ABSTRACT

This study aimed to examine the effect of Earnings Management act on the firm's Investment Efficiency moderated by Good Corporate Governance (GCG). Earnings management was measured by discretionary accrual and GCG was proxied by Institutional Ownership and Independent Commissioners. Earnings management is predicted to give a negative effect on Investment Efficiency because it's resulting in low-quality financial report which later can't be used as a monitoring tool to guide firm's operational decision. GCG was expected to increase the monitoring function by applying the transparency principal.

The sample used in this study was collected using purposive sampling method from all firm in manufacture sector listed in Indonesia Stock Exchange (ISE) for the period of 2021-2023. This study used secondary data taken from official website of ISE and the official website of related companies. Analytical method of the study was Moderated Regression Analysis (MRA) computed with IBM SPSS Statistics 25 program.

The results showed that there is a negative significant effect between Earnings Management and Investment Efficiency. The moderating effect of GCG proxied by Institutional Ownership can moderate the effect of Earnings Management on Investment Efficiency. Meanwhile, the moderating effect of GCG proxied by Independent Commissioners cannot moderate the effect of Earnings Management on Investment Efficiency.

Keywords: *Earnings Management, Investment Efficiency, Institutional Ownership, Independent Commissioners*