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Ownership Structure and Earning Management During the Presidential Election

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Abstract

This study seeks to furnish empirical evidence concerning the correlation between government ownership structure and institutional ownership in the context of corporation accrued earnings management during election periods. The sample technique employs purposive sampling. The sample utilized by all non-financial companies listed on the Indonesia Stock Exchange from 2016 to 2021 comprised 1,402 observations. The analytical approach employs panel data regression analysis. The study's results offer empirical evidence that government and institutional ownership do not influence accrual earnings management, and the timing relative to the presidential election does not affect the relationship between institutional ownership structure and accrual earnings management.

Keywords*:* Earning Management, Discretionary Accrual, Ownership Structure, Presidential Election

Introduction

National-scale political events provide a non-economic risk that can influence company decision-making. Arifin et al. (2020) Companies are more inclined to augment their liquid assets and postpone investments in tangible assets. The corporation designates additional capital prior to the election year to preserve financial flexibility, as augmented funds result in transaction fees. Moreover, firms diminish their liquidity and augment their investments in the election year. The results indicate that elections generate political uncertainty and increase the risks of extraction. Numerous studies recognize elections as significant political events that generate uncertainty (Goodell & Bodey, 2012; He, Lin, Wu & Dufrene, 2009; Jens, 2017; Julio & Yook, 2012; Wang, Chen & Huang, 2014). Jens (2017) posits that firms are diminishing investment prior to the gubernatorial election, which serves as an unexpected source of uncertainty.

Ani (2022) asserted that liquidity positively influences earnings management. High liquidity signifies effective management performance in fulfilling short-term obligations. Darsono & Ashari (2005) elucidated that an excessively elevated current ratio indicates inadequate

management of liquidity resources; within the framework of agency theory, this compels management, as agents, to engage in earnings management to present favorable performance, ultimately causing detriment to investors as principals due to information asymmetry. The election indirectly influences the company's earnings management procedures.

The principal indicator of a company's success, as highlighted by stakeholders, is the reported profit margin. Profit functions as a benchmark for assessing a company's success; enterprises must maintain rigorous standards in profit reporting to provide investors with relevant, reliable, and adequate information. The quality of information expected by investors relates to profit data that accurately reflects a company's financial condition, making earnings management crucially important. Earnings management denotes the measures employed by corporate leaders to distort financial reporting data with the aim of deceiving stakeholders on the company's performance and condition. The term intervention serves as a criterion for those who view earnings management practices as deceptive, while others argue that these practices are not fraudulent, as they are performed by company managers using generally accepted accounting principles (Healy & Wahlen, 1999).

Most academic studies characterize earnings management as a practice wherein management exercises its discretion in the presentation of information to alter financial statements, intending to influence stakeholders' perceptions of a company's operations or to attain a particular objective. The foundational notion of earnings management was established by Schipper (1989) and Healy & Wahlen (1999). Earnings management is classified into two main categories: accrual earnings management and real earnings management, according to the conceptual framework (Martinez & Castro, 2011). Recent research has demonstrated that earnings management is not inherently a kind of accounting fraud, given financial accounting standards offer certain flexibility. However, the line between acceptable earnings management and outright fraud is highly fuzzy.

Alzoubi (2016), contended that ownership structure significantly mitigates earnings management and improves the integrity of financial reporting. The study's ownership structure includes insider managerial ownership, outsider managerial ownership, institutional ownership, external blockholder ownership, family ownership, and foreign ownership. The shareholding structure can influence the company's activities, so affecting its performance in achieving its objectives, particularly the maximization of its value. This is due to the power held by the stockholders. The ownership structure of a corporation often includes institutional ownership, management ownership, and individual or public share ownership. Institutional ownership denotes stock ownership by entities including investment firms, banks, insurance companies, and other organizations (Tarjo, 2008). Institutional share ownership, defined by the extent of shares possessed, can supervise and incentivize management to recognize profits in accordance with applicable legislation (Dudi dan Kurnia, 2018). Ismiyanti and Mamduh (2004) posited that augmented corporate ownership is associated with intensified external scrutiny of the business. The supervision of external entities can improve the company's operations, aiding in the achievement of its goals.

A significant degree of institutional ownership will necessitate thorough examination by institutional investors, thereby mitigating the manager's opportunistic conduct. Permanasari

(2020) asserts that increased ownership by financial institutions correlates with enhanced influence and a motivation to maximize the company's value. The share ownership of institutional investors will enhance the monitoring process, thereby diminishing managers' earnings management practices that may negatively impact other stakeholders' interests. The valuation of a corporation may rise if the entity operates as an effective monitoring system. Alongside institutional ownership, managerial ownership also influences the company's value. Agustia (2013) demonstrates that institutional ownership does not influence earnings management, as it is incapable of regulating management, hence failing to mitigate earnings management. This typically occurs when investors act as temporary participants, prioritizing rapid gains. The variable of government ownership has been utilized in numerous studies in China, including one by Zhuang (2017), which examined the profit quality of government-owned enterprises relative to private firms. The research demonstrated that state-owned organizations in China had inferior profit quality compared to privately owned companies across three sectors: manufacturing, real estate, and retail.

Research on earnings management has developed over time. The large number of studies from various parts of the world regarding earnings management proves that this topic is interesting to explore. Perwitasari (2020) conducting research based on Scopus database publications, stated that there were 2.708 articles published with the topic of earnings management from 2.000 to 2020. Information about the quality of earnings in a company's annual report is very important information for users of financial reports, including investors, creditors, financial analysts, debtors and the government, when making investment and regulatory decisions.

Earnings management is a compelling subject for both accounting researchers and practitioners. Numerous studies have examined the influence of company ownership arrangements on mitigating earnings management; nevertheless, the majority have concentrated primarily on managerial and institutional ownership. The ownership structure of enterprises in Indonesia is typically concentrated, necessitating further examination of concentrated ownership's influence on mitigating earnings management, particularly with majority and minority shareholdings.

Literature Review and Hypotesis Development

An agency relationship is a contractual association between a management (agent) and a shareholder (principal) (Jensen & Meckling, 1976). This arrangement occasionally generates issues between the two contracting parties. Managers and shareholders possess divergent objectives, each desiring the fulfillment of their respective aims. This led to the creation of conflicts of interest. Conflicts of interest will escalate, particularly due to the principal's inability to oversee the agent's daily operations to guarantee compliance with the principal's directives. The principal lacks sufficient information regarding the agent's performance, whereas the agent possesses greater knowledge about the company. This disparity in information is referred to as information asymmetry.

Scott and O'Brien (1997) categorize information asymmetry into two types: adverse selection and moral hazard. Adverse selection denotes an asymmetry of information possessed by the primary post-contract with the agent, as one or more parties controlling the policy or potential transaction has superior information compared to the other side. Adverse selection

transpires when agents, including management and other insiders, possess greater knowledge of the company's present circumstances and potential future developments than the main, such as shareholders, who are external parties. Moral hazard refers to an asymmetry of information wherein agents engage in policies or business operations that remain entirely undisclosed to the principal throughout the duration of the policy or transaction. Typically, one or more parties, including management and insiders, exert control over a huge corporation (Prasetio et al., 2016).

The shareholding structure of a corporation comprises the ownership composition and the ownership concentration. This study examines a company's ownership structure, which comprises the state (government) and institutions. The ownership composition delineates the percentage of equity possessed by each shareholder. This concentration of ownership results from the capital invested by several investors. Concentration of ownership refers to the distribution level of shareholder ownership, where high concentration indicates centralized ownership by a few major shareholders, and low concentration signifies ownership dispersed among several shareholders. Third, state ownership, ownership concentration, and institutional ownership influence a company's tax aggressiveness. Firms with a significant concentration of ownership can provide greater incentives, as concentrated shareholders can monitor managerial conduct more effectively. The dominant shareholder possesses adequate resources to monitor the manager's conduct for personal gain. The literature presents two opposing perspectives on government ownership.

The initial argument pertains to the correlation between government ownership and earnings management, as previously posited that agency costs are anticipated to be elevated in state-owned and politically affiliated enterprises, considering that the government may assume the roles of both agent and principal (Andrei Shleifer & Robert W. Vishny, 1994; Hashmi et al., 2018). The government functions as an agent, with the general public as the actual owners of state-owned firms (Ernst, 2004), while it serves as a principal that establishes targets and objectives for managers to achieve (Rodriguez et al., 2007). Corporate governance is typically characterized as a collection of processes that align the actions and decisions of managers with the interests of shareholders. The corporate governance mechanism influences the operation of a firm, with the ownership structure being one such mechanism. Tamrin and Maddatuang (2019, pp. 53-54). The ownership structure encompasses various patterns and types of ownership inside a corporation, reflecting the percentage of shares held by internal and external shareholders; it is crucial in assessing a firm's worth (Robertus, 2016: 69).

Susanti (2015) demonstrated that institutional ownership plays a crucial role in mitigating agency conflicts between shareholders and management. Institutional investors facilitate an effective oversight mechanism for every manager's decisions. Institutional investors influence critical decision-making, complicating trust in profit manipulation practices. The tendency of escalating institutional oversight efforts persists, compelling insiders to exercise greater caution. The rise in institutional investor engagement in oversight is attributable to the enhancement of their capacity for collective action, resulting from substantial institutional shareholding growth. Bathala et al. (1994) elucidated that institutional ownership serves as an effective supervisory mechanism to mitigate agency conflicts by regulating managerial opportunism while enabling efficient utilization of the company's debt levels.

Marciano (2008) asserts that government enterprises overseen by bureaucrats are driven by political motives rather than the advancement of the community or the organization itself. The government may meddle in the company's performance only for its own interests. The agency theory elucidates the relationship between shareholders and managers; the government, as the principal shareholder, is expected to oversee or regulate managerial performance. However, the government frequently pursues alternative objectives, which may result in misleading reports for investors. This will diminish governmental authority on the company's manager. This aligns with the findings of Jao and Pagalung (2011) and Ding et al. (2007), which indicated that government ownership influences earnings management. Conversely, it differs from the study by Niri et al. (2014), which asserts that government ownership does not influence earnings management.

Guo and Ma (2015) conducted research on the association between ownership characteristics and earnings management, examining enterprises in Shanghai from 2004 to 2010, and found that the presence of earnings management is influenced by the motivations associated with various ownership types. Researchers assert that corporations are less inclined to engage in earnings management when the state holds the greatest shareholding. A recent study by Nguyen et al. (2020) including a sample of Vietnamese enterprises shown that state ownership significantly enhances earnings management. The motivation for earnings management is profit maximization and political objectives. The findings of this study align with research involving the same variables conducted in several locations (Attia, 2019; Ben-Nasr et al., 2015; Ding et al., 2018; Lai & Tam, 2017; Mardianto, 2020).
H1 = Government ownership has a significant positive effect on earning management

Institutional ownership denotes the total percentage of shares possessed by an institution. Institutional ownership can proficiently supervise management via monitoring mechanisms, so averting earnings management. Institutional investors provide active oversight that smaller, passive, or uneducated investors struggle to do. (Almazan, Hartzell, & Starks, 2005, as referenced in Alves, 2012). Institutional investors has the opportunity, resources, and capability to monitor, guide, and influence corporate managers about opportunistic management practices (Monks and Minow, 1995 in Bauseno, 2010). Institutional investors with substantial equity holdings will have a strong incentive to obtain information, monitor management behavior, and seek improved performance. Despite having low shareholdings, non-institutional investors demonstrate a reduced inclination to monitor opportunistic activities.

Earnings management can be mitigated through increased oversight by the principle over all operations conducted by the manager. The principal will possess greater authority to oversee the manager's actions if he holds a comparatively dominant ownership stake; one type of shareholder typically characterized by substantial ownership in a corporation is institutional ownership. Institutional ownership refers to ownership held by entities such as mutual funds, insurance companies, financial institutions, and other organizations. Institutional investors are seen as sophisticated investors, indicating that they are not easily deceived by the actions of firm managers.Increased institutional ownership correlates with enhanced external oversight of the organization, which is anticipated to bolster the trustworthiness of financial statement information (Agustia, 2013). Research conducted by Roodposthi and Chasmi (2011) indicates that institutional ownership significantly impacts earnings management

methods. McConnel and Servaes (1990) discovered that institutional investors can constrain managerial behavior. Large institutional investors possess the chance, resources, and capacity to oversee the discipline and impact of management. The study is corroborated by Rajgopal et al. (1999), Nuraini and Zain (2007), Siregar and Utama (2008), and Alzoubi (2016), who asserted that institutional ownership exerts a considerable detrimental impact on earnings management.
H2 : Institutional ownership has a negative effect on earning management practices.

Changes in the executive institution as part of political events can affect the country's economic conditions. This is because the economic condition of a country will be influenced by policies determined by both legislative and executive institutions. Changes in both institutions occur through general elections (elections).

Political events that occur in a country can affect economic stability. A country that has stable political conditions can support economic improvement because of the trust and security guarantees for investors. The election process sucks up a very significant amount of energy. Its role is very crucial to determine the nation's future policies. This certainly did not escape the market response along with the fluctuations of several economic indicators during the presidential election period. These political events can have a negative and positive impact on the stability of economic conditions that support the stability of the capital market and then support the investment climate in Indonesia. Political factors are able to influence the economy through economic policies. According to Booth and Booth (2003), elections influence economic policy decisions.
H3 : Presidential election affects the relationship of government ownership structure to earning management
H4 : Presidential election affects the relationship of institutional ownership structure to earning management

Research Methods

This research is quantitative in nature. The data utilized is sourced from the company's financial report, annual report, the Indonesian Stock Exchange, and the company's official website. The independent variable in this study is the ownership structure of firms listed on the Indonesia Stock Exchange from 2017 to 2021. The share ownership structure comprises the ownership composition and the ownership concentration. The ownership structure of the company in this study comprises the state (government) and institutions. This concentration of ownership results from the capital invested by several investors. Concentration of ownership refers to the distribution level of shareholder ownership, where high concentration indicates centralized ownership by a few major shareholders, and low concentration signifies ownership dispersed among several shareholders.

Government Ownership

This study quantifies government ownership using a binary variable, assigning a value of 1 to state-owned enterprises (SOEs) and 0 to private corporations that fulfill the sample selection criteria established in Chan's (2016) research. The criterion stipulates that a corporation is classified as a state-owned enterprise if the government controls the majority of its shares, specifically at least 51 percent.

Institutional Ownership

Institutional ownership refers to the percentage of shares held by institutional investors. Institutional investors are thought to possess superior capacity for overseeing management activities compared to individual investors. According to Lee et al. (1992: 61), institutions as shareholders are deemed more proficient in identifying faults; yet, there are divergent views concerning institutional investors. Riswari (2012) asserts that institutional ownership can mitigate management's propensity to employ discretion in financial statements, hence enhancing the quality of reported profits. A certain proportion of shares held by institutions can influence the preparation of financial statements, which does not preclude the potential for financial reporting irregularities intended to mislead institutions. Institutional ownership is revealed by the ratio of shares held by the institution to the total outstanding shares of the company. The calculation of institutional ownership is systematically formulated as follows (Masdupi, 2005).

$$\boldsymbol{Institusional\ Ownership} = \frac{\textbf{Shareholding by Institutions}}{\textbf{Number of outstanding shares of the company}} \boldsymbol{x}\ \mathbf{100\%}$$

The dependent variable in this research is earnings management (DA). Assessment of earnings management utilizing discretionary accrual rates (Bzeouich & Dammak, 2019) A substantial discretionary accrual value is typically regarded as a sign of earnings management (Datta et al., 2017). To assess accrual management, it is essential to differentiate between two categories of accrual: non-discretionary accrual, which is a necessary accounting adjustment, and discretionary accrual, which is implemented at the manager's discretion to manipulate earnings (Datta et al., 2017). Discretionary accrual refers to the recognition of profits or expenses that are subject to management's discretion and policy, whereas non-discretionary accrual pertains to the acknowledgment of reasonable profits that adhere to generally accepted accounting standards or principles. The computation of the entire accrual value using the cash flow statement approach model is as follows:

$$\boldsymbol{TA\ i,t = Ni\ it - CFO\ it}$$

Upon acquiring the subsequent accrual value, execute the computation of equation (1) to determine the regression coefficient value. Equation (1) employs industry cross-sectional models to account for economic diversity between industries (El Diri, 2017).

$$\frac{\mathbf{TA}i,t}{\mathbf{A}t-1} = \alpha + \alpha 1\frac{1}{\mathbf{A}t-1} + \beta 1\frac{\Delta \mathbf{R}it}{\mathbf{A}t-1} + \beta 2\frac{\mathbf{PPE}it}{\mathbf{A}t-1} + \varepsilon it$$

Using the coefficients derived from the regression in equation (1), computations are performed to determine the non-discretionary accrual value in equation (2).

$$NAit = \hat{\alpha} + \hat{\alpha}1\frac{1}{\mathbf{A}t-1} + \hat{\beta}1\frac{\Delta \mathbf{R}it}{\mathbf{A}t-1} + \hat{\beta}2\frac{\mathbf{PPE}it}{\mathbf{A}t-1} + \varepsilon it$$

After obtaining the non-discretionary accrual value based on the calculation in equation (2), the calculation in equation (3) is carried out to determine the discretionary accrual value.

$$DAit = \frac{\mathbf{TA}it}{\mathbf{A}t - 1} + NAit$$

Information:

TAi,t	=	Total accrual of company i in year t Represents the total accrual measured following the balance sheet approach or the cash flow statement approach (El Diri, 2017)
Nii,t	=	Net Income year t and company i
Ai,t	=	Total assets between year t and company i
Ri,t	=	revenue in year t and company i
PPEi,t	=	(Gross value of fixed assets) Gross value of fixed assets in the year t of the company i
NAi,t	=	akrual normal
DAi,t	=	accrual discretionary
CFO i,t	=	(Cash flow from operations)

A substantial discretionary accrual value is typically regarded as a sign of earnings management, as discretionary accruals can be either positive (indicating profit inflation) or negative (wherein, during prosperous years, managers conceal profits for future utilization). To account for both positive and negative aspects of earnings management and mitigate the impact of outliers, we emphasize variables at the 1st percentile and the 99th percentile (Datta et al., 2017).

The moderating variable in this study is the 2019 Presidential Election Period of the Republic of Indonesia, represented by a dummy variable: a value of 1 for the year of data collection during the election (2019) and 0 for years without an election. This study utilized company size, leverage (Debt to Asset Ratio), profitability (Return on Assets), and age (company age). Company size and leverage serve as control variables as they can influence the outcomes of the investigation (Arifin & Kusuma, 2011). The size of the company, a parameter examined in this study, is quantified using the natural logarithm of total assets (Setiawan et al., 2019).

$$\boldsymbol{Size = Ln\ (Total\ Asset)}$$

Leverage is a ratio that assesses the capacity of both long-term and short-term debt to finance a company's assets (Fahrani et al., 2018); in essence, this ratio evaluates a company's ability to acquire assets through debt financing. Research by Alhadab and Nguyen (2016) investigates earnings management, employing the leverage ratio as a control variable, defined as total debt divided by total assets.

$$\boldsymbol{DAR = \frac{Total\ debt\ divided}{Total\ Asset}}$$

The age of a firm (AGE) is calculated as the number of years after its listing on the IDX. The subsequent element is profitability, defined as the company's capacity to create profits from its available resources. One indicator for measuring profitability is ROA (Return on Assets); a

higher ROA signifies greater profit derived from asset optimization. The company's profitability is assessed using Return on Assets (ROA).

$$\boldsymbol{Profitabilitas\ (ROA) = \frac{Net\ Income}{Total\ Asset}}$$

Empirical Model

$$\boldsymbol{ABS\ DAit = \alpha 0 + \beta 1KPit + \beta 2KIit + \beta 3Pit + (\beta 14KPit * Pit) \ldots + (\beta 14KIit * Pit) \ldots + \beta 7Sizeit + \beta 8Levit + \beta 9ROAit + \beta 9AGEit \ldots + \varepsilon it}$$

Information:

ABS DAi,t	= Absolute Discretionary Accruals Manajemen Laba
KPi,t	= Government ownership
KIi,t	= Institutional ownership
Pi,t	= Presidential Election
Sizei,t	= Company size
Levi,t	= Leverage
ROAi,t	= Return On Asset
AGEi,t	= Company Age
εi,t	= Residual value
a0	= Konstanta
β0 – β9	= Regression coefficient value of each variable

Analysis and Discussion

This study presents data on various characteristics, including accrued earnings management, government ownership on the board of commissioners, government ownership on the board of directors, life cycle, company size, leverage, ROA, age, and ownership types, as detailed in Table 2 concerning descriptive statistics. We conducted variable winsorization at a rate of 1% in both tails to reduce the risk of biased inference due to outliers (Arifin et al., 2020).

Tabel 1
Dummy Variable

Variabel	***Frequency***	***Percent***
X1KP	56	3,99
SOEs	56	3.99
Non SOEs	1.346	96,01

Source: processed data

Tabel 2
Descriptive Statistic

Variable	Obs	Mean	Std. Dev.	Min	Max
YABSDA	1402	.079	.084	.001	.492
X1KP	1402	.04	.196	0	1
X2KI	1402	.19	.264	0	.952
Z2	1402	.187	.39	0	1
CSIZE	1402	20.293	3.345	11.044	25.223
CDAR	1402	.452	.218	.02	.948
CROA	1402	.022	.088	-.297	.343
CAGE	1402	8.055	1.283	3.584	9.55

Source: Data processing using Stata 17**, Description:** YABSDA= *Discretionary Accruals*; X1KP= Government Ownership; X2KI= Institutional Ownership; Z2= Year of the election; CSIZE= Company Size; CDAR= *Debt to Asset Ratio;* CROA= *Return On Asset*; CAGE= Company Age.

Tabel 3
Multicolinearity Test Result
Pairwise correlations Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) YABSDA_new	1.000							
(2) X1KP	0.000	1.000						
(3) X2KI	0.010	-0.058**	1.000					
(4) Z2	-0.037	0.005	-0.003	1.000				
(5) CSIZE_new	-0.075***	0.153***	-0.052*	-0.004	1.000			
(6) CDAR_new	0.079***	0.142***	-0.028	0.024	0.038	1.000		
(7) CROA_new	-0.071***	0.025	0.013	0.008	0.097***	-0.256***	1.000	
(8) CAGE_new	-0.185***	0.043*	0.032	-0.034	0.041	0.120***	-0.045*	1.000

*Remarks: Source of processed data *** p<0.01 significance level 1%, ** p<0.05 significance level 5%, *p<0.1 significance level 10%*

According to the Pairwise correlations, Table 3 indicates that the correlation between the independent variable and the control variable remains below the crucial threshold, allowing for the conclusion that the econometric model of this study is not affected by multicollinearity. All variables possess values beneath 0.75. Should the test results indicate multicollinearity, the regression coefficient cannot be accurately computed.

The normality test evaluates whether the variable data follows a normal distribution. This research use the Shapiro-Francia test. The Shapiro-Francia normality test is the most effective test statistic for identifying deviations from normality across all sample sizes among the tests evaluated (Mbah & Paothong, 2015). The Shapiro-Francia test indicates regularly distributed data when the probability value Prob>z exceeds 0.05. The subsequent outcomes of the normalcy assessment utilizing the Shapiro-Francia Test are presented in Table 4.

Tabel 4
Shapiro-Francia Test

Variable	Obs	W'	V'	z	Prob>z
Model 1	1,402	0.813	170.028	12.027	0.000
Model 2	1,402	0.812	170.727	12.037	0.000
Model 3	1,402	0.812	171.076	12.042	0.000
Model 4	1,402	0.812	170.727	12.037	0.000

Source: Data processing using Stata 17

The results of the normality test in Table 4 indicate that the OLS equation model exhibits issues concerning the assumption of normality. Nevertheless, the sample size in this study is substantial, totaling 1,402, so allowing for the dismissal of issues with the assumption of normality. It is founded on the principles of the Central Limit Theorem. The Central Limit Theorem posits that if a sufficiently large sample is drawn from a population, the sampling distribution of the sample mean will approximate a normal distribution, irrespective of the original population distribution's shape (Gujarati, 2003).

The heteroscedasticity test was conducted to confirm that no independent variables significantly influenced the dependent variables. Heteroscedasticity refers to a circumstance in which a model exhibits varying variances across distinct observations. A variable is classified as heteroskedastic if its probability is less than 0.05 (<0.05); conversely, a variable is classified as homoskedastic if its probability value exceeds 0.05 (>0.05) (Gujarati & Porter, 2012). If the output display results reflect a significance above 0.05, it suggests the presence of heteroscedasticity. This study used the Breusch-Pagan test to evaluate the assumption of heteroscedasticity in regression equations. The findings of the Breusch-Pagan Test are presented in Table 5.

Tabel 5
Breusch and Pagan Lagrangian Multiplier Test Result

Variabel	Obs	Chi2	Prob> Chi2
Model 1	1,402	401.01	0.000
Model 2	1,402	394.53	0.000
Model 3	1,402	389.71	0.000
Model 4	1,402	394.53	0.000

Source : Data processing using Stata 17

The findings of the Breusch-Pagan test in Table 5 indicate that the regression model in this study faces issues concerning the assumption of heteroscedasticity. The Chi-square probability value for all models is 0.000, which is below the threshold of 0.05. To address the issue of heteroscedasticity in the OLS regression equation of this study, we employ the generalized least squares (GLS) estimation approach (Gujarati & Porter, 2012). The outcomes of the GLS random effects regression are presented in Table 6 below. The GLS random effect regression test results in Table 6 indicate that the overall R2 values for each model are 0.084, 0.082, 0.079, and 0.079, reflecting significance levels of 84%, 82%, 79%, and 79%, respectively. Consequently, 16%, 18%, 21%, and 21% of the variance is attributable to external variables not included in the model.

Table 6 presents the findings from the GLS random effect regression test, indicating that the X1 variable of government ownership (KP) does not significantly influence the management of accrued profits. Similarly, the X2 variable of government ownership (KI) demonstrates no effect on accrued profit management. Furthermore, the presidential election variable independently exerts no influence on accrued profit management. The interaction between the KP variable and the presidential election yields insignificant negative results, while the KI variable and the presidential election exhibit insignificant positive results.

Tabel 6
Result Test Reggresion GLS Random Effect

Variabel	Dependent ABS DA							
	Model 1		Model 2		Model 3		Model 4	
	Coef.	***Prob.***	***Coef.***	***Prob.***	***Coef.***	***Prob.***	***Coef.***	***Prob.***
X1KP	0.008	(0.628)	0.005	(0.415)			0.005	(0.415)
X2KI	0.004	(0.490)	0.011	(1.268)			0.011	(1.268)
Z2	-0.008	(-0.868)	-0.002	(-0.279)	-0.002	(-0.276)		
c.X1KP#c.Z2	-0.016	(-0.556)						
c.X2KI#c.Z2	0.033	(1.536)						
CSIZE_new	-0.001	(-1.509)	-0.001	0(-1.513)	-0.001	(-1.540)	-0.001	(-1.513)
CDAR_new	0.025**	(2.252)	0.024**	(2.215)	0.025**	(2.278)	0.024**	(2.215)
CROA_new	-0.049*	(-1.842)	-0.051*	(-1.908)	-0.050*	(-1.858)	-0.051*	(-1.908)
CAGE_new	-.012***	(-6.880)	-.012***	(-6.859)	-0.012***	(-6.797)	-.012***	(-6.859)
_cons	0.188***	(9.270)	0.187***	(9.222)	0.188***	(9.428)	0.187***	(9.222)
Observations	1402		1402		1402		1402	
R-squared	0.088		0.086		0.085		0.086	
Adj R^2	0.074		0.073		0.073		0.073	
F-stat	6.060		6.521		7.151		6.521	
Year Fixed Efect	Yes		Yes		Yes		Yes	
Industry Fixed Efect	Yes		Yes		Yes		Yes	

Description: : YABSDA= Discretionary Accruals; X1KP= Government Ownership; X2KI= Institutional Ownership; Z2= Year of the election; CSIZE= Company Size; CDAR= Debt to Asset Ratio; CROA= Return On Asset; CAGE= Company Age. *t-values are in parentheses, *** p<.01, ** p<.05, * p<.1* .

This study seeks to demonstrate the impact of government ownership and institutional ownership on accrued earnings management techniques. Research conducted on government ownership demonstrates that it does not significantly adversely affect the company's accrued earnings management. This aligns with the findings of Apriyani et al. (2019) and Guo and Ma (2015). Research conducted on government ownership demonstrates that it does not significantly adversely affect the management of the company's accrued profit. Managers in government-owned enterprises typically earn compensation through

political promotions and salaries, rather than profit-based bonuses as seen in private companies. This unequivocally demonstrates that the supervisory role within the government does not serve as a standard for corporate earnings management techniques. Ding et al. (2006) examined the impact of ownership concentration on managerial profit within a sample of publicly traded enterprises in China, discovering an inverted U-shaped correlation between ownership concentration and earnings management. State-owned enterprises generate lower revenue than privately-owned enterprises. Their findings indicate that Chinese state-owned enterprises exhibit lower levels of earnings management (abnormal accrual) compared to non-state-owned enterprises. Wang and Yung (2009) discovered that the Chinese language utilized by state-owned firms exhibits a reduced anomalous accrual rate and superior accrual quality compared to non-state-owned enterprises.

Similarly, institutional ownership is anticipated to exert a considerable detrimental impact on the company's earnings management practices, which have been shown to be ineffective. Institutional ownership may be unable to exercise supervisory and voting authority over management, as this could affect their business relationship with the company, leading to a focus on short-term financial outcomes (Bushee, 2001). Consequently, managers will be compelled to fulfill short-term profit expectations. This influence suggests that investor ownership may not restrict the manager's discretion regarding earnings management and may affect management's motivations for engaging in such practices (Zhuang, 2017).

Limitations and Suggestions

This study contains certain shortcomings anticipated to be addressed in future research, particularly regarding the measuring of government and institutional ownership through alternative methodologies. This study is limited by its sample year and exclusively focuses on studies pertaining to the Indonesia Stock Exchange. This study employs a singular proxy for earnings management, namely accrued earnings management with the modified Jones measurement; alternative measuring methods may yield different outcomes. This study measures the company's age using the time of its initial public offering (IPO) instead of its establishment date; the findings may differ if the company's age is calculated from its inception.

Drawing from the findings of this study, the researcher aims to offer a comprehensive overview, guidance, and avenues for future research about accrual earnings management. The limitations of this study may present opportunities for future research by using a genuine earnings management proxy. Researchers may use research samples from stock exchanges within Indonesia or utilize alternative ownership structures, like family ownership, international ownership, and external block ownership, when examining the concentration of corporate ownership. This research highlights the existence of vulnerabilities that firm managers may use for personal gain.

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