

THE INFLUENCE OF OWNERSHIP STRUCTURE ON EARNINGS MANAGEMENT

MISHEL VIERMAN ALZURA
ASTRID RUDYANTO

Trisakti School of Management, Jl. Kyai Tapa No. 20 Jakarta 11440, Indonesia
misvial03@gmail.com, astrid@stietrisakti.ac.id

Received: April 10, 2025; Revised: April 30, 2025; Accepted: May 13, 2025

Abstract: *The purpose of this research is to obtain empirical evidence on the factors influencing earnings management, specifically, the influence of managerial ownership, institutional ownership, family ownership, firm size, leverage, profitability, audit quality, sales growth, and board size on earnings management. The population used in this study consists of all consumer non-cyclical and cyclical companies listed on the Indonesia Stock Exchange from 2020 to 2022, and purposive sampling is used as the sampling method. With this method, it was found that sixty-six (66) consumer non-cyclical and cyclical companies met the sampling criteria and were selected as the sample, providing a total of 198 data points. This research utilizes multiple regression analysis to analyze the data. The results obtained from multiple regression show that audit quality and the board size have an impact on earnings management. Conversely, other independent variables, namely managerial ownership, institutional ownership, family ownership, company size, leverage, and profitability, do not affect earnings management.*

Keywords: *Earnings management, Family Ownership, Institutional Ownership, Managerial Ownership*

Abstrak: Tujuan penelitian ini adalah untuk mendapatkan bukti empiris tentang faktor-faktor yang mempengaruhi manajemen laba, khususnya, pengaruh kepemilikan manajerial, kepemilikan institusional, kepemilikan keluarga, ukuran perusahaan, *leverage*, profitabilitas, kualitas audit, pertumbuhan penjualan, dan dewan direksi terhadap manajemen laba. Populasi yang digunakan dalam penelitian ini semuanya perusahaan non-siklikal dan siklikal konsumen yang terdaftar di Bursa Efek Indonesia dari tahun 2020 hingga 2022 dan menggunakan purposive sampling sebagai metode pengambilan sampel. Dengan metode ini, diperoleh bahwa Enam puluh enam (66) perusahaan non-siklikal dan siklikal konsumen sesuai dengan kriteria sampling dan dipilih sebagai sampel dengan total 198 data. Penelitian ini menggunakan metode regresi berganda untuk menganalisis data. Hasil yang diperoleh dari regresi berganda menunjukkan bahwa kualitas audit dan dewan direksi berpengaruh terhadap manajemen laba. Sebaliknya, variabel independen lainnya, yaitu kepemilikan manajerial, kepemilikan institusional, kepemilikan keluarga, ukuran perusahaan, *leverage*, dan profitabilitas tidak berpengaruh pada manajemen laba.

Kata kunci: Kepemilikan Institusional, Kepemilikan Keluarga, Kepemilikan Manajerial, Manajemen laba

INTRODUCTION

Earnings management, the practice of using accounting techniques to produce financial statements that present an overly positive view of a company's business activities and financial position, has been a subject of considerable interest in accounting and finance research. Understanding the factors that influence earnings management is crucial for maintaining the integrity and reliability of financial reporting. One significant factor that has been widely examined in this context is the ownership structure of a company ([Pambudi 2020](#); [Abubakar et al. 2020](#)). This research aims to investigate the influence of ownership structure on earnings management practices. Several dimensions of ownership structure, including family ownership, institutional ownership, and managerial ownership, have been explored for their potential impact on the extent and methods of earnings management ([Djashan & Lawira 2019](#); [Dong et al. 2020](#)). However, previous researches did not analyze the effect of managerial ownership, institutional ownership, and family ownership in the same article.

Family-owned businesses are a cornerstone of Indonesia's economy, comprising approximately 95% of all businesses and contributing around 80% to the nation's economic output ([Rudyanto 2023](#)). This significant presence underscores the importance of analyzing family ownership structures to understand their impact on earnings management. This study seeks to contribute to this body of knowledge by providing further insights into the relationship between ownership structure and earnings management.

Agency Theory

According to [Jensen and Meckling \(1976\)](#), agency theory outlines a contractual relationship in which a person, known as the agent, is appointed by a principal to act on the principal's behalf, which may involve making choices on the

principal's behalf. This individual is known as the agent. In the context of this conversation, the shareholders or investors of a corporation serve as the principle, while the management of that company acts in the capacity of the agent. Because of this contract, there is now a separation between the principal and the agent, which can result in a conflict of interest if the agent does not operate in accordance with the principal's wishes.

According to particular understanding of the theory of agency, both principals and agents are essentially motivated by their own self-interests. Both the principle and the management are driven by the desire to produce better returns, while the management is motivated more by the desire to receive higher bonuses. Due to the divergence of interests between the manager and the investor, the manager may be tempted to alter information in order to diverge from the actual state of affairs.

This demonstrates that the manager has full control over the information that pertains to the company, which results in an asymmetrical information connection existing between the manager of the company and the investor. Because the principal and the agent have different levels of access to the same information, asymmetric information exists between them. The goal of the agent is to maximize their own profit, which is typically accomplished by enhancing the performance of the company in order to enhance its quality.

Earnings Management

Earnings are important because they provide a summary indicator of the firm's performance and are widely used by stakeholders to evaluate the overall financial health of the organization. As a result, the evaluation of management's performance is intimately connected to the amount of compensation they receive. On the other hand, if management

performance is evaluated based simply on how much money they make, this could result in dysfunctional behavior.

It is possible for managers to engage in inappropriate behavior by manipulating earnings to create the perception of greater individual performance. As a result, managers can have an incentive to participate in earnings management while the company is reporting its financial information. They may choose particular accounting strategies and processes to alter accounting data, which are widely used to evaluate the performance of individuals and organizations.

Earnings management is a strategy that business leaders use to falsify financial statements in order to deceive stakeholders that are interested in the performance of the firm as well as its financial situation ([Rudyanto 2024](#)). One of the primary reasons that managers participate in this activity is the possibility for personal gain. This might be in the form of direct rewards such as income and bonuses, or it could be in the form of indirect rewards such as future promotions, increased prestige, and job security.

Managerial Ownership And Earnings Management

The term "managerial ownership" refers to the ownership of company shares by the management of the company as well as the company's subsidiaries and affiliates ([Pambudi 2020](#)). Preventing the risks connected with earnings management can be aided by having broader managerial ownership. When managers also have ownership stakes in the companies they oversee, they have a vested interest in maximizing returns for their own portfolios as well as those of the companies they oversee. Higher degrees of managerial ownership in a company can lead to a stronger focus on increasing performance in the company.

In addition, [Pambudi \(2020\)](#) discovered that businesses with higher levels of managerial ownership tend to participate in fewer earnings management methods. This means that managerial ownership has a negative effect on earnings management. Because managers are less likely to participate in earnings management when they own more shares of the company, this factor alone can lead to an improvement in the quality of financial reporting. When managers have ownership holdings in a firm, they behave similarly to public shareholders and work to guarantee that the company's financial statements accurately reflect the company's actual status.

Ha₁: Managerial ownership has an effect on earnings management.

Institutional Ownership And Earnings Management

The term "institutional ownership" refers to the proportion of a company's shares that are owned by entities such as banks, financial institutions, investment corporations, foreign institutions, governments, legal institutions, and trust funds. According to a study that was conducted by [Pambudi \(2020\)](#) institutional ownership has been found to have a favorable link with earnings management. This could be the case due to the fact that managers who are also majority shareholders as a result of institutional ownership may make decisions that primarily benefit those shareholders, which could lead to possible opportunities for profit manipulation. As a direct consequence of this, management can try to exercise some form of profit manipulation in order to fulfill the profit expectations of institutional shareholders.

According to [Susanto and Pradipta \(2020\)](#), discovered that institutional ownership has a significant negative effect on profit management. This is due to the fact that institutional investors are regarded knowledgeable investors who have

the capacity and chance to monitor and discipline managers to focus more on producing value for the firm and limit the manipulation of profits by management. A high level of institutional ownership can result in an increase in supervisory efforts, which in turn can deter management from engaging in profit management activities.

Ha₂: Institutional ownership has an effect on earnings management.

Family Ownership And Earnings Management

A company that is controlled and run by family members is said to be under family ownership. In family businesses, the family is actively involved in the business as they control the ownership and administration of the company ([Rudyanto 2023](#)). These companies frequently have a reputation for having unqualified management that is prone to favoritism and the exploitation of minority shareholders. The controlling shareholders have extensive control over the company's accounting information, have a big say in how decisions are made, and are a big effect on how reporting rules are developed. They have a greater chance of participating in opportunistic earnings management to cover up their expropriation actions thanks to this control.

Family businesses typically steer clear of earnings management because of their personal stakes in the company and worries about the future and reputation of the company. In addition, managers encounter less pressure to achieve short-term targets as family enterprises prioritize long term goals, which may result in worse profits management techniques. Because founding families have the power to control and prevent managers from manipulating results, higher concentrations of family ownership may consequently lead to a lesser inclination for earnings management. [Siraji and Nasar \(2021\)](#) found that because family businesses are less likely to falsify financial reports, they display higher

quality financial reporting and transparency procedures.

Ha₃: Family ownership has an effect on earnings management.

Firm Size And Earnings Management

Firm size can be described as the magnitude of a corporation as measured by its total assets, firm value, and the value of the company's stock. According to the findings of [Gozali et al. \(2021\)](#) there is a correlation between the size of a company and how well it manages its earnings. The size of the company has a considerable impact on the form of the financing, as larger companies typically borrow more money due to the greater amount of finance they require.

According to [Wimelda and Chandra \(2018\)](#) have found that the scale of a company has a negative impact on earnings management. Some businesses are of the opinion that as a company's total assets grow, it should become increasingly wary of engaging in profits management since it will come under greater scrutiny from third parties in the marketplace. Larger organizations typically have more of an effect on the general public as a result of the decisions that they make, and as a result, they are typically more careful to produce accurate financial statistics.

Ha₄: Firm size has an effect on earnings management.

Leverage And Earnings Management

Leverage refers to the extent to which a firm uses debt, and it may be assessed by the connection between the company's debt and capital or assets. According to [Asitalia and Trisnawati \(2017\)](#), highly leveraged enterprises have a greater risk of breaching their credit arrangements. When it comes to contracts involving debt, the corporation functions in the capacity of the agent, while the creditor assumes

the role of the principal. As a result, the company's objective is to maximize its benefits while simultaneously satisfying the terms of the contract.

According to [Gozali et al. \(2021\)](#) leverage has a negative effect on earnings management. When a company uses leverage, it must pay back its debts, which limits the amount of cash that is accessible to the management for expenditure that is not appropriate. When a corporation maintains a high level of debt, its debt holders are more likely to keep a close eye on the business. As a result of this heightened oversight by third parties, managers are forced to act in a manner that is consistent with the interests of both debtholders and shareholders, which renders leverage inefficient for the management of earnings.

According to [Djashan and Lawira \(2019\)](#), concluded that leverage did not have a major influence on earnings management. Because of the safety provided by loan agreements, there is no longer a requirement for a company to engage in earnings management procedures. When a company has a high amount of leverage, it is unable to employ earnings management tactics as a way to get out of obligations that have to be met. Therefore, if a company has a high degree of leverage, which can be determined by the ratio of total debt to total capital, and it also has a high risk of default, then the company runs the danger of being unable to fulfill its commitments.

Ha₅: Leverage has an effect on earnings management.

Profitability And Earnings Management

The ability of a business to create profits in relation to its overall assets, capital, and sales is what is meant when we talk about profitability. According to [Arifin & Destriana 2016](#)) profitability has a positive effect on earnings management. On the other hand, when the profitability of a company is low, the company will be considered to be in an unfavorable position. When there is a high level of

profitability, the value of the company is also high. When considering whether or not to put their money into a certain business, investors will undoubtedly take the company's profitability into account.

According to [Gozali et al. \(2021\)](#) profitability has a negative effect on earnings management. Businesses that have high levels of profitability work hard to keep up their performance in order to demonstrate that they are in good health. Some people believe that earnings management procedures are only implemented when profits are low, whereas others maintain that earnings management practices are implemented to a much lesser extent when profits are high.

According to [Susanto and Pradipta \(2020\)](#) profitability has no effect on earnings management. Earnings management methods are not influenced by a company's profitability because investors do not base investment decisions solely on a company's profit alone when evaluating potential investments. They are aware that the earnings that are presented in the income statement are susceptible to manipulation on the part of the management of the organization.

Ha₆: Profitability has an effect on earnings management.

Audit Quality And Earnings Management

An auditor is a person who is held legally liable for any damages that may be incurred by users of financial statements. Companies that are audited by one of the Big Four public accounting firms likely to have greater levels of earnings management, as indicated by study conducted by [Fimanti \(2018\)](#). Auditing firms are hired to boost public confidence in companies' financial accounts rather than to sniff out instances of earnings management.

According to [Rudyanto \(2024\)](#), there is a negative connection between audit quality and earnings management. This indicates that

managers are less likely to participate in earnings management at organizations that hire KAPs whose audit quality is of a high standard. Employing one of the "Big Four" public accounting firms, who are renowned for their excellent quality, independence, skill, and experience, decreases the possibility of earnings management being practiced by the company.

According to the findings of a study that was conducted by ([Alexander & Hengky 2017](#)), audit quality characteristics do not have an effect on earnings management. Companies may still participate in earnings management in order to improve their financial performance in the eyes of potential investors. However, this practice is becoming less common. It appears from this that the review of financial statements by the "big four" public accounting firms does not necessarily prevent businesses from engaging in earnings management activities.

Ha7: Audit quality has an effect on earnings management.

Sales Growth And Earnings Management

Sales growth is the percentage rise in annual sales from one period to the next. According to [Firnanti et al. \(2019\)](#) sales growth has a positive effect on earnings management. If a high rate of sales growth is accompanied by a low rate of investment, managers may make hazardous investments that generate volatility in earnings, which leads them to employ alternative strategies to manage earnings and attract the attention of investors.

According to ([Hasan & Surjadi 2020](#)) sales growth has a negative effect on earnings management. This is due to the fact that investors, governments, and the general public place a

higher level of scrutiny and trust in organizations that have strong rates of asset growth. As a consequence of this, businesses have a higher probability of preserving their performance and reputation in the eyes of stakeholders, and they have a lower probability of engaging in fraudulent tactics linked to profits management.

Ha8: Sales growth has an effect on earnings management.

Board Size And Earnings Management

Board size refers to the total number of individuals who serve on a corporation's boards of directors and commissioner. the size of a board of commissioners has a significant bearing on how effectively earnings are managed ([Pagalugung & Jao 2011](#)). This indicates that businesses with a greater number of directors are more likely to participate in earnings management activities than those with a smaller number of directors.

According to the findings of [Orazalin \(2020\)](#), the size of a company's board of directors has a detrimental effect on earnings management. This is due to the heightened monitoring that is carried out by the board of directors, which inhibits management from engaging in methods that manage earnings.

Ha9: Board size has an effect on earnings management.

RESEARCH METHOD

The population in this research are non-financial companies listed in Indonesia Stock Exchange (IDX) from the period 2020-2022. Meanwhile, the sample used are listed Non-cyclical and Cyclical companies selected using purposive sampling method with criteria in the table shown below.

Table 1. Sample Selection Procedures

Criteria Description	Total Companies	Total Data
Consumer non-cyclical and cyclical companies listed on the Indonesia Stock Exchange (IDX) consistently during 2019-2022	192	576
Consumer non-cyclical and cyclical companies that have not a book closing date ending on December 31 for one accounting period for the years 2019 to 2022	(29)	(87)
Consumer non-cyclical and cyclical companies that have not been audited for the years 2019 to 2022	(18)	(54)
Consumer non-cyclical and cyclical companies that have not financial statements in rupiah currency for 2020-2022	(24)	(72)
Consumer non-cyclical and cyclical company that have not consistently earns profit after-tax during the 2020- 2022 period	(55)	(165)
Number of Samples Firms Used	66	198
Data Outlier	(1)	(3)
Number of Samples Firms Used After Outlier	65	195

Source: Author's own processed data

This research uses multiple regression model to test the hypothesis and the formulation model of multiple regression is:

$$EM = \alpha + \beta_1 MAN + \beta_2 INST + \beta_3 FAM + \beta_4 SIZE + \beta_5 LEV + \beta_6 ROA + \beta_7 GROWTH + \beta_8 AQ + \beta_9 BSIZE + \varepsilon$$

Where:

EM	= Earnings Management
MAN	= Managerial ownership
INST	= Institutional ownership
FAM	= Family ownership
SIZE	= Firm size
LEV	= Leverage
ROA	= Return on assets
GROWTH	= Sales growth
AQ	= Audit quality
BSIZE	= Board size
E	= Error

Earnings Management refers to a deliberate and opportunistic action by management to manipulate the reported income in

financial statements, either by increasing or decreasing it, to deceive financial statement users for personal gain or to enhance the value of the company (Yunietha & Palupi 2017). In this study, the Modified Jones Model, which was introduced by Dechow et al. (1995) and presented in Wimelda and Chandra (2018), is used to measure earnings management. This method employs a ratio scale to quantify the extent of earnings management. The formula is as follows:

$$NDA_t = \beta_{1j} \left(\frac{1}{A_{t-1}} \right) + \beta_{2j} \left(\frac{\Delta REV_t - \Delta REC_{it}}{A_{t-1}} \right) + \beta_{3j} \left(\frac{PPE_{it}}{A_{t-1}} \right)$$

By using the regression coefficient, the value of non-discretionary accruals is calculated by the model:

$$\frac{TAC_t}{A_{t-1}} = \beta_{1j} \left(\frac{1}{A_{t-1}} \right) + \beta_{2j} \left(\frac{\Delta REV_t - \Delta REC_t}{A_{t-1}} \right) + \beta_{3j} \left(\frac{PPE_t}{A_{t-1}} \right) + e_t$$

Wherein, total accruals (TACC) can be calculated through a balance sheet approach i.e.

$$TA_t = NI_t - CFO_t$$

$$DA_{jt} = \left(\frac{TAC_{jt}}{A_{jt-1}} \right) - NDA_{jt}$$

Explanation:

NDA_t	=	Non-discretionary accruals in year t
TA_t	=	Total accruals in year t
NI_t	=	Net profit in year t
CFO_t	=	Cash flow from operating activities in year t
TCA_t	=	Total accruals in year t
A_{t-1}	=	Total assets of the company in year t-1
ΔREV_t	=	Changes in the company's net revenue in year t
ΔREC_t	=	Changes in the company's net revenue in year t
PPE_t	=	Gross Property, Plant and Equipment of the company in year t
DA_{jt}	=	Discretionary Accruals
β	=	Beta

Managing Ownership refers to the total shareholding of the company held by its commissioners, directors, and managers. However, not all members of the company's management have managerial ownership. To measure managerial ownership, a dummy variable with a ratio scale is used, following the methodology outlined by [Firnanti et al. \(2019\)](#). In this approach, a value of 1 is assigned to companies with managerial ownership, while a value of 0 is assigned to firms without any managerial ownership.

Institutional Ownership refers to the ownership of a company's shares by consumer non-cyclical and cyclical companies who manage funds on behalf of others ([Firnanti et al. 2019](#)). In this study, institutional ownership is represented by the variable INST and measured using a ratio

scale. To calculate institutional ownership, the percentage of shareholdings held by corporate institutions is used. The formula used to calculate institutional ownership is as follows:

$$INST = \frac{\text{Number of shares is owned by Institutional}}{\text{Total of Outstanding Shares}} \times 100\%$$

Family Ownership refers to the ownership of a company's shares by family members who manage funds on behalf of others ([Rudyanto 2023](#)). In this study, family ownership is represented by the variable FAM and measured using a ratio scale. To calculate family ownership, the percentage of shareholdings held by corporate institutions is used. The members of the family were identified by their surname (blood relation) or by the fact that they were married to the major shareholder or founder of the company. Foreign companies were not taken into consideration ([Rudyanto & Siregar 2018](#)). The formula used to calculate institutional ownership is as follows:

$$FAM = \text{Total percentage of family share ownership (\%)}$$

Firm Size the concept of firm size can be divided into two categories: large and small, and can be determined through different criteria, including total assets, logarithmic size, sales, and market capitalization ([Arifin & Destriana 2016](#)). The size of a company can be assessed based on its total assets, sales, and market capitalization, where a higher value of total assets indicates a larger firm. In this study, interval scale used to measure total assets. The formula for calculating total assets is as follows ([Gozali et al. 2021](#)):

$$SIZE = L_n \text{ Total Assets}$$

Leverage one way to assess a company's management performance is to evaluate its efforts to boost profits, which can be measured by leveraging. Leverage is a metric that compares a

firm's debt to its assets and is often used to determine if a company has a high level of debt that may indicate a risk of default. Such a situation could lead to suspicion of engagement in EM. In this study, the ratio scale used to measure leverage. The formula used to calculate leverage is based on research by [Hasan and Surjadi \(2020\)](#):

$$\text{LEV} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\%$$

Profitability the financial condition of a company and its ability to generate profits can be reflected in its level of profitability, which is determined by the final outcome of selling products to the market. High profitability is indicative of a company being in good condition, while low profitability suggests poor performance ([Prawida & Sutrisno 2021](#)). In this study, the ratio scale used to measure profitability is return on assets (ROA), which reveals the company's capability to generate profits from its assets

$$\text{ROA} = \frac{\text{Profit After Tax}}{\text{Total Asset}} \times 100\%$$

Sales Growth analyzing the company's asset growth is one technique to measure growth. Sales growth is the difference between total sales in year t and total sales in the previous year compared to total sales in the previous year. In this study, the ratio scale used to measure sales growth. The formula used for this analysis is as follows, according to [Firnanti et al. \(2019\)](#).

$$\text{Growth} = \frac{\text{Asset}_t - \text{Asset}_{t-1}}{\text{Asset}_{t-1}}$$

Audit Quality the reliability of financial reports is heavily influenced by the quality of the auditor. In this study, the quality of the audit is evaluated by using a proxy for the size of the accounting firm where the auditor is employed,

which is categorized as either a Big Four or non-Big Four accounting firm ([Firnanti 2018](#)). To measure the audit quality, a dummy variable with a ratio scale is used, where a value of 1 indicates that the company's audit was conducted by a Big Four accounting firm, while a value of 0 indicates that the audit was performed by a non-Big Four accounting firm.

Board Size refers to the total count of members serving on the board of directors and board of commissioners in a company ([Aygün et al. 2014](#)). While the board of commissioners acts as a supervisory body, the board of directors is responsible for the day-to-day operations of the company. Both boards have complete responsibility and authority in deciding how to guide, manage, and oversee the use of resources in line with the company's objectives. In this study, the interval scale used to measure board size. According to have operationalized Board Size as the number of directors serving on a company's board.

BSIZE = Number of members of the board of directors and board of commissioners of the company

RESULT

The descriptive statistics results are shown in Table 2 and 3. The tables show that sample used in this research have an average number of 5 board of directors, low leverage, high institutional and managerial ownership; and low foreign ownership.

This research used data after outlier test with total 195 data, because the result of normality test after outlier shows the distribution is normal, so the data used will be the second data after outlier. Table 4 shows that there is no classical assumption problems.

Table 2. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
DAC	195	-0.02489828	0.30804227	0.00000000	0.08017177
SIZE	195	26.28276592	32.82638230	29.22975891	1.51148920
SG	195	-0.17946839	1.90854623	0.09999613	0.21070122
AUQUL	195	0	1		
BSIZE	195	0	1		
ROA	195	0.00011160	0.34885144	0.07589848	0.06061128
BOD	195	2	12	5.19	1.997
LEV	195	0.00041743	0.81526275	0.39971761	0.18899926
INST	195	0.00000000	0.97903201	0.66242431	0.23761554
FOWN	195	0.00000000	0.80800737	0.07109542	0.18271004

Source: Author's own processed data

Table 3. Descriptive Statistic for Dummy Variable

	N	Percent		N	Percent
Non big 4	103	52.8	No managerial ownership	58	29.7
Nig 4	92	47.2	Have managerial ownership	137	70.3
Total	195	100.0		195	100.0

Source: Author's own processed data

Table 4. Classical Assumption Test

Variable	Colinearity Test		Conclusion	Sig	Conclusion
	Tolerance	VIF			
MAN	0.900	1.111	No Multicollinearity	0.708	No heteroscedasticity
INST	0.482	2.074	No Multicollinearity	0.741	No heteroscedasticity
FAM	0.546	1.832	No Multicollinearity	0.064	No heteroscedasticity
SIZE	0.461	2.169	No Multicollinearity	0.073	No heteroscedasticity
LEV	0.801	1.249	No Multicollinearity	0.090	No heteroscedasticity
ROA	0.904	1.106	No Multicollinearity	0.482	No heteroscedasticity
GROWTH	0.957	1.045	No Multicollinearity	0.878	No heteroscedasticity
AQ	0.658	1.520	No Multicollinearity	0.106	No heteroscedasticity
BSIZE	0.586	1.706	No Multicollinearity	0.414	No heteroscedasticity
Res2				0.233	No autocorrelation

Source: Author's own processed data

Table 5 shows the results of t test. Managerial ownership (MAN) has significance value of 0.206, higher than 0.01 or 0.05 or 0.10. HA1 is rejected which means that managerial ownership has no effect on earnings management. Managerial ownership is expected to align

managers' interests with those of shareholders. However, if this alignment is already strong or the managers are already acting in the shareholders' best interests, additional ownership may not significantly alter behavior, making its impact on earnings management negligible (Aqsari 2020).

Table 5. t Test

Variable	B	Sig
Constant	-0.258	0.797
MAN	-1.268	0.206
INST	0.346	0.730
FAM	0.842	0.401
SIZE	0.703	0.483
LEV	-1.345	0.180
ROA	-0.946	0.346
GROWTH	1.503	0.135
AQ	-2.377	0.018
BSIZE	-1.922	0.056

Source: Author's own processed data

Institutional ownership (INST) has significance value of 0.730, higher than 0.01 or 0.05 or 0.10. HA2 is rejected which means that institutional ownership has no effect on earnings management. Some institutional investors adopt a passive investment strategy and may not actively monitor or influence management decisions, including accounting practices ([Widagdo et al. 2021](#)).

Family ownership (FAM) has significance value of 0.401, higher than 0.01 or 0.05 or 0.10. HA3 is rejected which means family ownership has no effect on earnings management. Family owners may be torn between preserving the firm's long-term reputation and achieving short-term performance. These conflicting goals can neutralize any clear influence on earnings management ([Murni et al. 2023](#)).

Firm Size (SIZE) has significance value of 0.401, higher than 0.01 or 0.05 or 0.10. HA4 is rejected which means SIZE has no effect on earnings management. Larger firms have more complex operations and better access to professional auditors and governance mechanisms, which can constrain earnings manipulation. However, they also have more opportunities and resources to engage in subtle forms of earnings management. These opposing

forces may cancel each other out, resulting in no net effect ([Arifin & Destriana 2016](#)).

Leverage (LEV) has significance value of 0.180, which is higher than 0.01 or 0.05 or 0.10. HA5 is rejected which means leverage has no effect on earnings management. High leverage can both increase pressure on managers to manipulate earnings to meet debt covenants and simultaneously impose tighter monitoring by creditors. These opposing forces may neutralize each other, resulting in no net effect on earnings management ([Santoso 2023](#)).

Profitability (ROA) has significance value of 0.346, higher than 0.01 or 0.05 or 0.10. HA6 is rejected which means profitability has no effect on earnings management. Factors like debt covenants, tax considerations, or executive bonuses may have a stronger influence on earnings management than profitability, making the effect of profitability statistically insignificant ([Hutauruk et al. 2022](#)).

Sales growth (GROWTH) has a significance value of 0.135, higher than 0.01 or 0.05 or 0.10. HA7 is rejected which means GROWTH has no effect on earnings management. The impact of sales growth on earnings management might not be immediate. There could be a time lag before changes in sales growth

influence management's decisions regarding earnings manipulation ([Permatasari et al. 2025](#)).

Audit Quality (AUQUL) has a significance value of 0.018, lower than 0.05. HA8 is accepted which means AUQUL has effect on earnings management. Auditing firms are hired to boost public confidence in companies' financial accounts rather than to sniff out instances of earnings management. Because of the dependent relationship that exists between management and public accounting firms, the monitoring that is carried out may not be as effective as it could be. It is believed that the public accounting firm would lose clients if the auditor insists on exercising stringent control over the company's management. One of these clients is the corporation itself ([Pambudi 2020](#)).

Board Size (BSIZE) has a significance value of 0.056, higher than 0.05. HA9 is accepted which means BSIZE has effect on earnings management. This indicates that businesses with a greater number of commissioners are more likely to participate in earnings management activities

than those with a smaller number of commissioners. Having an excessive number of commissioners, on the other hand, might make decision-making as well as obtaining a consensus more difficult and time-consuming ([Djashan & Lawira 2019](#)).

CONCLUSION

Based on the test results that conducted, it is concluded that only audit quality and board size have an effect on earnings management. Meanwhile the rest of variables which are managerial ownership, institutional ownership, family ownership, firm size, leverage, profitability and sales growth have no effect on earnings management practice.

A limitation is that the study only looks at the years 2020–2022, which isn't a huge sample size when it comes to long-term situations and circumstances. Given the limitations of this research, it is recommended to lengthen the duration of the investigation.

REFERENCES

- Abubakar, Ahmad Haruna, Ahmad Muhammed Lawal, and Mohamed Ismail Mohamed. 2020. "Ownership Structure and Real Earnings Management: Evidence from Nigeria." *The Journal of Management Theory and Practice (JMTP)*, November, 43–50. <https://doi.org/10.37231/jmtp.2020.1.3.61>.
- Agsari, Rosa Dwi. 2020. "The Effect Of Managerial Ownership, Profitability, Solvability and Company Sizes on Profit Management in Property and Real Estate Companies Which Are in The Indonesian Stock Exchange Period 2013 – 2017." *Primanomics : Jurnal Ekonomi & Bisnis* 18 (2): 82. <https://doi.org/10.31253/pe.v18i2.354>.
- Alexander, Nico, and Hengky Hengky. 2017. "Factors Affecting Earnings Management in the Indonesian Stock Exchange." *GATR Journal of Finance and Banking Review* 2 (2): 08–14. [https://doi.org/10.35609/jfbr.2017.2.2\(2\)](https://doi.org/10.35609/jfbr.2017.2.2(2)).
- Arifin, Lavenia, and Nicken Destriana. 2016. "Pengaruh Firm Size, Corporate Governance, dan Karakteristik Perusahaan Terhadap Manajemen Laba" 18 (1): 84–93.
- Asitalia, Fioren, and Ita Trisnawati. 2017. "Pengaruh Good Corporate Governance dan Leverage Terhadap Manajemen Laba." *Jurnal Bisnis dan Akuntansi* 19 (2): 109–19. <https://doi.org/10.21067/jrma.v6i2.4218>.
- Aygun, Mehmet, Suleyman Ic, and Mustafa Sayim. 2014. "The Effects of Corporate Ownership Structure and Board Size on Earnings Management: Evidence from Turkey." *International Journal of Business and Management* 9 (12): 123–32. <https://doi.org/10.5539/ijbm.v9n12p123>.
- Dechow, Patricia M., Richard G. Sloan, and Amy P. Sweeney. (1995). "Detecting Earnings Management." *The Accounting Review* 70, no. 2, 193–225. <http://www.jstor.org/stable/248303>.

- Djashan, Indra Arifin, and Ade Lawira. 2019. "Company Financial Ratios, Company Ownership and Company Conditions on Earnings Management," no. 20, 44–48. <https://doi.org/10.5220/0008487900440048>.
- Dong, Nanyan, Fangjun Wang, Junrui Zhang, and Jian Zhou. 2020. "Ownership Structure and Real Earnings Management: Evidence from China." *Journal of Accounting and Public Policy* 39 (3): 106733. <https://doi.org/10.1016/j.jaccpubpol.2020.106733>.
- Firnanti, Friska. 2018. "Pengaruh Corporate Governance, dan Faktor-Faktor Lainnya Terhadap Manajemen Laba." *Jurnal Bisnis dan Akuntansi* 19 (1): 66–80. <https://doi.org/10.34208/jba.v19i1.66>.
- Firnanti, Friska, Kashan Pirzada, and Budiman Budiman. 2019. "Company Characteristics, Corporate Governance, Audit Quality Impact on Earnings Management." *GATR Accounting and Finance Review* 4 (2): 43–49. [https://doi.org/10.35609/af.2019.4.2\(2\)](https://doi.org/10.35609/af.2019.4.2(2)).
- Gozali, Efva Octavina Donata, Ruth Samantha Hamzah, Chomsah Novianti Pratiwi, and Marissa Octari. 2021. "Firm Characteristics and Earnings Management in Listed Singaporean Corporations." *Jurnal Riset Akuntansi Kontemporer* 13 (2): 72–81. <https://doi.org/10.23969/jrak.v13i2.4102>.
- Hasan, Liana Sulasti, and Lukman Surjadi. 2020. "Faktor-Faktor Yang Mempengaruhi Earnings Quality Pada Perusahaan Manufaktur Di Indonesia." *Business Management Journal* 2 (1): 1578–85. <https://doi.org/10.30813/bmj.v17i1.2257>.
- Hutauruk, Martinus Robert, Agus Riyanto, and Greacela Utami Putri. 2022. "The Factors Impact On Earnings Management On Indonesia Mining Company: English." *Jurnal Akuntansi* 26 (3): 443–63. <https://doi.org/10.24912/ja.v26i3.1067>.
- Jensen, Michael. C., and W. H. Meckling. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." *Journal of Financial Economics* 3 (4): 305–60. [http://dx.doi.org/10.1016/0304-405X\(76\)90026-X](http://dx.doi.org/10.1016/0304-405X(76)90026-X).
- Murni, Sri, Rahmawati Rahmawati, Ari Kuncara Widagdo, Eko Arief Sudaryono, and Doddy Setiawan. 2023. "Effect of Family Control on Earnings Management: The Role of Leverage." *Risks* 11 (2): 28. <https://doi.org/10.3390/risks11020028>.
- Orazalin, Nurlan. 2020. "Board Gender Diversity, Corporate Governance, and Earnings Management: Evidence from an Emerging Market." *Gender in Management* 35 (1): 37–60. <https://doi.org/10.1108/GM-03-2018-0027>.
- Pagalugung, Gagaring, and Robert Jao. 2011. "Terhadap Manajemen Laba Perusahaan Manufaktur Indonesia" 8 (1): 43–54.
- Pambudi, Agung Satriya. 2020. "Institutional Ownership, Managerial Ownership And Earning Management." *International Journal of Scientific and Research Publications (IJSRP)* 10 (8): 656–64. <https://doi.org/10.29322/ijsrp.10.08.2020.p10483>.
- Permatasari, Maulina Dyah, Adibah Yahya, and Tania Nur Fatonah. 2025. "Earnings Management: How Financial Distress, Sales Growth, and Audit Committees Interact." *Jurnal Akuntansi Bisnis Pelita Bangsa* 9 (02): 142–53. <https://doi.org/10.37366/akubis.v9i02.1901>.
- Prawida, Novria, and Sutrisno Sutrisno. 2021. "Leverage, Profitability, Corporate Governance Mecanism and Earning Management: Cases in Manufacturing Company in Indonesia Stock Exchange." *Asian Management and Business Review* 1 (1): 35–45. <https://doi.org/10.20885/ambr.vol1.iss1.art4>.
- Rudyanto, Astrid. 2023. "Socioemotional Wealth of Family Firms during the COVID-19 Pandemic: The Role of Slack Resources." *Journal of Family Business Management* 13 (4): 1320–42. <https://doi.org/10.1108/JFBM-02-2023-0023>.
- Rudyanto, Astrid. 2024. "Audit Committees' Power and Financial Expertise on Earnings Management during COVID-19." *Global Research Review in Business and Economics* 10 (1): 201–7. <https://doi.org/10.56805/grrbe.24.10.1.19>.
- Rudyanto, Astrid, and S.V. Siregar. 2018. "The Effect of Stakeholder Pressure and Corporate Governance on the Sustainability Report Quality." *International Journal of Ethics and Systems* 34 (2): 233–49. <https://doi.org/10.1108/IJOES-05-2017-0071>.

- Santoso, Aprih. 2023. "The Effect of Free Cash Flow and Leverage on Earnings Management: Moderating Role of Good Corporate Governance." *Asian Management and Business Review*, February, 14–23. <https://doi.org/10.20885/AMBR.vol3.iss1.art2>.
- Siraji, M., and M. C. A. Nazar. 2021. "How Do Family and Managerial Ownership Structure Effect Real Earnings Management?" *Asian Journal of Economics, Business and Accounting*, June, 50–58. <https://doi.org/10.9734/ajeba/2021/v21i730401>.
- Susanto, Yulius Kurnia, and Arya Pradipta. 2020. "Can Audit Committee Reduce Real Earnings Management?" *Jurnal Bisnis Dan Akuntansi* 22 (1): 139–46. <https://doi.org/10.34208/jba.v22i1.747>.
- Widagdo, Ari Kuncara, Rahmawati Rahmawati, Djuminah Djuminah, and Ratnaningrum Ratnaningrum. 2021. "Institutional Ownership, Family Firms, Leverage, and Earnings Management." *Jurnal Akuntansi Dan Bisnis* 21 (2): 252–66.
- Wimelda, Linda, and Agustina Chandra. 2018. "Accounting and Finance Review Opportunistic Behavior, External Monitoring Mechanisms, Corporate Governance, and Earnings Management." *Acc. Fin. Review* 3 (1): 44–52.
- Yunietha, and Agustin Palupi. 2017. "Pengaruh Corporate Governance Dan Faktor Lainnya Terhadap Manajemen Laba Perusahaan Publik Non Keuangan." *Jurnal Bisnis Dan Akuntansi* 19 (1a–4): 292–303.