index, with limited research specifically examining income smoothing within Sharia-compliant firms such as ISSI-listed companies. (Amalia Haniftian & Dillak, 2020).

The novelty of this study lies in its focus on agricultural companies listed in the ISSI—a sector that has received limited attention in Sharia-based income-smoothing literature. By utilizing recent data from 2020–2023, the study captures the latest dynamics related to regulatory changes, commodity price fluctuations, and market conditions that may influence reporting behavior. Focusing on profitability, firm value, and independent commissioners contributes theoretically to understanding how financial and governance factors interact in shaping income-smoothing practices. The quantitative analysis, integrated with literature review and case studies such as PT Astra Agro Lestari Tbk, enables exploration of managerial motivations behind smoothing decisions. Placing the analysis within the Sharia-accounting framework adds an important perspective, examining whether Sharia-compliant firms reflect the principles of trust (*amanah*), honesty, and openness as central values in Islamic accounting.

The objective of this research is to examine and analyze the influence of profitability, firm value, and independent commissioners on income smoothing among companies listed in the ISSI during 2020–2023 from a Sharia-accounting perspective. The findings are expected to contribute to Sharia-accounting literature, provide insights for investors evaluating the integrity of Sharia-compliant financial reporting, and inform managers and regulators in enhancing transparency and financial accountability.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

According to Agency Theory, as proposed by Jensen and Meckling (1976), the relationship between owners (principals) and managers (agents) has the potential to generate conflicts of interest due to information asymmetry. Under such circumstances, managers may take opportunistic actions, such as engaging in income smoothing, in order to reduce performance fluctuations that may trigger investor pressure, maintain their position within the firm, and secure compensation or bonuses (Jensen & Meckling, 1976)

Positive Accounting Theory (PAT)

Positive Accounting Theory (Watts & Zimmerman, 1986) focuses on explaining and predicting management's selection of accounting policies. This theory outlines three hypotheses related to income-smoothing practices: (1) the **bonus plan hypothesis**, which posits that managers tend to smooth earnings to optimize performance-based incentives;(2) the **debt covenant hypothesis**, which asserts that earnings are managed to avoid violations of debt agreements; and (3) the **political cost hypothesis**, which suggests that earnings are smoothed to avoid appearing excessively high, thus reducing the likelihood of public scrutiny or regulatory intervention (Devina Ramadhani et al., 2021).

Thus, both theories indicate that managers may engage in opportunistic behavior such as income smoothing due to information asymmetry, performance pressure, and economic incentives, as illustrated in the bonus plan, debt covenant, and political cost hypotheses (Rokhlinasari, 2015). However, from the perspective of Sharia accounting, such behavior is not justifiable because financial reporting must be conducted honestly, transparently, and fairly as a form of *amanah* that must be accounted for not only to shareholders but also to Allah SWT. Sharia principles prohibit manipulation (*tadlis*), fraud, and the concealment of information; hence, smoothing earnings for personal or managerial gain contradicts the core Sharia values of honesty, justice, and sustainability. Therefore, although agency and PAT theories may predict managerial incentives to smooth earnings, Sharia accounting demands integrity and trustworthiness in financial presentation.

Income Smoothing

Income smoothing is an action taken by companies to reduce fluctuations in earnings from one year to the next by shifting a portion of revenue from high-income years to later periods deemed more advantageous. ΔI refers to changes in income during a particular period, ΔS refers to changes in revenue in that period, CV is the coefficient of variation obtained by dividing the standard deviation by the mean value, CVAI is the coefficient of variation in changes in earnings, and CVAS is the coefficient of variation in changes in sales. (Simbolon, 2016)

Profitability

Profitability measures a company's ability to generate earnings using its available resources, such as assets, equity, and total sales. (Ely Siswanto, 2021) The higher the level of profitability, the greater the company's ability to generate profits. Strong financial performance helps companies retain existing investors and attract new ones, as investors are naturally drawn to firms capable of delivering high returns.(Amalia Haniftian & Juliana Dillak, 2020). Agency Theory suggests that managers are motivated to display stable performance to shareholders. When earnings are high, managers may engage in smoothing to prevent unrealistic future expectations that may be difficult to meet. Meanwhile, based on Positive Accounting Theory, managers tend to select accounting methods that benefit the company or themselves, including stabilizing earnings to reduce fluctuations that may worry investors and creditors.

Previous studies indicate that profitability significantly and positively influences income smoothing (Victoria Angreini & Ida Nurhayati, 2021). Companies with high profitability tend to maintain stable performance to sustain investor confidence. Accordingly, the proposed hypothesis is:

H1: *Profitability has a significant positive effect on income smoothing.*

Firm Value

Firm value reflects the price investors are willing to pay for a company's stock. This value is critical because higher firm value indicates greater shareholder wealth. Consequently, owners often expect management to continuously increase firm value and maintain stable earnings across reporting periods.(Aditya Gunawan & Slamet Wiyono, 2024).

Agency Theory posits that improved company performance helps maintain consistent reported earnings. Conflicts between managers and shareholders arise due to differing interests. In response, managers may attempt to stabilize earnings to attract investors and maintain shareholder trust. Accordingly, income smoothing becomes a tool for presenting a more stable, less risky corporate profile. Positive Accounting Theory likewise indicates that managers prefer accounting choices that portray favorable and sustainable performance. By smoothing earnings, companies aim to reduce large fluctuations and signal stability to external parties. Thus, smoothing becomes a strategic tool for protecting or enhancing corporate reputation.

Previous research demonstrates that firm value significantly influences income smoothing (Aditya Gunawan & Slamet Wiyono, 2024). as managers attempt to maintain positive investor perceptions. The higher the firm value, the greater the incentive to manage earnings in order to sustain investor confidence. Therefore, the hypothesis proposed is:

H2: *Firm value has a significant positive effect on income smoothing.*

Independent Commissioner

An Independent Commissioner is a member of the Board of Commissioners who does not have financial, managerial, shareholding, or familial ties with the Board of Directors, other commissioners, controlling shareholders, or the company itself, thereby ensuring independence in decision-making. Independent commissioners serve as an effective oversight mechanism to suppress opportunistic managerial behavior. Due to the absence of personal or economic ties, they are expected to supervise financial reporting more objectively.(Yusri, 2020).

Agency Theory suggests that independent commissioners help reduce agency conflicts by ensuring that management acts more transparently and accountably. Their oversight role compels managers to be more cautious in preparing financial statements, thereby reducing the tendency to engage in income smoothing. Under Positive Accounting Theory, although managers may choose beneficial accounting policies, independent commissioners limit such opportunistic actions, ensuring that financial statements reflect actual conditions and minimizing smoothing practices.

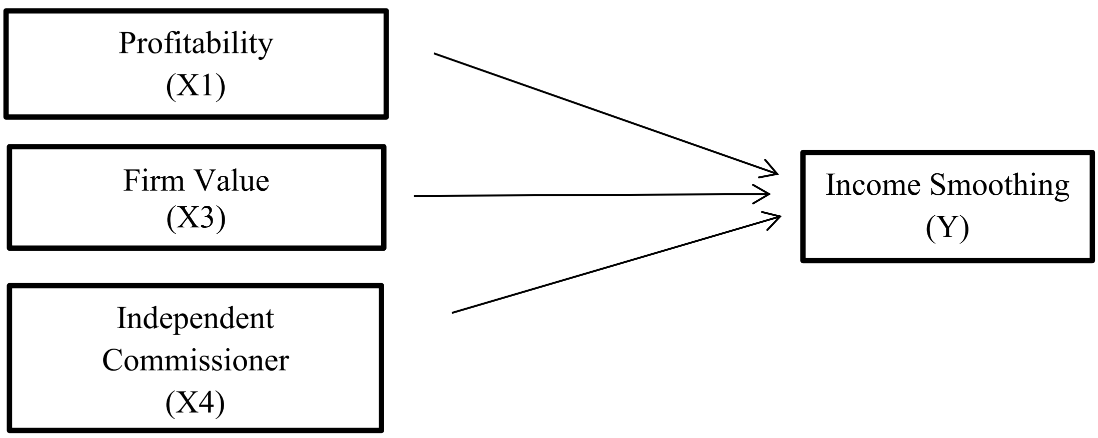
Previous studies show that independent commissioners do not significantly affect income smoothing (Marpaung & Latrini, 2020) as strong oversight mechanisms constrain managerial maneuvering. Accordingly, the proposed hypothesis is:

H3: *Independent commissioners have no significant effect on income smoothing.*

Conceptual Framework

Based on the literature review, the conceptual framework for this study is as follows:

Table 1. CONCEPTUAL FRAMEWORK



Source: Processed by the Author

RESEARCH METHOD

This quantitative study utilizes secondary data derived from annual reports and sustainability reports accessed through the official website of the Indonesia Stock Exchange (IDX) as well as the official websites of the respective companies. The research population includes all companies listed in the ISSI during the 2020–2023 period (Muri, 2023). The sample was selected using a purposive sampling method, resulting in 8 companies with a total of 32 observations (Sugiyono, 2020). The sample selection criteria are as follows:

1. Agricultural sector companies consistently listed in the ISSI during the 2020–2023 period.
2. Companies that issued complete annual reports and financial statements throughout the research period.
3. Companies that presented their financial statements in Indonesian rupiah.
4. Companies that provided complete data for all research variables for the 2020–2023 period.

This study involves several variables, namely Profit Smoothing as the dependent variable, and Profitability, Firm Value, and Independent Commissioners as the independent variables. The operationalization of each variable is presented as follows:

Table 2. Variable Operationalization

Variable	Indicator	Measurement	Scale
Profit Smoothing	Eckel Index	Eckel Index= $\frac{CV\Delta I}{CV\Delta S}$	Dummy
Profitability	ROA	$\text{ROA} = \frac{Net\ Income\ After\ Tax}{Total\ Assets}$	Ratio
Firm Value	Price Book Value	$PBV = \frac{Share\ Price}{Book\ Value\ per\ Common\ Share}$	Ratio
Independent Commissioner	Independent Commissioner	$KI = \frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Commissioners}$	Ratio

Source: Processed Data Results, SPSS 25

The data analysis methods in this study include descriptive statistics, which are used to describe the characteristics of each variable through measures such as the mean, standard deviation, as well as maximum and minimum values, without intending to generalize the findings. To examine the influence of the independent variables on the dependent variable, binary logistic regression with the enter method was employed, as this technique is appropriate for categorical variables and does not require the assumptions of normality, heteroskedasticity, or autocorrelation to be met, given that the dependent variable is in the form of a dummy (0 and 1).(Nurlaelah & Nurlaelah, 2022), In assessing profit smoothing practices, a company is classified as engaging in profit smoothing when its Eckel Index value is less than 1 and is coded as 1, whereas an Eckel Index value greater than 1 is categorized as not engaging in profit smoothing and is coded as 0.(Suhartono et al., 2020) This approach provides a comprehensive understanding of the data distribution patterns as well as their level of homogeneity. (Febriani, 2022)

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The following presents the results of the descriptive statistical analysis for each operational variable:

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (X1)	32	-.02	2.37	.1281	.41130
Firm Value (X2)	32	.00	1.96	.4562	.53020
Independent Commissioners(X3)	32	.33	.67	.4368	.10653
Profit Smoothing (Y)	32	0	1	.56	.504
Valid N (listwise0	**32**				

Source: Processed Data Results, SPSS 25

Based on the results of the descriptive statistical analysis, it is known that 56% of the agricultural companies in the sample are indicated to engage in profit smoothing practices, with substantial variation across firms. Profitability shows an average value of 12.81%, although some companies experienced losses (minimum value of –0.02) while others recorded very high profitability (maximum value of 2.37), indicating a significant difference in financial performance. Firm value has an average of 0.4562, which is relatively low, suggesting that investor confidence in agricultural companies remains suboptimal, despite some firms reaching a maximum value of 1.96. Meanwhile, the proportion of independent commissioners averages 43.68%, ranging from 33% to 67%, meaning that, in general, companies have met the OJK minimum requirement of 30%. Thus, corporate governance in the sample can be considered adequate and relatively uniform across firms.

Logistic Regression Analysis

Assessing the Fitness of the Regression Model (*Goodness-of-fit-test*)

The initial test in logistic regression is the Hosmer and Lemeshow's Goodness of Fit Test, which is used to assess the adequacy of the logistic regression model in fitting the obtained data and to determine whether the model is suitable for the study. The model is considered fit if the significance value (sig) is greater than 0.05. The results of this test are presented as follows:

Table 4. Goodness-of-Fit Test Results

Step	Chi-Square	df	Sig.
1	7.892	8	.444

Source: Processed Data Results, SPSS 25

Referring to the previous table, the Hosmer and Lemeshow's Goodness of Fit Test results show a chi-square value of 7.892 with a significance level of 0.444. Since the significance value exceeds 0.05, the model is considered to meet the goodness-of-fit criteria. Therefore, the model is deemed suitable and consistent with the observational data used in this study.

Assessing the Overall Model (*Overall Model Fit*)

The overall model fit test is conducted to evaluate whether the regression model as a whole is appropriate (fit). This test uses the Log Likelihood (–2LL) value by comparing the –2LL at the initial stage (Block Number = 0) with the –2LL after the independent variables are included in the model (Block Number = 1). The results of the overall model fit test are as follows:

Table 5. Overall Model Fit Test Results

Iteration	Model	-2Log Likelihood	Decision
Block 0		43.860	Model Fit
Block 1	1	36.897	

Source: Processed Data Results, SPSS 25

Based on the overall model fit results, the –2 log likelihood value decreased from Block Number 0 to Block Number 1. The initial –2LL value of 43.860 dropped to 36.897 after the independent variables were included. This decrease indicates that the resulting logistic regression model has improved and is well-suited to the data used in this study.

Coefficient of Determination Test (*Nagelkerke R Square*)

The Nagelkerke R Square coefficient of determination is an extension of the Cox and Snell R Square and is used to assess the extent to which the independent variables can explain the dependent variable.(Nayse Mega Utami et al., 2024) The results of the Nagelkerke R Square coefficient of determination calculation are presented in the model summary shown in Table 4 below:

Table 6. Nagelkerke R Square Test Results

Step	-2Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	36.897[a]	.196	.262

Source: Processed Data Results, SPSS 25

Referring to the table, the Nagelkerke's R Square value is 0.262, or 26.2%. This indicates that the model is able to explain 26.2% of the variation in the dependent variable, while the remaining 73.8% is influenced by other factors outside the independent variables used in this study.

Hypothesis Testing

Simultaneous Test (Omnibus Test of Model)

The Simultaneous Test or Omnibus Tests of Model Coefficients is used to assess whether all independent variables (financial stability, external pressure, and financial distress) simultaneously affect the dependent variable (fraudulent financial statements). The decision is made by comparing the calculated F value with the F table value at a 0.05 significance level. The results of the Omnibus Tests of Model Coefficients are presented as follows

Table 7. Omnibus Test of Model Results

		Chi-Square	df	Sig.
Step 1	Step	6.963	3	.073

	Block	6.963	3	.073
	Model	6.963	3	.073

Source: Processed Data Results, SPSS 25

At a significance level of α = 0.05, the F table value obtained is 2.958. Based on the table, the calculated F value is higher than the F table value (6.963 > 2.958), with a significance value of 0.073, which is still above 0.05. Therefore, H4 is rejected. This finding indicates that Profitability, Firm Value, and Independent Commissioners simultaneously do not have a significant effect on Profit Smoothing practices**.**

Partial Test (Wald Test)

The Wald test is used to assess whether each independent variable—profitability, firm value, and independent commissioners—partially has the ability to influence the dependent variable, namely profit smoothing. The decision to accept or reject the hypothesis is made by comparing the calculated t value with the significance level of α = 0.05 (Hafid et al., 2023). The testing criteria are as follows:

1. If the p-value > 0.05, the null hypothesis (H0) is accepted, meaning the independent variable partially has no effect on the dependent variable.
2. If the p-value < 0.05, the null hypothesis (H0) is rejected, indicating that the independent variable partially has a significant effect on the dependent variable.

Table 8. Wald Test Results

		B	**S.E.**	**Wald**	**df**	**Sig.**
Step 1[a]	Profitability	16.028	14.075	1.297	1	.255
	Firm Value	-2.463	1.209	5.142	1	.042
	Independent Commissioner	.092	4.252	.000	1	.983
	Constanta	.441	1.971	.050	1	.823

Source: Processed Data Results, SPSS 25

The sample size in this study is 32 observations (n = 32), while the total number of variables used, including both independent and dependent variables (k), is 4. Thus, the degrees of freedom (df) can be calculated as follows: Df = n – k = 32 – 4 = 28. At a significance level of α = 0.05, the obtained t-table value is 2.048. Based on the results of the partial statistical test or Wald Test in the previous table, the hypothesis findings for each variable in this study are presented as follows:

1. Profitability has no effect on profit smoothing.

Based on the data analysis results, the profitability variable has a significance level greater than the predetermined threshold, namely 0.255 > 0.05. Therefore, it can be concluded that profitability does not have a significant effect on profit smoothing in agricultural companies listed on the Indonesia Sharia Stock Index (ISSI) for the 2020–2023 period.

The study's findings reveal that profitability does not have a significant effect on profit smoothing practices. Conceptually, this indicates that the magnitude of profit is not the primary factor driving management to engage in income smoothing. In Sharia-based agricultural companies, profitability is largely influenced by external factors such as commodity prices, weather conditions, and market dynamics, making profit fluctuations considered normal and not requiring stabilization through accounting policies. Within the framework of Agency Theory and Positive Accounting Theory, this finding reflects that management does not view profitability as a key source of incentives; rather, smoothing decisions are more influenced by other factors such as target pressures, the need to maintain cash flow, and governance practices promoting transparency. Consistency with several previous studies reinforces that in high-volatility industries, profitability is not the main driver of profit smoothing, meaning that such practices are more shaped by industry context and managerial strategies than by profit levels themselves.

These results are in line with the findings of previous studies. (Hertika et al., 2020)(Dwiputri et al., 2022) which similarly indicate that profitability does not affect profit smoothing practices. This finding is also consistent with (Sektor et al., 2017) which explains that the lack of influence of profitability is due to the fact that income smoothing practices are not solely driven by fluctuations in profit, but are more related to the managerial goals and targets that the company aims to achieve. In other words, management tends to engage in profit smoothing to meet specific internal objectives rather than in response to the company's profitability level. However, this differs from the study by (Angreini & Nurhayati, 2022) which demonstrated that profitability has a significant effect on profit smoothing. According to them, the higher the level of profitability, the greater the management's incentive to engage in income smoothing to maintain the company's image as stable and attractive in the eyes of investors.

2. Firm Value has an effect on profit smoothing.

Based on the data analysis results, the Firm Value variable shows a significance level of 0.042, which is below the 0.05 significance threshold. Therefore, it can be concluded that Firm Value has a negative and significant effect on profit smoothing practices in agricultural companies listed on the Indonesia Sharia Stock Index (ISSI) for the 2020–2023 period.

The study's findings indicate that firm value has a negative effect on profit smoothing, which conceptually means that companies with higher firm value tend to avoid income smoothing practices. A high firm value reflects a strong reputation and robust external oversight, motivating management to preserve the credibility of financial statements rather than manipulate profits. In the context of Sharia-based agricultural companies, principles of transparency and accountability further limit the opportunity for managerial opportunism. These findings are consistent with Hendra & Rowena (2021) and affirm that firm value serves as a governance control mechanism, as the higher the company's value and reputation, the lower the management's motivation to engage in profit smoothing.

These findings are consistent with the study by (Hendra & Rowena, 2021) which showed that firm value has a negative and significant effect on profit smoothing practices. This occurs because companies with high firm value tend to protect their reputation in the eyes of the public and investors, opting to avoid manipulative actions such as profit smoothing. Large companies also generally believe that their performance will remain stable without the need for income smoothing. However, these results differ from the study by (Sesilia et al., 2021) which found that firm value does not affect profit smoothing. According to that research, a high firm value does not necessarily indicate strict oversight of management, and therefore may not always influence managers' decisions to engage in or avoid profit smoothing practices.

3. Independent Commissioners have no effect on profit smoothing.

Based on the data analysis results, the independent commissioners variable shows a significance level of 0.983, which is higher than the predetermined significance threshold of 0.05. Therefore, it can be concluded that independent commissioners have no effect on profit smoothing in agricultural companies listed on the Indonesia Sharia Stock Index (ISSI) during the 2020–2023 period.

The study's findings indicate that the presence of independent commissioners does not affect profit smoothing practices. Theoretically, this suggests that the supervisory function expected of independent commissioners has not been fully effective in curbing opportunistic actions by management. Their presence tends to be formal, primarily to comply with regulations, and is therefore insufficient to effectively monitor financial reporting practices. Additionally, operational complexities and limited access to information make it difficult for independent commissioners to detect income smoothing practices. Consequently, management's decisions to smooth profits are more influenced by internal company factors than by oversight from the independent board of commissioners.

This is in line with the findings of (Marpaung & Latrini, 2020)(Eriastuti Eka Tami dan Hotman Tohir Pohan, 2023) which showed that independent commissioners do not affect profit smoothing. These findings reflect that the presence of independent commissioners as a corporate governance mechanism has not yet been able to perform their supervisory function optimally to constrain opportunistic managerial behavior.

An example of implementation in the agricultural sector is PT Sawit Sumbermas Sarana Tbk (SSMS). This company has consistently been included in the Indonesia Sharia Stock Index (ISSI), indicating that its financing structure and business activities meet the Sharia screening criteria set by the OJK, including restrictions on interest-based debt and non-halal income. Its financial statements must also adhere to the clean money principle, ensuring that the portion of non-halal income remains within Sharia-compliant tolerance limits and aligns with Sharia capital market regulations. This implementation demonstrates that large agricultural companies can conduct modern business operations while maintaining compliance with Sharia principles, as well as ensuring transparency and integrity in reporting.

4. Sharia Accounting Perspective on Profit Smoothing

This study examines the influence of profitability, firm value, and independent commissioners on profit smoothing and how these factors affect managerial decisions in portraying financial stability. However, from a Sharia accounting perspective, profit smoothing practices must be carefully evaluated because financial reporting is required to be based on principles of honesty, transparency, and fairness. Profitability often drives smoothing practices when profits fluctuate, but Sharia accounting demands that reports reflect the actual conditions, as emphasized in Q.S. Al-Muthaffifin (83):1–3: *Woe to those who give less [than due], Who, when they take a measure from people, take in full. But if they give by measure or weight to others, they cause loss."* (Qur'an Kemenag, 2024) which clearly forbids fraud in measurement and weighing. Thus, although profit smoothing may affect the company's image, its implementation must remain aligned with Sharia values. Profitability, firm value, and independent commissioners should be optimized to support trustworthy governance and prevent manipulations that harm other parties, thereby maintaining investor confidence and the sustainability of halal business practices.

CONCLUSION

This study finds that, in the context of agricultural companies listed on the ISSI, Firm Value is the only factor that has a significant negative effect on profit smoothing practices. Conceptually, this indicates that external monitoring mechanisms, reflected in market trust and perception, are more effective in curbing opportunistic managerial behavior than internal governance mechanisms, such as independent commissioners, whose presence was found to be insignificant. Profitability also does not serve as a primary driver of this practice, suggesting that managers in this sector may face profit fluctuations largely influenced by external factors. Overall, profit smoothing practices have the potential to violate fundamental Sharia Accounting principles, particularly the principles of honesty (shiddiq) and trustworthiness (amanah), as they attempt to present a picture of stability that does not fully reflect the company's actual economic conditions.

To strengthen the integrity of Sharia financial reporting, there are two main policy recommendations. First, for company management, it is crucial to prioritize the quality and effectiveness of Good Corporate Governance (GCG) supervision, rather than merely fulfilling the required number of independent commissioners, and to uphold the principle of Amanah as the fundamental basis for all accounting decisions. Second, for the Sharia Capital Market Authorities (OJK/DSN-MUI), it is recommended to establish specific guidelines or fatwas that explicitly address the limits of accounting discretion, such as income smoothing, within a Sharia framework. This would enhance compliance and ensure that Sharia financial reporting reflects justice (adl) for all stakeholders.

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