

Type of earnings management and the effect of ownership structure, firm size, and corporate-governance practices: Evidence from Indonesia

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Abstract

The purpose of this study is to investigate whether companies listed on the Jakarta Stock Exchange (JSE) conduct efficient or opportunistic earnings management and to examine the effect of ownership structure, firm size, and corporate-governance practices on it.

Using multiple regressions, we find evidence that the type of earnings management selected by JSE listed firms tends toward efficient earnings management. This evidence is inconsistent with the common view that earnings management in Indonesia is opportunistic. Family ownership has a significant influence on the type of earnings management selected. Firms with a high proportion of family ownership and non-business groups are more inclined to choose efficient earnings management than other types of firms. We find inconsistent evidence with regard to the impact of institutional ownership, firm size, and corporate-governance practices on type of earnings management.

Keywords: Type of earnings management; Ownership structure; Firm size; Corporate governance

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