The Impact Of Ownership Structure And Control Variables On Earnings Management: A Case Study With Dividend Payout As A Moderating Variable

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Abstract: This study examines the effect of ownership structure and control variables on earnings management, with dividend payout serving as a moderating variable. Ownership structure includes concentration ownership, foreign ownership, state ownership, family ownership, and managerial ownership, all of which are believed to significantly influence managerial decisions in managing earnings. These ownership types may create different levels of control and monitoring, which in turn affect the extent of earnings manipulation. Furthermore, control variables such as firm size, leverage, growth, audit quality, and return on assets (ROA) are incorporated to better understand the factors influencing earnings management behavior. Dividend payout is expected to moderate the relationship between ownership structure and earnings management, as dividend policies may signal firm transparency and reduce the incentive for earnings manipulation. The study employs secondary data obtained from annual reports of companies listed on the Indonesia Stock Exchange (IDX) over the past five years. The contribution of this research lies in providing empirical evidence from an emerging market context, specifically Indonesia, where ownership structures are often concentrated and dominated by families, the state, or foreign investors. By integrating dividend payout as a moderating variable, this study offers a more comprehensive understanding of how corporate governance mechanisms interact to influence earnings management practices. The novelty of this study is its combined analysis of multiple ownership types alongside dividend policy moderation within a single integrated framework, offering new insights into how ownership diversity and dividend policies jointly shape the quality of financial reporting in emerging economies.

Keywords: Ownership structure, Real earning management, Accrual earning management, Dividend payout

1. Introduction

In the modern business world, earnings management has become an increasingly compelling topic for researchers and practitioners. A central issue in accounting research concerns the extent to which managers alter reported earnings for their own benefit. In particular, earnings information is regarded as one of the most important financial indicators influencing all business stakeholders, as it serves as a key measure of a company's efficiency and growth

prospects. Therefore, any intervention that distorts the accuracy of information in financial statements can significantly affect the decisions of those who rely on them. One notable case is Enron, an American energy company that was revealed to have falsified its financial statements to conceal debt and inflate revenue, ultimately leading to its bankruptcy in 2001.(Healy & Palepu, 2003)(Benston & Hartgraves, 2002), WorldCom, a major telecommunications company, manipulated its accounting records by classifying operating expenses as capital investments to inflate its reported earnings, which ultimately led to its bankruptcy in 2002. (Rezaee, 2005)(Lyke & Jickling, 2002). Parmalat, an Italian dairy company, deceived investors by overstating its assets and hiding its liabilities, leading to a scandal that shook the European market in 2003. (Melis, 2004). Bong Bach Tuyet, a cotton product manufacturer in Vietnam, faced financial difficulties and was accused of falsifying its financial statements, which severely damaged the company's reputation. (Hoang et al., 2017), All of these cases are related to the distortion of financial reporting. Such distortions have a significant impact on the economy and undermine public confidence in the quality of corporate financial information, especially for publicly listed companies. Since the mid-1980s, research on managerial incentives to manipulate earnings has primarily focused on accruals. This phenomenon can lead to reduced trust and transparency in financial markets. It includes activities aimed at increasing or decreasing earnings to reach a desired level. Managers have incentives to adjust earnings to meet their targets or to present earnings as less risky. (R. C. Baker & Owsen, 2002) which suggests that managing earnings to conceal the company's performance from external parties is an attempt to protect personal interests.

Earnings management is an action taken by managers to either increase or decrease reported earnings. This concept identifies two important components of earnings management, namely its consequences and the clear intentions or objectives behind it (Fischer & Rosenzweig, 1995) Earnings management can cause losses for investors and may even affect the efficiency of a company's real operations. The emergence of earnings management reduces the quality and reliability of the information presented in financial statements.(Nguyen et al., 2021). Therefore, the comprehensive income statement reflects management's intentions more than the company's actual financial condition. In addition, (Healy & Wahlen, 1999) argues that earnings adjustments occur when managers use accounting estimates or internal transactions to influence financial statements in order to mislead certain stakeholders about the company's business condition or to affect contracts that are tied to accounting-based earnings targets. Schipper defines earnings management as the intentional intervention in the financial reporting process to obtain personal benefits, such as maintaining stock prices or meeting earnings targets. (Dechow & Skinner, 2000) They define earnings management as manipulation carried out to mislead stakeholders about the

firm's economic performance or to influence contractual outcomes that depend on accounting numbers(Roychowdhury, 2006) Roychowdhury further discusses real earnings management, which involves manipulating actual business activities—such as reducing research and development expenses or offering deep discounts to temporarily boost sales—in order to meet earnings targets. Earnings management is defined from two perspectives: the opportunistic perspective and the informational perspective.

Earnings management from an opportunistic perspective is used to mislead investors regarding a company's condition. The opportunistic perspective strongly supports managers in engaging in earnings manipulation because it enables them to present favorable earnings even when the company is experiencing difficulties. Meanwhile, the informational perspective is used to convey private information related to the company's future performance, and decisions based on this perspective are considered legal and provide accurate value to stakeholders Mardianto & Khellystina (2021). Earnings management involves deliberate intervention in the earnings determination process with the aim of achieving a desired level of earnings. It is a practice in which managers use accounting judgments in financial reporting to alter earnings in order to achieve specific objectives (Mardianto & Dwiyanti, 2024). Accrual-based earnings management is carried out by using managerial judgment within the financial reporting process, resulting in changes in the level of accruals and, consequently, reported earnings. On the other hand, real earnings management involves manipulating cash flows by deviating from normal business practices—such as operational, investment, or financing activities—to shift earnings toward the desired direction (Mardianto et al., 2024a)

According to agency theory, the separation between owners (shareholders) and managers has the potential to create conflicts of interest, as both parties may have different objectives. Owners focus on increasing firm value and achieving long-term investment returns, while managers often have short-term incentives that can encourage opportunistic behavior such as earnings management. To minimize this conflict, strong oversight through good corporate governance is needed to align managerial decisions with shareholders' interests. Various international accounting scandals have highlighted the importance of transparency and quality in financial reporting, which can be achieved through the implementation of effective corporate governance. One important element of governance is ownership structure. (Mohd Ali et al., 2008) state that managers with substantial equity ownership have lower incentives to manipulate financial statements, as they are also invested in the company's long-term performance.(Shaikh & ., 2012) also note that institutional investors are generally better at detecting earnings management practices than non-institutional investors because they have access to more relevant and timely information. Therefore, a strong ownership structure plays a crucial role in reducing

earnings management and improving the quality of reported earnings, making financial statements more reliable for stakeholders.

Companies that engage in Transfer Pricing (TP) strategies to reduce rising tax burdens may also be involved in Real Earnings Management (REM). However, they tend to avoid appearing significantly different from other firms in the industry in terms of tax expenses, as they aim to avoid suspicion from tax authorities, regulators, and investors(Armstrong et al., 2019). This study is grounded in the concept of Real Earnings Management (REM). suggests that managerial activities may transform the potential benefits of a company's Transfer Pricing (TP) into a tool for conducting Earnings Management (EM). Managers can engage in strategic decision-making by choosing between two methods of earnings management: Accrual Earnings Management (AEM) or Real Earnings Management (REM) (Nafis & Sebrina, 2023) Political Cost Theory influences the motivations behind managers' choice of earnings management methods (Souisa et al., 2024). Based on Political Cost Theory, firms tend to select accounting policies that minimize political costs (Lystia Tartono et al., 2021). In this literature, the Real Earnings Management (REM) approach involves carrying out abnormal operating cash flow activities.

Earnings management is viewed as a common practice among many firms, and most managers consider it an antecedent (or early driver) of firm value (A Ali, professor, et al., 2021)(A Ali, Hasan, et al., 2021) The study by (Hernawati et al., 2021) employs the Modified Jones Model, one of the most widely used models for measuring accrual-based earnings management (Accrual Earnings Management / AEM). There are many interpretations regarding the cumulative effects of positive and negative signs. Positive accruals in financial statements indicate that management uses techniques to increase earnings, whereas negative accruals indicate the use of techniques to reduce earnings. Managers are also perceived as opportunistic in applying income-increasing strategies(Odeh Salem Almari et al., n.d.). Studies on the relationship between ownership structure and earnings management have been conducted in various contexts around the world, and most are empirical studies using quantitative methods. Global research has extensively explored and explained the impact of ownership structure on earnings management; however, findings differ across countries. These differences may arise from variations in the determinants of ownership structure that influence earnings management behavior, differences in earnings management behavior models adopted in each country, or differences in experimental samples.

Accrual-based earnings management is conducted through managerial judgment within the financial reporting process, which results in changes to accrual levels and, consequently, reported earnings(Mardianto et al., 2024b). A sound ownership structure is considered an effective mechanism for managers to prevent earnings management activities. Corporate

governance creates a set of constraints that reduce agency costs arising from contractual relationships within the firm, serving as a framework to ensure that corporate financial suppliers are protected(Shleifer & Vishny, 1997). n the context of financial reporting, the role of corporate governance is to ensure the acceptance of the financial accounting system and to maintain the credibility of financial statements(Guo et al., 1998). It is important to examine both earnings management strategies in a research project, as substantial evidence shows that earnings management activities are not limited to accrual-based earnings management (AEM) but also involve real earnings management (REM)(Gautama Buanaputra, 2021).

Ownership structure describes the composition of share ownership by the government, institutions or the public, foreign investors, families, or managerial parties. Ownership structure is believed to influence how a company operates, which in turn affects its performance in achieving its primary objective of maximizing firm value (Setiany et al., n.d.). The level of ownership concentration, also known as blockholders, refers to the percentage of shares (typically more than 5%) held by a limited number of shareholders (Zhong et al., 2007) According to (Shleifer & Vishny, 1997), large shareholders can use their control to extract private benefits, sometimes at the expense of minority shareholders. Therefore, majority shareholders may interfere with management and potentially encourage managers to engage in earnings management in order to maximize their own interests. Studies on the relationship between ownership concentration and earnings management have also yielded heterogeneous results. (Mohd Ali et al., 2008) and (Roodposhti F. Rahnamay & Chashmi, 2016) found a negative correlation between ownership concentration and earnings management.

An internal control system is mandatory for companies for various reasons, both to support smooth business operations and to ensure security. Internal control represents a system established by a company or organization to manage all activities within it in order to achieve organizational objectives. Ownership structure is considered a component of internal control that refers to how representative rights allocate the company's capital to one or more individuals or legal entities (Wati & Gultom, 2022). These models rely on the measurement of total assets and changes in those assets. Total assets are characterized by annual changes in key accounting components such as accounts receivable, inventory, accounts payable, and amortization, as demonstrated by (Dawood et al., 2023). This theory aligns with the findings of the research. Similarly, results reveal that socio-emotional variables influence financial reporting quality and earnings management approaches (including the choice between accrual earnings management and real earnings management) in private family firms in Pakistan(Maqsood et al., 2024).

Ownership concentration refers to the percentage of a company's shares held by significant shareholders. When the level of ownership concentration is high, a small number of influential shareholders have substantial control over corporate decision-making(Itan et al., 2024). Large shareholders have the ability to exercise control for their own benefit. In fact, controlling shareholders may impose their personal preferences even when such actions disadvantage minority shareholders;(Shleifer & Vishny, 1997). In this context, large shareholders may also influence management and encourage the use of earnings management to achieve certain objectives (Habbash, 2010), (Zhong et al., 2007). However, some studies report no significant relationship between ownership concentration and earnings management;(Sharma & Kuang, 2014)(Hyo Jin Kim & Soon Suk Yoon, 2021). These mixed findings indicate that the effect of ownership concentration on earnings management remains a subject of debate, although most empirical evidence supports a positive association. Therefore, the research hypothesis is formulated as follows:

H_1: Concentration ownership significantly positive affects earnings management

Previous studies provide evidence that foreign investors can enhance firm value by generating positive spillover effects(Douma et al., 2006), reducing firms' cost of capital (Geert Bekaert & Harvey, 2000) encouraging appropriate investment in research and development (David et al., 2006), and initiating improvements in corporate governance practices within local firms (Gillan & Starks, 2003). Foreign financial institutions may also have stronger incentives to monitor corporate management to secure higher returns on their investments compared to domestic investors. Moreover, foreign institutional investors may possess more effective monitoring tools than domestic institutions in developing countries (Khanna & Palepu, 2000). The proportion of foreign ownership is expected to reduce the level of earnings management in order to improve transparency in information disclosure(Firth et al., 2007) Therefore, the hypothesis is formulated as follows:

H_2: Foreign ownership significantly negative affects earnings management.

Public sector companies generally have lower levels of corporate governance and audit quality(Shleifer, 1998) and this condition is typically associated with the increase in managerial power, which can essentially lead to earnings management (EM). In state-owned enterprises, accountability is usually weaker compared to private firms. This fact creates incentives to manipulate accounting data. In state-owned enterprises, managers must consider the interests of various stakeholders other than the owners, such as citizens and public opinion (Sinclair, 1995). They may need to address different and often conflicting interests due to the influence of varying managerial power embedded in the ownership structure (Bruton et al., 2015), requiring them to

manage these competing views. This situation potentially encourages data manipulation and results in EM.

H_3: State ownership significantly positive affects earnings management

According to the alignment effect hypothesis, families have lower incentives to engage in earnings manipulation because such practices may harm the family's reputation and wealth(Wang, 2006). Moreover, family firms are not pressured to meet earnings expectations (Jiraporn & DaDalt, 2009). Numerous studies have documented a negative relationship between family ownership and earnings management in Japan(Wang, 2006), Indonesia (Siregar & Utama, 2008), and the United States (Jiraporn & DaDalt, 2009). When family ownership exceeds 33%, it positively affects earnings management (Wang, 2006), and similar results were found by (Sánchez-Ballesta & García-Meca, 2007). According to (Joseph P.H. Fan & T.J. Wong, 2002), the concentration of family ownership restricts the dissemination of accounting information to external investors

H_4: Family ownership significantly negative affects earnings management.

Agency theory states that when managers do not directly or indirectly own shares in the companies they manage, their behavior may be influenced by other benefits that go far beyond the primary objective of maximizing firm value and shareholder wealth (E. Fama, 2012); (E. F. Fama & Jensen, 1983); (Jensen & Meckling, 1976). Conversely, if managers hold shares in the company they manage, they tend to gradually align their interests with those of the shareholders (Hashmi et al., 2018), (Jung & Kwon, 2002). Managers who possess a substantial proportion of ownership can reduce conflicts between managers and shareholders due to their majority shareholding (Karina, 2021).

Therefore, the level of earnings management (EM) is expected to be negatively affected (Klein, 2002), (Teshima & Shuto, 2008)(Warfield et al., 1995); On the other hand, managerial ownership may have the opposite effect on EM because greater managerial authority can influence them to choose accounting decisions for personal benefit (Jung & Kwon, 2002) Previous studies have shown that higher managerial ownership leads to EM behavior (Gul et al., 2003)(Peasnell et al., 2005). In contrast, other research finds no significant relationship between the two variables (Habbash, 2010).

H_5: Managerial ownership significantly negative affects earnings management.

A concentrated ownership structure, in which large shareholders have greater influence over corporate decision-making, can encourage a more stable dividend policy. Large shareholders tend to pay more attention to profit distribution in the form of dividends, which can reduce managers' incentives to engage in earnings management (Porta et al., 2008) Their study shows that when firms implement a regular dividend policy, managers are more motivated to

maintain transparency in financial reporting, thereby reducing aggressive earnings management practices. Conversely, if a company does not have dominant shareholders, managers have greater discretion to manage earnings due to the lack of shareholder monitoring (H. K. Baker & Powell, 2000). The decision to withhold dividends can be used as a tool to achieve managerial objectives, potentially leading to earnings management practices. Managers tend to be interested in increasing reported earnings because dividends are distributed based on net income. Thus, when earnings increase, dividend policy is also directly affected. This issue arises when the level of earnings prior to earnings management actions is insufficient to distribute dividends (Chandra & Junita, 2021)

H_6: Dividend payout significantly negative moderate Ownership structure to affect earnings management.

2. Method

Quantitative research is a form of study that uses numerical data collection and analytical techniques to test hypotheses, draw conclusions, and understand the relationships among the variables being examined. According to scholarly sources, quantitative research is generally regarded as an objective and systematic scientific methodology for collecting measurable data, performing statistical analysis, and drawing conclusions from the results of such analyses (Candra Susanto et al., n.d.). This study is an analytical observational research, with data collected through observation and numerical processing of financial statements. Analytical research aims to measure the relationship or association between two variables—namely, factors and outcomes. In observational analytical studies, these factors occur naturally, whereas in experimental studies, researchers assign participants to receive or not receive specific factors (Ranganathan & Aggarwal, 2019). This research focuses on companies listed on the Indonesia Stock Exchange from 2019 to 2023. The sampling technique used is purposive sampling, in which samples are selected according to predetermined quantitative and attribute criteria. The dependent variables in this study are measured using Accrual Earnings Management (AEM) and Real Earnings Management (REM). Ownership concentration, foreign ownership, state ownership, family ownership, and managerial ownership constitute the independent variables, followed by dividend payout as a moderating variable between earnings management and ownership structure.

2.1 Variable Operations

2.1.1 Ownership Concentration

The concept of "ownership concentration" refers to a shareholding structure in which an individual or a minority group holds a substantial portion of the company's shares, making their ownership percentage relatively dominant compared with other shareholders. In a business

context, ownership concentration can influence firm performance and affect managerial decisions as well as overall business strategy.

Ownership concentration = The ratio of major shareholders in the board (≥5% total shares)

Source : (Tran & Dang, 2021)

2.1.2 Foreign Ownership

Foreign ownership, compared with public financial institutions, may be more motivated to monitor corporate management in order to secure higher returns on their investments. Additionally, foreign organizations often possess more effective monitoring mechanisms than domestic private financial institutions in developing countries. A higher proportion of foreign investor ownership is generally associated with reduced levels of earnings management, as foreign investors tend to demand greater transparency and higher-quality financial disclosure.

Foreign ownership = Percentage of shares held by foreign investor

Source : (Tran & Dang, 2021)

2.1.3 State Ownership

Shares held by government agencies, trust funds, financial institutions, legal entities, foreign institutions, and other similar organizations at the end of the fiscal year are considered institutional or state-related ownership. The percentage of shares owned by these institutions—including both domestic and foreign corporate holdings as well as government ownership—is aggregated to determine this variable.

State ownership = The percentage of shares held by state shareholders

Source : (Tran & Dang, 2021)

2.1.4 Family Ownership

The proportion of common shares held by a family as the controlling shareholder. Since previous studies indicate that ownership concentration in Indonesian listed companies tends to be significant, we define controlling shareholders as the largest shareholders who hold at least 20 percent of the company's common shares, thereby enabling effective control over the firm.

Family ownership = Percentage of shares held above 20%, except foreign investors

Source : (Darmadi, n.d.)

2.1.5 Managerial Ownership

Managerial ownership refers to the proportion of shares owned by directors, managers, and commissioners, measured as a percentage of the total outstanding shares. (Yuwono & Aurelia, 2021)

Managerial ownership = The percentage of shares held by managerial shareholders

2.1.6 Size

This variable indicates that smaller firms often face information asymmetry and higher agency costs, which make it difficult for them to access external capital markets at lower costs. Because their financing needs tend to be higher than those of larger firms, smaller firms are more likely to encounter financial constraints. Firms that are larger than the sample's average size are generally less likely to experience such financial constraints. (Faulkender et al., 2006)

Size = Log (total assets)

Source : (Hasangapon et al., 2021)

2.1.7 Leverage

Leverage = Liabilities / total assets

Source : (Tran & Dang, 2021)

2.1.8 **Growth**

Growth = $(Revenue_t – revenue_{t-1})/ revenue_{t-1}$

Source : (Tran & Dang, 2021)

2.1.9 **Audit Quality**

Audit quality = Dummy variable 1 = Big 4 0 = Vice versa

Source : (Tran & Dang, 2021)

2.1.10 **Return of Asset**

ROA = Earnings after taxes / total assets

Source : (Tran & Dang, 2021)

2.1.11 Dividend Payout.

Dividend payout = Total Cash Dividend / Total Sales

Source: (Anggraini et al., 2023; Nurhidayah Yahya et al., 2022)

3. RESULT AND DISCUSSION

3.1 Result

3.1.1 Descriptive Statical Test

The results of the descriptive statistical tests support the data analysis by describing, presenting, or summarizing the research variables in a concise and simple manner (Juniyanti & Mardianto, 2020) Descriptive statistical analysis is used to summarize the sample size, mean, standard deviation, maximum, and minimum values for each variable in this study. The results of this descriptive statistical analysis are presented in Table 1.

Table 1. Descriptive Statical

	Accrual Earning Management						**Real Earning Management**					
	N	Mean	Standar Deviasi	Min	Median	Max	N	Mean	Standar Deviasi	Min	Median	Max
	240	0.140	0.546	0.000	0.050	6.675	240	0.000	13.086	-16.435	-1.348	130.676
CONOWN	240	0.722	0.167	0.219	0.776	0.997	240	0.722	0.167	0.219	0.776	0.997
FOROWN	240	0.218	0.295	0.000	0.000	0.970	240	0.218	0.295	0.000	0.000	0.970
STATOWN	240	0.029	0.146	0.000	0.000	0.881	240	0.029	0.146	0.000	0.000	0.881
FAMOWN	240	0.493	0.308	0.000	0.573	0.966	240	0.493	0.308	0.000	0.573	0.960
MANOWN	240	0.202	2.437	0.000	0.001	37.760	240	0.202	2.437	0.000	0.001	37.760
DIVPAYO	240	0.085	0.137	0.001	0.043	1.202	240	0.085	0.137	0.001	0.043	1.202
SIZE	240	12.760	0.571	11.645	12.734	14.271	240	12.760	0.571	11.645	12.734	14.271
LEV	240	3.875	2.881	0.288	3.010	16.358	240	3.875	2.881	0.288	3.010	16.358
GROWTH	240	0.081	0.266	-0.452	0.040	1.558	240	0.081	0.266	-0.452	0.040	1.558
AUDQ	240	0.596	0.492	0.000	1.000	1.000	240	0.596	0.492	0.000	1.000	1.000
ROA	240	0.105	0.099	-0.050	0.073	0.623	240	0.105	0.099	-0.050	0.073	0.623

Based on the descriptive statistical analysis, the AEM variable has an average value of 0.140 with a standard deviation of 0.546, indicating a relatively high variation in accrual earnings management practices among firms. Concentrated ownership (CONOWN) shows a mean of 0.722, reflecting the generally centralized ownership structure in the sample. Meanwhile, foreign ownership (FOROWN) and state ownership (STATOWN) are relatively low, with mean values of 0.218 and 0.029, respectively. Family ownership (FAMOWN) has an average of 0.493, suggesting that nearly half of the firms are family-controlled. Managerial ownership (MANOWN) averages 0.202, indicating a relatively low proportion of shares held by directors, managers, and commissioners.

For other variables, dividend payout (DIVPAYO) has an average value of 0.085, showing that dividend distribution remains limited among the firms. The control variable SIZE has a mean of 12.760 with a relatively small standard deviation, indicating that firm size in the sample is relatively homogeneous. Leverage (LEV) has a mean of 3.875 with high variation, while GROWTH averages 0.081, reflecting moderate growth rates during the study period. Audit

quality (AUDQ) shows a mean of 0.596, indicating that most firms are audited by reputable auditors. Additionally, ROA has an average of 0.105, suggesting that firms in the sample generally achieved healthy profitability levels.

For the REM variable, the descriptive results show a mean close to zero (0.000) with a very large standard deviation of 13.086 and an extensive value range (minimum –16.435 and maximum 130.676). This indicates extremely high variation in real earnings management practices among the firms. Ownership structure variables (CONOWN, FOROWN, STATOWN, FAMOWN, and MANOWN) exhibit similar patterns to those observed in the AEM analysis: concentrated ownership remains high, foreign and state ownership remain low, family ownership is substantial, and managerial ownership displays wide variation across firms. The variables DIVPAYO, SIZE, LEV, GROWTH, AUDQ, and ROA also show consistent averages between the AEM and REM models, indicating similar firm characteristics across both earnings management measurements.

3.1.2 Coefficient of Determination (R_2)

Table 2. Model Summary

_cons	0.519**	0.458**	0.399
	(2.42)	(1.99)	(1.59)
	Yes	Yes	Yes
F	2.384	2.260	10.955
r2_a	0.087	0.087	0.105
N	240	240	240

The coefficient of determination (R^2) indicates the extent to which the independent variables—CONOWN, FOROWN, STATOWN, FAMOWN, and MANOWN—as well as the moderating variable DIVPAYO, are able to explain the variation in the dependent variable, Accrual Earnings Management (AEM). A higher R^2 value reflects a stronger ability of the regression model to explain changes or variations in accrual-based earnings management. Conversely, a lower R^2 value suggests that there are other influencing factors outside the model that affect AEM.

In general, the interpretation of the R^2 value is as follows:

a. R^2 between 0.50 and 0.70 indicates that the model has moderate to strong explanatory power, meaning the variables included in the model are sufficiently effective in explaining variations in AEM.
b. R^2 below 0.50 indicates that the model has low explanatory power, suggesting that other variables not included in the model may have a more dominant influence.

3.1.3 T-Test

Table 3.Coefficients

	(1) REM	(2) REM	(3) REM
CONOWN	3.298	4.050	7.044
	(1.35)	(1.43)	(1.39)
FOROWN	0.855	0.984	3.525
	(0.58)	(0.65)	(1.36)
STATOWN	1.469	1.411	5.994
	(1.21)	(1.15)	(1.56)
FAMOWN	-0.871	-0.519	-4.833
	(-0.88)	(-0.54)	(-1.53)
MANOWN	-4.712	-5.358	-7.022
	(-1.51)	(-1.54)	(-1.58)
SIZE	-0.021	0.208	0.418
	(-0.04)	(0.35)	(0.58)
LEV	-0.076	-0.000	-0.141
	(-0.89)	(-0.00)	(-1.14)
GROWTH	1.843	1.592	0.029
	(0.38)	(0.34)	(0.01)
AUDQ	-3.718*	-3.729*	-5.183*
	(-1.82)	(-1.83)	(-1.85)
ROA	11.223	15.940	26.757
	(0.95)	(1.13)	(1.37)
DIVPAYO		-9.494*	5.499
		(-1.65)	(0.60)
CONOWNXDIVPAYO			-77.891
			(-1.43)
FOROWNXDIVPAYO			-6.768
			(-0.25)
STATOWNXDIVPAYO			-35.229
			(-1.31)
FAMOWNXDIVPAYO			77.190
			(1.49)
MANOWNXDIVPAYO			0.998
			(1.21)
_cons	0.174	-3.421	-6.040
	(0.03)	(-0.44)	(-0.65)
Year FE	Yes	Yes	Yes
F	0.756	0.642	0.476
r2_a	0.007	0.014	0.018
N	240	240	240

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

The t-test is used to examine the partial effect of each independent variable on AEM and to assess the moderating role of DIVPAYO. The results for Concentration Ownership (CONOWN) indicate that, if significant, concentrated ownership affects AEM because dominant shareholders have greater control over financial reporting; the moderating role of DIVPAYO

may strengthen or weaken this influence. For Foreign Ownership (FOROWN), a significant result suggests that foreign shareholders tend to reduce earnings management practices, and this effect may be enhanced when moderated by DIVPAYO. A significant State Ownership (STATOWN) coefficient indicates a direct influence of government ownership on AEM, while DIVPAYO may act as a balancing mechanism that reduces earnings manipulation in state-owned firms.

For Family Ownership (FAMOWN), significance reflects a direct effect on AEM, either to maintain family reputation or to maximize family interests, with DIVPAYO functioning as an additional governance mechanism. Lastly, a significant negative coefficient for Managerial Ownership (MANOWN) indicates the alignment of interests between managers and shareholders; however, if the coefficient is positive, it implies that managers may exploit their ownership for personal gain, and DIVPAYO has the potential to reduce such incentives.

3.1.4 Tabel Hasil Uji Regresi Linier Berganda – Model AEM

Table 4.

	AEM	CONOWN	FOROWN	STATOWN	FAMOWN	MANOWN	DIVPAYO	SIZE	LEV	GROWTH	AUDQ	ROA
AEM	1.000											
CONOWN	0.146***	1.000										
	(0.024)											
FOROWN	0.092	0.137**	1.000									
	(0.155)	(0.034)										
STATOWN	-0.010	0.030	-0.150**	1.000								
	(0.881)	(0.639)	(0.020)									
FAMOWN	-0.027	0.292***	-0.668***	0.123*	1.000							
	(0.679)	(0.000)	(0.000)	(0.058)								
MANOWN	0.000	-0.092	-0.059	-0.017	-0.028	1.000						

	(0.995)	(0.156)	(0.361)	(0.796)	(0.669)						
DIVPAYO	0.014	0.220***	0.029	-0.034	0.112*	-0.010	1.000				
	(0.824)	(0.001)	(0.650)	(0.602)	(0.083)	(0.876)					
SIZE	-0.062	-0.124*	0.153**	-0.116*	-0.047	-0.055	0.070	1.000			
	(0.336)	(0.055)	(0.017)	(0.074)	(0.466)	(0.398)	(0.279)				
LEV	-0.041	0.128**	-0.321***	0.013	0.316***	-0.022	0.181***	-0.274***	1.000		
	(0.525)	(0.048)	(0.000)	(0.836)	(0.000)	(0.730)	(0.005)	(0.000)			
GROWTH	0.192***	0.010	0.102	0.029	-0.101	-0.012	0.079	0.057	-0.130**	1.000	
	(0.003)	(0.874)	(0.114)	(0.659)	(0.120)	(0.849)	(0.223)	(0.379)	(0.044)		
AUDQ	-0.130***	-0.217***	0.361***	0.166***	-0.352***	0.048	-0.019	0.396***	-0.200***	-0.041	1.000
	(0.044)	(0.001)	(0.000)	(0.010)	(0.000)	(0.457)	(0.769)	(0.000)	(0.002)	(0.529)	
ROA	0.271***	0.143**	0.247***	-0.075	-0.178***	0.042	0.299***	0.059	-0.093	0.398***	0.006	1.000
	(0.000)	(0.027)	(0.000)	(0.248)	(0.006)	(0.519)	(0.000)	(0.360)	(0.152)	(0.000)	(0.925)	

p-values in parentheses

* p < 0.1, ** p < 0.05, *** p < 0.01

The correlation table presents the relationships among the research variables, including AEM as the dependent variable; CONOWN, FOROWN, STATOWN, FAMOWN, and MANOWN as independent variables; DIVPAYO as the moderating variable; and SIZE, LEV, GROWTH, AUDQ, and ROA as control variables. The Pearson correlation results indicate that most relationships among variables are weak to moderate, suggesting no multicollinearity issues. CONOWN shows a positive and significant correlation with AEM, indicating that concentrated ownership increases the likelihood of earnings management.

Conversely, MANOWN exhibits a negative but insignificant correlation, suggesting that managerial ownership may reduce earnings manipulation. STATOWN, FOROWN, and FAMOWN show insignificant correlations with AEM, while DIVPAYO has a weak positive correlation. Regarding the control variables, SIZE and LEV are negatively correlated with AEM, whereas AUDQ and ROA demonstrate positive and significant correlations, and GROWTH exhibits a weak positive correlation. Overall, correlation values below 0.8 indicate that the research model is free from multicollinearity and is suitable for further regression analysis.

3.1.5 Tabel Hasil Uji Regresi Linier Berganda – Model REM

Table 5.

	REM	CONOWN	FOROWN	STATOWN	FAMOWN	MANOWN	DIVPAYO	SIZE	LEV	GROWTH	AUDQ	ROA
REM	1.000											
CONOWN	0.114* (0.078)	1.000										
FOROWN	0.028 (0.666)	0.137** (0.034)	1.000									
STATOWN	-0.016 (0.800)	0.030 (0.639)	-0.150** (0.020)	1.000								
FAMOWN	0.016 (0.806)	0.292*** (0.000)	-0.668*** (0.000)	0.123* (0.058)	1.000							
MANOWN	-0.008 (0.900)	-0.092 (0.156)	-0.059 (0.361)	-0.017 (0.796)	-0.028 (0.669)	1.000						
DIVPAYO	-0.029 (0.657)	0.220*** (0.001)	0.029 (0.650)	-0.034 (0.602)	0.112* (0.083)	-0.010 (0.876)	1.000					
SIZE	-0.057 (0.381)	-0.124* (0.055)	0.153** (0.017)	-0.116* (0.074)	-0.047 (0.466)	-0.055 (0.398)	0.070 (0.279)	1.000				
LEV	-0.017 (0.799)	0.128** (0.048)	-0.321*** (0.000)	0.013 (0.836)	0.316*** (0.000)	-0.022 (0.730)	0.181*** (0.005)	-0.274*** (0.000)	1.000			
GROWTH	0.098 (0.132)	0.010 (0.874)	0.102 (0.114)	0.029 (0.659)	-0.101 (0.120)	-0.012 (0.849)	0.079 (0.223)	0.057 (0.379)	-0.130** (0.044)	1.000		
AUDQ	-0.155** (0.017)	-0.217*** (0.001)	0.361*** (0.000)	0.166*** (0.010)	-0.352*** (0.000)	0.048 (0.457)	-0.019 (0.769)	0.396*** (0.000)	-0.200*** (0.002)	-0.041 (0.529)	1.000	
ROA	0.134** (0.038)	0.143** (0.027)	0.247*** (0.000)	-0.075 (0.248)	-0.178*** (0.006)	0.042 (0.519)	0.299*** (0.000)	0.059 (0.360)	-0.093 (0.152)	0.398*** (0.000)	0.006 (0.925)	1.000

p-values in parentheses

* p < 0.1, ** p < 0.05, *** p < 0.01

This table presents the correlation results among variables with Real Earnings Management (REM) as the dependent variable to identify relationships and potential multicollinearity issues. The results show no high correlations (≥0.8), indicating that the model is free from serious multicollinearity problems. CONOWN exhibits a positive and significant correlation with REM (r = 0.114; sig. 10%), suggesting that concentrated ownership increases

the likelihood of real earnings management. FOROWN and FAMOWN show positive but insignificant correlations, whereas STATOWN and MANOWN display negative and insignificant relationships.

DIVPAYO shows a weak negative correlation with REM, indicating that firms with higher dividend payouts tend to be more cautious in engaging in real activity manipulation. Regarding the control variables, SIZE and LEV exhibit negative correlations with REM, GROWTH is positive but insignificant, AUDQ shows a negative and significant correlation—indicating that high-quality audits help suppress REM practices—and ROA shows a positive and significant correlation, suggesting that more profitable firms may engage in real earnings management to maintain performance.

4. CONCLUSION AND SUGGESTION

This study analyzes the effect of ownership structure on earnings management practices in non-financial firms listed on the Indonesia Stock Exchange (IDX) for the period 2018–2022, with dividend payout serving as the moderating variable. The findings indicate that concentrated ownership and state ownership have a positive and significant effect on accrual earnings management (AEM), while managerial ownership has a negative and significant effect. This implies that higher managerial ownership reduces the likelihood of earnings manipulation. In addition, dividend payout is found to moderate only the relationship between managerial ownership and earnings management, but does not significantly moderate other types of ownership. The results also show that earnings management practices in Indonesia are more dominantly conducted through accrual-based approaches than through real activities.

Overall, ownership structure plays an important role in influencing earnings management behavior. Managerial ownership is effective in reducing manipulation, whereas concentrated and state ownership tend to encourage it. Dividend payout acts only as a partial monitoring mechanism. The implications of these findings suggest that companies need to strengthen governance and transparency, particularly in firms with concentrated and state ownership. Regulators such as the Financial Services Authority (OJK) and IDX are expected to tighten oversight of unbalanced ownership structures. Investors are advised to consider ownership structure and dividend policies in making investment decisions.

This study has several limitations, including a restricted observation period (2018–2022) and a focus on non-financial firms, making the results not fully generalizable across all sectors. Future research is recommended to extend the observation period, incorporate additional governance variables such as independent commissioners, and examine differences across industry sectors.

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