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The Effect of *Corporate Governance Mechanisms* on Earnings Management in Manufacturing Companies Listed on the Indonesia Stock Exchange

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Abstract: Earnings management is an action taken from the choice of several accounting policies that exist in the company to achieve certain goals. The *corporate governance* mechanism is a good governance system as a system that regulates the relationship between the role of the board of commissioners, the role of directors, shareholders and other stakeholders. One of the world's failures to create a healthy, clean and responsible business life is earnings management. This study aims to find out more about earnings management in manufacturing companies listed on the Indonesia Stock Exchange. The type of research used is *explanatory*. The research population is Manufacturing companies listed on the Indonesia Stock Exchange as many as 296 companies. The results of the study are the independence of the board of commissioners, managerial ownership, institutional ownership and audit committee competence have a negative effect on earnings management.

Keywords: IDX, *Corporate Governance*, Earnings Management

INTRODUCTION

In recent years, there have been many financial scandals in public companies involving financial reporting issues that originated from the detection of manipulation of financial statements, while according to several mass media, more non-public companies have committed violations involving financial reporting issues (Ramadhani Suci, 2021). Companies are established with the aim of maintaining the survival of the entity by growing and increasing company value is very important to provide welfare to company owners (Ramadhani Suci, 2021). The company's performance in the short term can be evaluated through financial reports. Users of financial statements always focus on the company's profit level because it can show management's achievements in managing the company as well as an indicator in measuring management performance (Fury Adryanti, 2019).

Earnings management is an action that is carried out from a choice of several accounting policies that exist in the company to achieve certain goals. Earnings management can occur because financial statements are prepared on an accrual basis (Healy P & Wahlen J et.al, 1999). Earnings management can occur when managers use judgment in financial

statements, thus misleading the assessment for *stakeholders* about the performance of a company (Healy P & Wahlen J et.al, 1999). Earnings management is thought to arise or be carried out by managers or financial statement makers in the financial reporting process of an organization because they expect a benefit from the actions taken (Mulyaningsih, 2013).

This can be seen from the case that occurred at PT Tiga Pilar Sejahtera Food Tbk (AISA), where the old management allegedly inflated Rp 4 trillion in the 2017 financial statements. This was revealed in the fact-based investigation report of PT Ernst & Young Indonesia (EY) on AISA's new management dated March 12, 2019. The alleged inflation is suspected to have occurred in the accounts receivable, inventory, and fixed assets of the AISA Group. In addition to the Rp 4 trillion inflation, there were also findings of alleged revenue inflation of Rp 662 billion and other inflation of Rp 329 billion in the EBITDA (earnings before interest, tax depreciation and amortization) of the issuer's food business entity. Another finding from the EY report is the flow of Rp 1.78 trillion through various schemes from the AISA Group to parties allegedly affiliated with the old management (*detikFinance*, 2019). In addition, at PT Garuda Indonesia, it is known that in the 2018 financial report, Garuda recorded a net profit, one of which was supported by the cooperation between Garuda and PT Mahata Aero Teknologi. The cooperation was worth US\$ 239.94 million or around Rp 3.48 trillion. The funds are actually still receivables with a contract valid for the next 15 years, but have been recorded in the first year and recognized as income and included in other income. As a result, the company, which previously lost money, then made a profit. (Sandria Ferry, 2021)

Corporate Governance (CG) in Indonesia began to be discussed when it emerged in the reform era, where at that time the crisis hit Indonesia, one of which was due to the lack of implementation of *corporate governance* (Suhadi, 2014). *Corporate governance* is a good governance system as a system that regulates the relationship between the role of the board of commissioners, the role of directors, shareholders and other stakeholders (Agoes S, 2013: 101). The *corporate governance* mechanism according to (Hatane et al., 2019) is influenced by internal company factors which include: institutional ownership, managerial ownership, independent board of commissioners, audit committee competence.

One of the world's failures to create a healthy, clean, and responsible business life is earnings management. Financial statements that should function as a medium of communication between the company and *stakeholders* have lost their meaning. Financial reports no longer objectively inform what the company has done and experienced, because this managerial engineering activity is used by managers to hide the fraud they have committed (H. Sri Sulistyanto, 2018: 134). This makes the financial statements irrelevant to the needs of the company's *stakeholders* and results in *stakeholders* who use them making the wrong strategic decisions (H. Sri Sulistyanto, 2018: 135).

There is a hope to be realized with the establishment of a supervision and control system as part of the principle of *good corporate governance*, namely the decline in earnings management in the management of a company.

Earnings management is not always associated with efforts to manipulate accounting data or information, but is more likely to be associated with the selection of accounting methods that are deliberately chosen by management for specific purposes within the limits of *Generally Accepted Accounting Principles* (GAAP) (Suryanto, 2014). According to Jensen C Michael & Meckling H William, (1976), "managers are given power by company owners, who are shareholders, to make decisions, which creates a potential conflict of interest known as *agency theory*". According to several studies that have the following results: (1) Mulyaningsih (2013), through a certain approach, the *corporate governance* variable has no effect on earnings management, while according to (2) Ayu (2019), it implies that investors need to anticipate earnings management, and (3) Henry, Rimi, Iman (2020), earnings

management and *corporate governance* are used as part of variable X to see the effect on firm value.

The above phenomenon is a reason to conduct deeper research on earnings management. The renewal that will be examined in this report is the use of different data years with several previous researchers. Based on this description, the researcher is interested in conducting this research with the title "The Effect of *Corporate Governance* Mechanisms on Earnings Management in Manufacturing Companies Listed on the Indonesia Stock Exchange".

METHODS

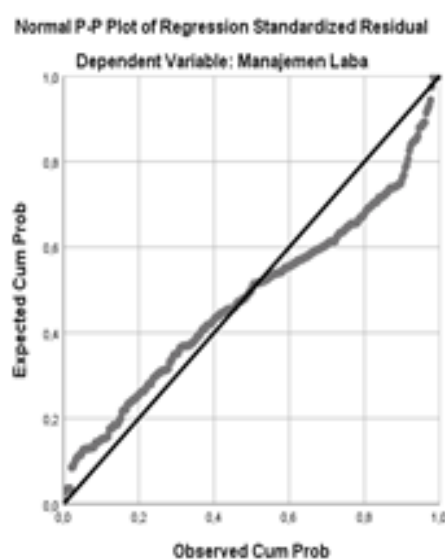
The type of research used is *explanatory*. The research population is Manufacturing companies listed on the Indonesia Stock Exchange as many as 296 companies. The sample selection technique in the study was *nonprobability sampling* using *purposive sampling*. The sample used in the study amounted to 268 companies. The study used data collection procedures from the *website*. Data was collected relating to the independence of the board of commissioners, managerial ownership, institutional ownership and audit committee competence and earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2023.

The data processing procedure carried out is to obtain data related to related variables, make a list of calculations and tabulate data, perform data processing and use *MS Excel*, *SPSS 25* to analyze the results of statistical data processing and hypothesis testing, draw conclusions based on the calculation results obtained. Data analysis consists of descriptive statistics, classical assumption tests (normality test, multicollinearity test, heteroscedasticity test, autocorrelation test), multiple regression analysis (model fit test model fit test), hypothesis testing (partial test (t-test)).

RESULTS AND DISCUSSION

Research Results

A. Independence of the Board of Commissioners



Source: Data processed using SPSS v.25

Figure 1. Normality Test Data for Board of Commissioners Independence

The results of testing the normality of the data that the data spreads around the diagonal line and follows the direction of the diagonal line which shows a normal distribution pattern.

Table 1. Multicollinearity Test Data Independence of the Board of Commissioners

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Independence of the Board of Commissioners	0,992	1,009
	Managerial Ownership	0,335	2,982
	Institutional Ownership	0,333	3,005
	Audit Committee Competency	0,985	1,015

a. Dependent Variable: Earnings Management

Source: Data processed using SPSS v.25

The results of testing the multicollinearity of the data show that the VIF value of the Independence of the Board of Commissioners is $1.009 < 10$. These results indicate that there are no symptoms of multicollinearity.

Table 2. Heteroscedasticity Test Data Independence of the Board of Commissioners

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,353	0,116		3,053	0,003
	Independence of the Board of Commissioners	0,090	0,085	0,097	1,064	0,289
	Managerial Ownership	-0,031	0,020	-0,198	-1,591	0,114
	Institutional Ownership	0,010	0,031	0,042	0,336	0,737
	Audit Committee Competency	0,081	0,057	0,124	1,409	0,161

a. Dependent Variable: ABSRES

Source: Data processed using SPSS v.25

The significance value for the Independence of the Board of Commissioners is 0.289 with the regressed dependent data being the absolute value for the residual data. These results show a value of $0.289 > 0.10$ so that there are no symptoms of heteroscedasticity.

Table 3. Autocorrelation Test Data Independence of the Board of Commissioners

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874

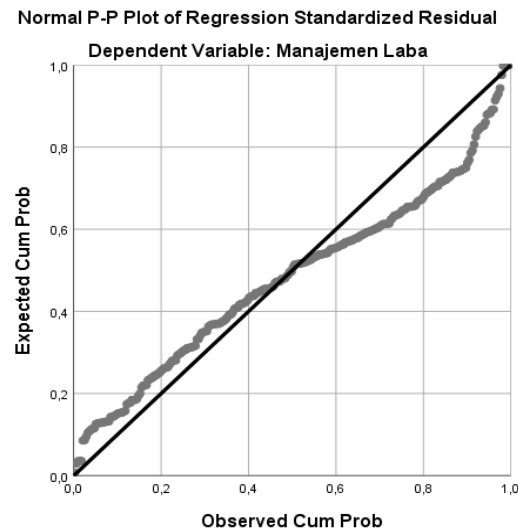
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership

b. Dependent Variable: Earnings Management

Source: Data processed using SPSS v.25

The *Durbin-Watson* value is 1.874. The value is between 1.760 (du) and 2.174 (4-du). These results indicate there is no autocorrelation in the dependent variable.

B. Managerial Ownership



Source: Data processed using SPSS v.25

Figure 2. Normality Test Data for Managerial Ownership

The results of testing the normality of the data that the data spreads around the diagonal line and follows the direction of the diagonal line which shows a normal distribution pattern.

Table 4. Multicollinearity Test Data Managerial Ownership

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Independence of the Board of Commissioners	0,992	1,009
	Managerial Ownership	0,335	2,982
	Institutional Ownership	0,333	3,005
	Audit Committee Competency	0,985	1,015

a. Dependent Variable: Earnings Management

Source: Data processed using SPSS v.25

The results of testing the multicollinearity of the data that the VIF value of Managerial Ownership is $2.982 < 10$. These results indicate that there are no symptoms of multicollinearity.

Table 5. Heteroscedasticity Test Data Managerial Ownership

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	0,353	0,116		3,053
	Independence of the Board of Commissioners	0,090	0,085	0,097	1,064
	Managerial Ownership	-0,031	0,020	-0,198	1,591
	Institutional Ownership	0,010	0,031	0,042	0,336
	Audit Committee Competency	0,081	0,057	0,124	1,409

a. Dependent Variable: ABSRES

Source: Data processed using SPSS v.25

The significance value for Managerial Ownership is 0.114 with the regressed dependent data being the absolute value for the residual data. These results show a value of $0.114 > 0.10$ so that there are no symptoms of heteroscedasticity.

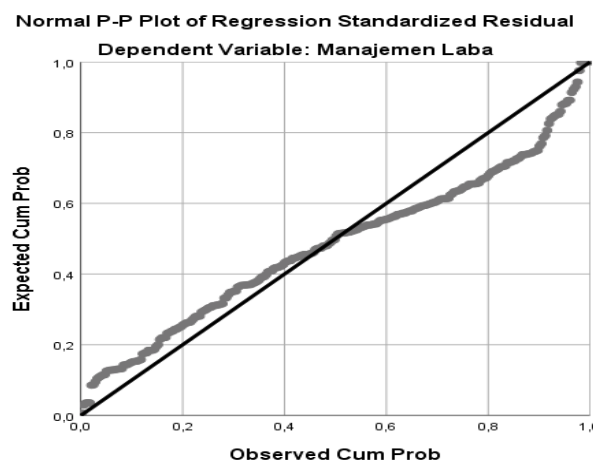
Table 6. Autocorrelation Test Data Managerial Ownership

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					
b. Dependent Variable: Earnings Management					

Source: Data processed using SPSS v.25

The *Durbin-Watson* value is 1.874. The value is between 1.760 (du) and 2.174 (4-du). These results indicate there is no autocorrelation in the dependent variable.

C. Institutional Ownership



Source: Data processed using SPSS v.25

Figure 3. Normality Test Data for Institutional Ownership

The results of testing the normality of the data that the data spreads around the diagonal line and follows the direction of the diagonal line which shows a normal distribution pattern.

Table 7. Institutional Ownership Multicollinearity Test Data

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Independence of the Board of Commissioners	0,992	1,009
	Managerial Ownership	0,335	2,982
	Institutional Ownership	0,333	3,005
	Audit Committee Competency	0,985	1,015
a. Dependent Variable: Earnings Management			

Source: Data processed using SPSS v.25

The results of data multicollinearity testing that the VIF value of Institutional Ownership is $3.005 < 10$. These results indicate that there are no multicollinearity symptoms.

Table 8. Heteroscedasticity Test Data Institutional Ownership

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,353	0,116		3,053	0,003
	Independence of the Board of Commissioners	0,090	0,085	0,097	1,064	0,289
	Managerial Ownership	-0,031	0,020	-0,198	-1,591	0,114
	Institutional Ownership	0,010	0,031	0,042	0,336	0,737
	Audit Committee Competency	0,081	0,057	0,124	1,409	0,161
a. Dependent Variable: ABSRES						

Source: Data processed using SPSS v.25

The significance value for Institutional Ownership is 0.737 with the regressed dependent data being the absolute value for the residual data. These results show the result of $0.737 > 0.10$ so that there are no symptoms of heteroscedasticity.

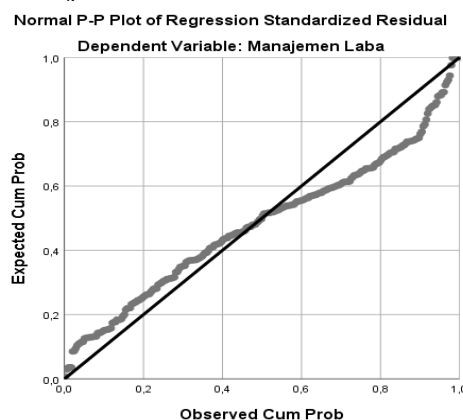
Table 9. Institutional Ownership Autocorrelation Test Data

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					
b. Dependent Variable: Earnings Management					

Source: Data processed using SPSS v.25

The *Durbin-Watson* value is 1.874. The value is between 1.760 (du) and 2.174 (4-du). These results indicate there is no autocorrelation in the dependent variable.

D. Audit Committee Competency



Source: Data processed using SPSS v.25

Figure 4. Normality Test Data for Audit Committee Competence

The results of testing the normality of the data that the data spreads around the diagonal line and follows the direction of the diagonal line which shows a normal distribution pattern.

Table 10. Multicollinearity Test Data for Audit Committee Competence

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Independence of the Board of Commissioners	0,992	1,009
	Managerial Ownership	0,335	2,982
	Institutional Ownership	0,333	3,005
	Audit Committee Competency	0,985	1,015
a. Dependent Variable: Earnings Management			

Source: Data processed using SPSS v.25

The results of data multicollinearity testing that the VIF value of the Audit Committee Competence is $1.015 < 10$. These results indicate that there are no symptoms of multicollinearity.

Table 11. Heteroscedasticity Test Data for Audit Committee Competence

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,353	0,116		3,053	0,003
	Independence of the Board of Commissioners	0,090	0,085	0,097	1,064	0,289
	Managerial Ownership	-0,031	0,020	-0,198	-1,591	0,114
	Institutional Ownership	0,010	0,031	0,042	0,336	0,737
	Audit Committee Competency	0,081	0,057	0,124	1,409	0,161
a. Dependent Variable: ABSRES						

Source: Data processed using SPSS v.25

The significance value for audit committee competence is 0.161 with the regressed dependent data being the absolute value for the residual data. These results show the result of $0.161 > 0.10$ so that there is no heteroscedasticity.

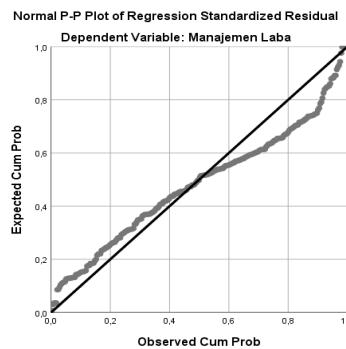
Table 12. Autocorrelation Test Data for Audit Committee Competence

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					
b. Dependent Variable: Earnings Management					

Source: Data processed using SPSS v.25

The *Durbin-Watson* value is 1.874. The value is between 1.760 (du) and 2.174 (4-du). These results indicate there is no autocorrelation in the dependent variable.

E. Earnings Management



Source: Data processed using SPSS v.25

Figure 5. Earnings Management Normality Test Data

The results of testing the normality of the data that the data spreads around the diagonal line and follows the direction of the diagonal line which shows a normal distribution pattern.

Table 13. Earnings Management Multicollinearity Test Data

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Independence of the Board of Commissioners	0,992	1,009
	Managerial Ownership	0,335	2,982
	Institutional Ownership	0,333	3,005
	Audit Committee Competency	0,985	1,015

a. Dependent Variable: Earnings Management

Source: Data processed using SPSS v.25

All independent variables have VIF values smaller than 10 when taken into account with the value of the dependent variable.

Table 14. Earnings Management Heteroscedasticity Test Data

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,353	0,116		3,053	0,003
	Independence of the Board of Commissioners	0,090	0,085	0,097	1,064	0,289
	Managerial Ownership	-0,031	0,020	-0,198	-1,591	0,114
	Institutional Ownership	0,010	0,031	0,042	0,336	0,737
	Audit Committee Competency	0,081	0,057	0,124	1,409	0,161

a. Dependent Variable: ABSRES

Source: Data processed using SPSS v.25

The significance value for all independent variables is above 0.10 with the regressed dependent data being the absolute value for the residual data.

Table 15. Earnings Management Autocorrelation Test Data

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					
b. Dependent Variable: Earnings Management					

Source: Data processed using SPSS v.25

The *Durbin-Watson* value is 1.874. The value is between 1.760 (du) and 2.174 (4-du). These results indicate there is no autocorrelation in the dependent variable.

F. Multiple Regression Analysis

Table 16. Multiple Linear Regression Analysis Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,387	0,033		11,664	0,000
	Independence of the Board of Commissioners	-0,071	0,043	-0,088	-1,655	0,099
	Managerial Ownership	-0,145	0,035	-0,376	-4,136	0,000
	Institutional Ownership	-0,246	0,030	-0,740	-8,105	0,000
	Audit Committee Competency	-0,049	0,021	-0,126	-2,383	0,018
a. Dependent Variable: Earnings Management						

Source: Data processed using SPSS v.25

The multiple linear regression results obtained a constant value of 0.387. The regression value for board independence is -0.071, managerial ownership -0.145, institutional ownership -0.246 and audit committee competence -0.049.

G. Goodness of Fit Test

Table 17. Goodness of Fit Test Table

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,520 ^a	0,270	0,259	0,08425	1,874
a. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					
b. Dependent Variable: Earnings Management					

Source: Data processed using SPSS v.25

The *adjusted R square* value is 0.259. This shows that all the independent variables used are able to explain the dependent variable by 25.9% while the remaining 74.1% is explained by other factors outside the variables used.

H. Model Fit Test (F Test)

Table 18. F test table

ANOVA ^a					
Model		Sum of Squares	df	Mean Square	F
1	Regression	0,692	4	0,173	24,375
	Residuals	1,867	263	0,007	
					Sig.
					0,000 ^b

Total	2,559	267			
a. Dependent Variable: Earnings Management					
b. Predictors: (Constant), Audit Committee Competence, Board of Commissioners Independence, Managerial Ownership, Institutional Ownership					

Source: Data processed using SPSS v.25

The value of $24.375 (F_{hitung}) > 1.966 (F_{tabel})$ and the resulting significance value is $0.000 < 0.10$. Thus it can be concluded that this multiple regression model is feasible to use with independent variables.

I. Hypothesis Test

Table 19: Table of t-test results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,387	0,033		11,664	0,000
	Independence of the Board of Commissioners	-0,071	0,043	-0,088	-1,655	0,099
	Managerial Ownership	-0,145	0,035	-0,376	-4,136	0,000
	Institutional Ownership	-0,246	0,030	-0,740	-8,105	0,000
	Audit Committee Competency	-0,049	0,021	-0,126	-2,383	0,018
a. Dependent Variable: Earnings Management						

Source: Data processed using SPSS v.25

Based on the table above, it can be seen that the effect between each independent variable on the dependent variable is as follows:

1. H_1 states that the independence of the board of commissioners affects earnings management, then the results of the hypothesis test are H_{01} rejected and H_{A1} accepted.
2. H_2 states that managerial ownership affects earnings management then the results of the hypothesis test H_{02} are rejected and H_{A2} is accepted.
3. H_3 states that institutional ownership affects earnings management then the results of the hypothesis test H_{03} are rejected and H_{A3} is accepted.
4. H_4 states that the competence of the audit committee affects earnings management, then the results of the hypothesis test H_{04} are rejected and H_{A4} is accepted.

Discussion

Independence of the Board of Commissioners on Earnings Management

The number of independent commissioners already in the company is able to influence earnings management when compared to the total board of commissioners. This happens because the independent board of commissioners supervises actively or shows its independence. The existence of independent commissioners will make a good contribution to the company in the form of supervision of management so that management's desire to have earnings management interests does not occur. Apart from providing good supervision, independent commissioners will be able to provide guidance or direction in better company management.

This is in line with research (Hutchinson M. R. et al., 2008) which states that an effective board of commissioners must ensure the accounting choices made by management and the financial consequences of these decisions. The independence of the board of commissioners makes the possibility of earnings management in the company lower, so that

it can prevent earnings management from occurring because the company benefits from having a supervisor to remind managers and facilitate the decision-making process.

Managerial Ownership on Earnings Management

The amount of managerial ownership that already exists in the company is able to influence earnings management when compared to the total shares in each company. This happens because managerial is a shareholder while acting as an owner in the company. Increasing managerial ownership in the company can encourage optimal company performance and motivate management to be more careful.

Agency theory states that managerial ownership is an incentive to align the interests of management and shareholders. The existence of managerial share ownership will make management have the same point of view as shareholders to disclose financial reports in accordance with good rules and policies without any earnings management occurring. Managerial ownership is also able to suppress earnings management actions so that it can produce better and faster decisions.

This is in line with research (Kristanti F T & Hendratno H, 2017) which states that higher managerial ownership will reduce earnings management actions, with managerial ownership it will make the management position the same as the company owner who can align or unite the interests of management with shareholders so that management will act like investors who will not carry out earnings management in order to know the real state of the company.

Institutional Ownership on Earnings Management

The amount of institutional ownership that already exists in the company is able to influence earnings management when compared to the total shares in each company. This happens because the institution is a supervisor for the performance of managers in managing the company so that it can reduce earnings management behavior carried out by managers. Increasing institutional ownership in the company can encourage managers to focus more on company performance.

Institutional ownership has the ability to control management through an effective supervisory process so as to reduce earnings management activities. In addition, with the shares owned by the institution, there can be a better data maintenance and improvement process so that it can minimize earnings management. Large institutional ownership will also facilitate the coordination process between shareholders and management which aims to reduce earnings management that occurs.

This is in line with research (Utari N & Sari M, 2016) which states that high institutional ownership will limit management to manage earnings and improve the integrity of financial statements, thereby reducing the occurrence of management behavior to commit fraud. The greater the institutional ownership, the more the integrity of the financial statements reduces the occurrence of manipulation and earnings management.

Audit Committee Competence on Earnings Management

The number of competent audit committees that already exist in the company is able to influence earnings management when compared to the number of audit committees that have competence in each company. Audit committees that have expertise in accounting and finance can improve the supervisory function of management and can increase the ability to detect data manipulation that will benefit management only.

A competent audit committee will maintain the credibility of the financial statement preparation process and create a good supervisory system so that earnings management can be overcome before it occurs. The more competent audit committees will reduce the potential

for earnings management to occur because they can identify early indications of earnings management and can immediately anticipate its occurrence.

This is in line with research (Inaam Z & Khamoussi H, 2016) which states that the audit committee functions to explain its duties as the company's internal supervisor. The audit committee, which has expertise in accounting and finance, is able to monitor internal control better so that it can prevent earnings management.

CONCLUSIONS

The independence of the board of commissioners has a negative effect on earnings management. This shows that the more independent the board of commissioners, the less earnings management will occur.

Managerial ownership has a negative effect on earnings management. This shows that the greater the ratio of managerial ownership of the company, the less earnings management will occur in the company.

Institutional ownership has a negative effect on earnings management. This shows that the greater the ratio of institutional ownership in the company, the smaller the earnings management in the company.

Audit committee competence has a negative effect on earnings management. This shows that the more competent the audit committee is in the company, the more it will be able to reduce earnings management.

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