



THE IMPACT OF CORPORATE GOVERNANCE AND THE COVID-19 CRISIS ON EARNINGS MANAGEMENT PRACTICES IN THE TOURISM SECTOR

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Abstract

The objective of this quantitative research is to examine how the COVID-19 pandemic and elements of corporate governance influence earnings management in tourism-related businesses in Indonesia. The absolute value of discretionary accruals based on the Kothari model is used as the dependent variable to measure earnings management. Internal ownership, board size, the percentage of independent commissioners, audit committee participation, and a dummy variable for the COVID-19 pandemic constitute the independent variables of this study. Leverage (DER), profitability (ROE), and the market price-to-book value ratio (PBV) are also included as control variables in this research. With a total of 80 observations collected through purposive sampling, the research sample consists of 20 tourism sector companies listed on the Indonesia Stock Exchange for the period of 2020–2023. Panel data regression using STATA 17 software was used for data analysis. The research findings indicate that while board size, the percentage of independent commissioners, and the COVID-19 program do not significantly influence earnings management, internal ownership and audit committee activity do.

Keywords: Corporate Governance, COVID-19, Earnings Management, Tourism Sector

Abstrak

Tujuan dari penelitian kuantitatif ini adalah untuk menguji bagaimana pandemi COVID-19 dan unsur tata kelola perusahaan memengaruhi manajemen laba dalam bisnis terkait pariwisata Indonesia. Nilai absolut akrual diskresioner berdasarkan model Kothari digunakan sebagai variabel dependen untuk mengukur manajemen laba. Kepemilikan internal, ukuran dewan, persentase komisaris independen, partisipasi komite audit, dan variabel dummy untuk epidemi COVID-19 membentuk variabel independen penelitian ini. Leverage (DER), profitabilitas (ROE), dan rasio harga saham pasar terhadap nilai buku ekuitas (PBV) juga disertakan sebagai variabel kontrol dalam penelitian ini. Dengan total 80 observasi yang dikumpulkan melalui purposive sampling, sampel penelitian terdiri dari 20 perusahaan sektor pariwisata yang terdaftar di Bursa Efek Indonesia untuk jangka waktu 2020–2023. Regresi data panel menggunakan perangkat lunak STATA 17 digunakan untuk analisis data. Temuan penelitian menunjukkan bahwa sementara ukuran dewan, persentase komisaris independen, dan program COVID-19 tidak secara signifikan memengaruhi manajemen laba, kepemilikan internal dan aktivitas komite audit mempengaruhinya.

Kata Kunci: COVID-19, Manajemen Laba, Sektor Pariwisata, Tata kelola Perusahaan

INTRODUCTION

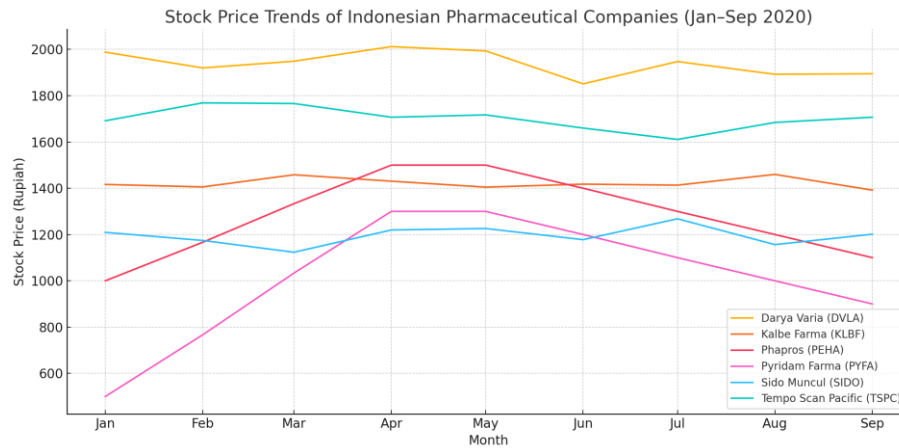
In an increasingly competitive business environment, financial statements serve as a crucial tool for stakeholders to assess a company's performance and financial condition. However, the pressure to maintain a favorable financial image often drives management to engage in earnings management practices. This issue is of particular concern, as it can undermine the quality of financial information disclosed to the public.

The situation has grown more complex due to the global outbreak of the COVID-19 pandemic since 2020. The pandemic has triggered significant economic instability across various sectors, including in Indonesia. While certain industries—such as pharmaceuticals—experienced a surge in demand and dramatic increases in stock prices, others—such as tourism—suffered severe contractions. According to Databoks (2022), tourism consumption in Indonesia declined by as much as 57% during the early stages of the pandemic, reflecting the intense financial pressure faced by firms within the sector. In such a crisis, management is



compelled to maintain financial performance stability to remain attractive to investors—one approach to which may involve the use of earnings management practices.

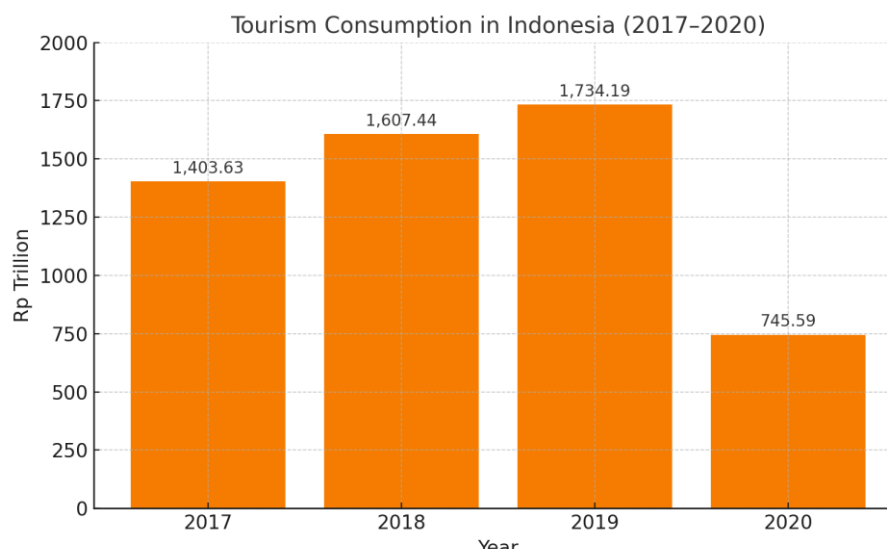
Figure 1. Surge in Pharmaceutical Industry Stock Prices During the Early Phase of COVID-19



Source: Databoks (2020)

Research by Databoks (2020) indicates that the stock prices of the six leading pharmaceutical companies experienced a notable increase. The pharmaceutical industry was positively impacted by the COVID-19 pandemic due to the surge in demand for healthcare products and services, such as PCR swab tests. Moreover, the shift toward healthier lifestyles among the general population during the pandemic further contributed to the growth of this sector.

Figure 2. The Sharp Decline in Tourism Activity During the Early Phase of the Pandemic



According to research by Databoks (2022), tourism consumption in Indonesia plummeted by as much as 57% at the onset of the COVID-19 pandemic. Data from Statistics Indonesia (BPS) shows that this sharp decline followed a previously positive growth trend. The



negative impact was felt across all tourism subsectors, including accommodation, transportation, aviation, and food and beverage services.

These data underscore the growing relevance of this phenomenon for companies in the tourism sector, which emerged as one of the most adversely affected industries during the pandemic in Indonesia. Under such economic pressure, firms may be highly incentivized to engage in earnings management practices to maintain investor confidence and ensure business continuity. Beyond external shocks such as the pandemic, corporate governance mechanisms—such as insider ownership, board structure, and board activities—are also believed to play a role in either encouraging or curbing earnings management behavior.

Earnings management is a critical subject of investigation as it reveals how corporate management manipulates reported earnings, either to increase (income-increasing) or decrease (income-decreasing) profits. These practices may still be considered acceptable, provided they adhere to applicable accounting standards and regulations. Earnings management is typically measured using discretionary accruals, with higher levels of discretionary accruals indicating a greater degree of earnings management. In the context of this study, tourism firms—being among the most affected by COVID-19—are likely to engage in such practices to maintain financial stability and investor trust during the crisis period.

In examining the influence of corporate governance and the COVID-19 pandemic on earnings management, this study selects several key governance variables that represent ownership structure and the internal monitoring mechanisms of the firm. The variable **Internal Ownership** reflects the extent to which managerial and affiliated ownership can influence financial reporting decisions. Meanwhile, the variables **Board Size**, **Proportion of Independent Commissioners**, and **Audit Committee Meeting Frequency** serve as indicators of the effectiveness of the board's oversight function in mitigating managerial opportunism, including potential earnings manipulation. The selection of these variables is grounded in their empirical relevance as identified in prior literature and their central role within corporate governance structures that directly impact earnings management practices.

There is a notable inconsistency in previous studies regarding the effects of these variables on earnings management. Several studies yield contradictory findings concerning the influence of corporate governance variables and external factors such as the economic crisis triggered by the COVID-19 pandemic. These inconsistencies highlight that the relationships among these variables remain inconclusive and merit further investigation.

First, regarding **Internal Ownership**, Ghazalat et al. (2017) argue that internal ownership can weaken board oversight and thus promote earnings management. Conversely, Herrera and Andayani (2020) report a negative effect, suggesting that internal ownership constrains such practices. Second, for **Board Size**, Fitrasari (2023) finds a positive relationship with earnings management, while Grimonia and Destriana (2023) find no significant effect. Third, the influence of **Independent Commissioners** also varies, with Zsabrina (2024) reporting a negative effect and Hendra et al. (2018) identifying a positive one. Fourth, with respect to **Audit Committee Meeting Frequency**, Jhonatan and Suhendah (2024) find no significant impact, while Rinta (2021) finds a negative relationship with earnings management. Lastly, regarding the **COVID-19 variable**, Azhura and Serly (2024) suggest that crises such as the pandemic incentivize firms to engage in earnings management, whereas Ramdani et al. (2022) find no significant effect.

This study specifically aims to investigate how internal ownership, board structure and activity, and external pressure from the pandemic affect firms' propensity to engage in earnings management. By understanding the influence of each variable, the research is expected to provide a clearer depiction of corporate financial reporting behavior under crisis conditions.



LITERATURE REVIEW

This study is grounded in two primary theoretical perspectives: agency theory and signaling theory. Agency theory, as developed by Jensen and Meckling (1976), explains the relationship between principals (shareholders) and agents (managers), wherein the principal delegates authority to the agent to manage the company. In practice, conflicts of interest frequently arise because agents may pursue personal objectives, such as bonuses and performance incentives, which are not always aligned with the interests of the capital owners. This conflict is exacerbated by information asymmetry, where agents possess more complete information than principals, allowing them to influence managerial decisions, including the presentation of financial statements.

In this context, signaling theory (Spence, 1973) becomes relevant, as it explains how managers—who are more informed about the company’s internal conditions—transmit signals to external stakeholders such as investors and creditors, who face information limitations. These signals may take the form of financial reports or earnings figures that help shape favorable market perceptions. Brigham and Houston (2019) further emphasize that financial signals serve as a means of managerial communication regarding the company’s prospects, aiming to reduce information asymmetry and influence investment decisions. Therefore, during crises such as the COVID-19 pandemic, managers have strong incentives to issue positive signals to maintain stock price stability and attract investor confidence. One such strategy may involve earnings management, which can be theoretically justified from both agency and signaling perspectives as a response to external and internal pressures.

Earnings Management

Earnings management refers to managerial actions that influence financial reporting to achieve specific objectives, such as presenting improved performance or meeting market expectations. Healy et al. (1998) and Dechow et al. (1995) explain that this practice involves deliberate choices in financial reporting or transaction arrangements to alter reported earnings—either upward or downward—without affecting the company’s long-term economic fundamentals. It exploits flexibility in accounting standards, such as the use of discretionary accruals, to technically remain compliant with regulations while potentially being manipulative (Fischer & Rosenzweig, 1995; Scott, 2015). Kieso et al. (2013) also note that earnings management can be conducted through the timing of revenue and expense recognition.

Joshua and Varda (2008) classify earnings management into three categories:

- White earnings management (informative intent),
- Gray earnings management (efficiency-driven or opportunistic), and
- Black earnings management (manipulative and reducing transparency).

The primary objective of such practices is to maintain a favorable image in the eyes of stakeholders, including investors and creditors, by portraying stable and attractive financial performance. Common earnings management patterns include income maximization, income minimization, income smoothing, and taking a bath, where managers adjust the timing of revenue or expense recognition to align with specific strategic interests. Thus, while often within the boundaries of accounting standards, earnings management remains a critical issue due to its implications for the credibility and transparency of financial reporting.

Measurement of Earnings Management

Earnings management in this study is measured using the modified Kothari et al. (2005) model, further refined by Firmansyah et al. (2024). The original Kothari model incorporates Return on Assets (ROA) into the Modified Jones Model to capture the influence of ROA, which was previously omitted. Furthermore, Firmansyah et al. (2023) applied an additional modification by converting the final value of Discretionary Accruals (DA) to its absolute value. This means that DA values, which typically range between 0 and 1 for income-increasing



practices or 0 and –1 for income-decreasing ones, are treated uniformly in the modified model. Both positive and negative DA values are considered equally indicative of the degree of earnings management conducted by a firm.

$$\frac{TACC_{it}}{TA_{t-1}} = \beta_1 \left(\frac{1}{TA_{t-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{t-1}} \right) + \beta_3 ROA_{it-1} + \beta_4 \left(\frac{PPE_{it}}{TA_{t-1}} \right) + \varepsilon_{it}$$

- TA_{t-1} = Total assets of the company in the previous year ($t-1$)
- ΔREV_{it} = Change in revenue between year t and year $t-1$
- ΔREC_{it-1} = Change in net receivables between year t and year $t-1$
- ROA_{it-1} = Return on Asset ($\frac{Net Profit}{Total Assets}$) in the previous year
- PPE_{it} = Gross value dari Fixed Assets of year t

The value of **Discretionary Accruals (DA)** is obtained by regressing the model equation and extracting the annual residual values. These residuals are then converted to their absolute values to calculate **Absolute Discretionary Accruals (ADA)**.

Internal Ownership

Internal ownership refers to the ownership of shares by members of the management who are directly involved in the company's operations, such as directors and commissioners (Sugiarto, 2011; Imanta & Satwiko, 2011). In the context of corporate governance, this type of ownership is perceived as a monitoring mechanism that may constrain earnings management, as managers who also act as owners tend to be more cautious in making financial decisions. However, when internal ownership is combined with concentrated or affiliated ownership, it may create conflicts of interest and increase the risk of financial statement manipulation (Bona-Sánchez et al., 2017).

Previous studies have yielded mixed findings. For instance, Ghazalat et al. (2017) argue that internal ownership can weaken the board's oversight function due to potential conflicts of interest, particularly when management holds significant control. However, their study was conducted in Jordan, where ownership structures differ substantially from those in Indonesia, thereby limiting the generalizability of the results. Conversely, Herrera and Andayani (2020) found that higher levels of internal ownership were associated with lower levels of earnings management. Nevertheless, their study focused solely on 23 manufacturing firms in Indonesia during the period of 2015–2017, which may not be directly relevant to the tourism sector under pandemic conditions. Similarly, Arthawan and Wirasedana (2018) supported the notion that managerial ownership reduces earnings management, but their research was limited to the non-financial services sector, further restricting the generalizability of the findings to other industries.

$$Internal\ Ownership = \frac{Management\ shareholding + related\ parties}{Total\ outstanding\ shares}$$

Board Size

Board size refers to the total number of board members, including commissioners and directors, who are responsible for overseeing management and making strategic decisions within the company (Bagaskara & Dewayanto, 2018). In the context of corporate governance, board size is considered a factor that can influence the effectiveness of oversight, including the ability to prevent earnings management practices. Theoretically, a larger board allows for a diversity of perspectives, yet an excessive number of members may hinder coordination and reduce monitoring effectiveness (Grimonia & Destriana, 2023).

Fitrasari (2023) found that an increase in board size is associated with a higher tendency for both accrual and real earnings manipulation. However, the study was based on S&P 500 companies in the United States, thus raising concerns about its generalizability to the Indonesian



context. In contrast, Grimonia and Destriana (2023) concluded that board size does not significantly affect earnings management, though their analysis faced classical assumption violations. Similarly, Mardianto and Chintia (2022) reported no significant effect of board size, but their data included the year 2020—during the pandemic—which may have limited the validity of year-over-year comparisons.

The proxy for board size is measured by the number of board commissioners in a given year, as reported in the company's annual report, specifically in the board member profile section. This measurement is conducted on a per-period basis, as board composition may change annually.

Board Independence

Board independence refers to the presence of board members who have no affiliations with the company, either through share ownership, managerial involvement, or familial relationships. Independent board members are expected to perform oversight duties objectively and neutrally (Bagaskara & Dewayanto, 2018). Within corporate governance, independent commissioners play a crucial role in curbing earnings management due to their impartial stance regarding financial reporting outcomes. Zsabrina (2024) notes that independent boards are effective in reducing real earnings management due to their ability to exercise unbiased supervision. Nevertheless, prior research on this issue has produced mixed results.

Zsabrina (2024) found that a higher proportion of independent commissioners is associated with lower earnings management. However, the study focused only on firms in the basic materials and chemical industries, limiting the generalizability of its findings to the tourism sector. Conversely, Hendra et al. (2018) observed a positive correlation between board independence and earnings management, suggesting that the independent board's oversight was ineffective. Their study was limited to LQ45 firms, which are typically under high market pressure and have different board structures. Supporting the former view, Pratomo and Alma (2020) found that independent commissioners effectively suppress earnings management, though the study was confined to only seven mining companies, thus limiting its scope.

The proxy for board independence is calculated as the ratio of independent commissioners to the total number of commissioners in a given year. This measurement must also be conducted on a per-period basis, since the composition of independent commissioners may vary annually.

Audit Committee Activity

Audit committee activity refers to the intensity of the audit committee's oversight function, primarily measured by the frequency of annual meetings. The audit committee plays a crucial role in monitoring financial reporting and internal controls within the company (Helmi et al., 2024). A higher meeting frequency indicates a more active supervisory function, in line with agency theory principles that aim to reduce information asymmetry between management and shareholders.

Rinta (2021) found that a higher frequency of audit committee meetings reduces the likelihood of earnings management. However, the study measured only the quantity of meetings without accounting for the quality of discussions or the effectiveness of oversight. Similarly, Prabowo (2018) reported a negative relationship between meeting frequency and earnings management, although the effect was statistically insignificant. One limitation of these studies is the omission of firm-specific characteristics as control variables, which may limit the interpretation of board effectiveness. Therefore, further research is needed to re-examine the role of audit committee activity in different sectors and time periods.

The proxy for audit committee activity is the number of audit committee meetings held within a year, as disclosed in the company's annual report under the section discussing the audit committee. Annual meeting intensity is used because, according to OJK Regulation No.



55/POJK.04/2015, companies are required to hold at least one audit committee meeting per quarter (i.e., a minimum of 3 times per year). This measurement can also serve as an indicator of a company's compliance with regulatory standards.

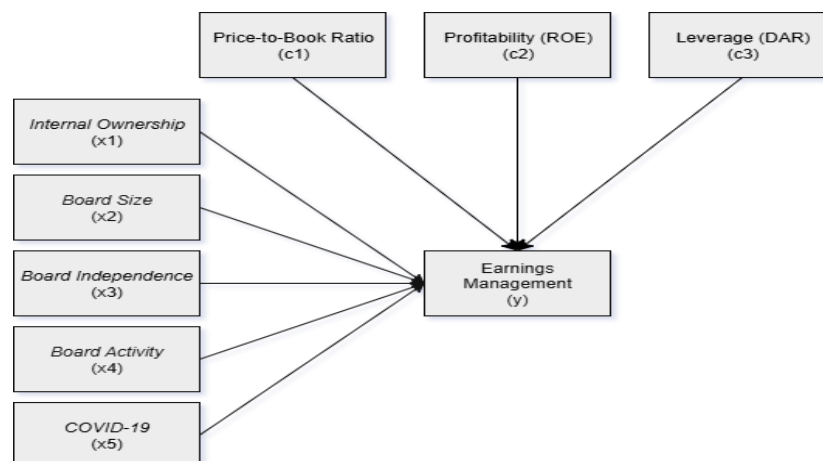
COVID-19

The COVID-19 pandemic has had a significant impact on corporate financial performance, especially in the tourism sector, which faced substantial pressure due to travel restrictions, declining demand, and market uncertainty. Under such crisis conditions, management is often pressured to maintain performance stability and investor perceptions—potentially leading to earnings management as a survival strategy.

Azhura and Serly (2024) found that the pandemic encouraged manufacturing firms to engage in earnings management to preserve their corporate image. However, these findings may not be generalizable to other sectors, such as tourism. Conversely, Ramdani et al. (2022), in their study of the tourism sector, found no significant effect of the pandemic on earnings management. However, their analysis was limited to a comparison of accrual values without applying advanced statistical methods. Additionally, Angelina (2022) observed a tendency toward increased earnings management during the pandemic, although the study was confined to the manufacturing sector. These findings underscore the need for further exploration of the pandemic's impact across various sectors using more robust methodological approaches.

Research Model

Figure 1. Research Model



Based on the literature review presented above, it can be concluded that earnings management practices are influenced by various corporate governance mechanisms, including internal ownership, board size, board independence, and audit committee activity. Agency theory and signaling theory provide the conceptual foundation to explain how conflicts of interest and information asymmetry drive managers to prepare financial reports in ways that shape market perceptions. In addition, external pressures such as the COVID-19 pandemic serve as significant factors that incentivize managers to maintain the appearance of financial stability—particularly in heavily affected sectors such as tourism.

Previous empirical studies have yielded inconsistent findings regarding the influence of each governance variable on earnings management, indicating a need for further empirical testing. This study also includes control variables, namely leverage (Debt to Asset Ratio), profitability (Return on Equity), and market valuation (Price to Book Value), as they may influence a firm's propensity to engage in earnings management. Accordingly, this research aims to re-examine the effects of corporate governance and the COVID-19 pandemic on



earnings management, while incorporating a more comprehensive view of the firm's financial condition.

Hypotheses Development

Internal Ownership

Internal or managerial ownership can reduce agency conflicts between managers and shareholders. According to agency theory, when managers hold ownership stakes, they are more cautious in making financial decisions—including earnings manipulation—because they share in the financial risks. Studies by Pramesti et al. (2025) and Arthawan & Wirasedana (2018) found that managerial ownership enhances monitoring and reduces the tendency to manipulate financial reports.

H1: Internal ownership has a negative effect on earnings management.

Board Size

The size of the board of commissioners serves as a corporate governance tool for oversight. However, an excessively large board may reduce monitoring effectiveness due to coordination challenges among members. Lestari & Sanjaya (2025) and Fitrasari (2023) reported that larger board sizes are associated with increased opportunities for earnings management, as oversight becomes less efficient.

H2: Board size has a positive effect on earnings management.

Board Independence

Independent commissioners play a crucial role in mitigating earnings management, as they are not affiliated with the company's management. In line with agency theory, the presence of independent board members reduces information asymmetry and enhances oversight. Sadiq et al. (2025) and Pratomo & Alma (2020) found that a higher proportion of independent commissioners is associated with lower discretionary accruals, indicating a reduced tendency to manipulate financial statements.

H3: Board independence has a negative effect on earnings management.

Audit Committee Activity

The frequency of audit committee meetings is a key indicator of the intensity of internal oversight. More frequent meetings imply a more active role in monitoring financial reporting and internal controls. Studies by Rinta (2021) and Prabowo (2018) suggest that frequent meetings reduce earnings management by signaling a serious commitment to monitoring practices.

H4: Audit committee activity has a negative effect on earnings management.

COVID-19 Pandemic

The COVID-19 pandemic has exerted substantial financial pressure on firms, leading management to preserve a positive image through financial reporting. From a signaling theory perspective, firms may use earnings management as a means to convey financial stability during a crisis. Studies by Azhura & Serly (2024) and Angelina (2022) show that companies tend to increase earnings management practices during the pandemic to retain investor confidence.

H5: The COVID-19 pandemic has a positive effect on earnings management.

METHODS

This study adopts a quantitative approach aimed at examining the relationships among variables in an objective and measurable manner using numerical data. This approach enables the researcher to perform statistical analysis in order to draw generalizable conclusions. By employing regression analysis, the study systematically and empirically investigates the effect of independent variables on corporate earnings management practices, thereby ensuring scientific validity and reliability of the findings.



Research Object and Data Sources

The objects of this study are tourism sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2023. The tourism sector is selected due to its susceptibility to external shocks such as the COVID-19 pandemic, which significantly affects financial performance and may induce earnings management behavior.

The data used in this research are sourced from:

- Annual reports officially published by the IDX, which provide information on corporate governance variables and board activities, and
- Financial ratio data obtained from secondary financial analyses conducted by BCA Sekuritas and Stockbit, which offer supporting insights into firm-level financial performance.

RESULTS AND DISCUSSION

To further understand and analyze the impact of internal ownership, board size, and earnings management practices of commissioners in tourism companies listed on the Indonesia Stock Exchange (IDX) during 2021–2023, this study also examines board independence, audit committee activity, and the COVID-19 pandemic. The purposive sampling method, which involves selecting samples based on predetermined criteria, is employed in determining the research sample.

Table 1. Purposive Sampling

Criteria	Number of companies
Tourism Companies Listed on the Indonesia Stock Exchange (IDX) as of Year-End 2023	35
Companies that have been delisted since 2020 or have encountered issues on the stock exchange	-8
companies without internal ownership	-7
Company sample	20
Firm-year observation	80

Source: Processed Data (2025)

Based on the criteria outlined in the table above, a total of 20 companies met the predetermined requirements. When multiplied by the four-year study period, this results in 80 firm-year observations, which will be used in this research.

Descriptive Statistical Analysis

Descriptive statistical analysis can be used to provide a general summary of the characteristics of the data. It presents key measures such as standard deviation, mean, minimum, maximum, median, and the central tendency of the given data.

Table 2. Descriptive Statistical Data

Variable	Obs	Mean	Std. Dev.	Min	Max
ADA	80	0.0457602	0.0645438	0.000285000	0.4071253
IO	80	0.1413971	0.1451571	0.000002155	0.7218000
BSIZE	80	3.3875000	1.184018	2.000000000	6.0000000
BI	80	0.4304167	0.0863342	0.333333340	0.6000000
BA	80	5.2250000	3.1541610	3.000000000	24.0000000
COV	80	0.5000000	0.5031546	0.000000000	1.0000000
PBV	80	2.1440000	2.4239550	0.170000000	13.4100000
LEV	80	0.2516250	0.1986948	0.010000000	0.7400000
ROE	80	-0.1709375	1.1789550	-9.920000000	2.5760000



ADA : Absluted Discretionary Accruals (Manajemen Laba), IO : Internal Ownership, BSIZE : Board Size, BI : Board Independence, BA : Board Activity, COV : COVID-19, LEV : Leverage (DAR) , ROE : Return on Equity, PBV : Price to Book Value Ratio

Source: Processed data (2025)

Model Fit Test

Table 3. Chow test

Sig	0.05
Prob > F	0.4038

Source: Processed data (2025)

Based on the results of the Chow test, it is observed that the earnings management variable has a Prob > F value of 0.4038. This indicates that H_0 is rejected, suggesting that the Fixed Effects (FE) model is more appropriate than the Ordinary Least Squares (OLS) model. The next test to be conducted is the Lagrange Multiplier (LM) test, which will determine whether the Pooled Least Squares (PLS) or Random Effects (RE) model is more suitable.

Table 4. Breusch Pagan LM test

Sig	0.05
Prob > Chibar2	0.0678

Source: Processed data (2025)

Based on the results of the Lagrange Multiplier (LM) test, which yielded a probability value of 0.678, the Random Effects (RE) model is found to be more suitable than the Pooled OLS model at the 10% significance level, although it is not significant at the 5% level. Therefore, the Random Effects model is still considered for further analysis, as it will subsequently be tested against the Fixed Effects (FE) model in order to determine the most appropriate model.

Table 5. Hausman test

Sig	0.05
Prob > Chibar2	0.9754

Source: Processed data (2025)

Based on the results of the Hausman test, the chi-square statistic was obtained at **0.84** with a **Prob > χ^2 value of 0.9754**. This probability value, which is far above the 5% and 10% significance levels, indicates a failure to reject the null hypothesis (H_0), which posits that the difference between the fixed effects and random effects estimators is not statistically significant. Thus, it can be concluded that the **Random Effects (RE) model** is the more appropriate model to use. This is because the random effects model is more efficient than the fixed effects model in situations where there is no systematic difference in coefficients between the two estimators.

This section constitutes the main part of the research article and is typically the longest. The results presented here should be the "clean" findings of the study. The detailed process of data analysis, such as statistical computations and hypothesis testing procedures, does not need to be described. Only the results of the analysis and hypothesis testing should be reported. Tables and figures may be used to enhance the clarity of the results presentation and must be accompanied by commentary or discussion.

Classical Assumption Test

Table 6. Multicollinearity test

Variable	VIF
IO_X1	1.18
BSIZE_X2	1.22
BI_X3	1.05
BA_X4	1.05
COV_X5	1.03
PBV_C1	1.30



LEV_C2	1.20
ROE_C3	1.14

Source: Processed data (2025)

The purpose of the multicollinearity test is to identify relationships among the independent variables within the regression model. The Variance Inflation Factor (VIF) is employed in this test to determine whether the independent variables are correlated with one another. If the VIF value exceeds 10, multicollinearity is deemed to exist. The results of this test indicate that no variable has a VIF greater than 10, demonstrating that the research data are free from multicollinearity issues.

This study employs the Random Effects Generalized Least Squares (GLS) regression model for panel data, due to the dataset structure involving multiple entities (companies) observed over a fixed period, and the model selection tests indicating that the Random Effects approach is more appropriate. The GLS method is specifically designed to address issues of heteroskedasticity and autocorrelation commonly found in panel data, particularly when error variances are not constant across entities or time periods.

Furthermore, the Random Effects model does not require separate testing for heteroskedasticity, autocorrelation, or normality, as the GLS estimation technique inherently accommodates violations of these classical assumptions. The GLS method provides efficient estimators by adjusting the variance and covariance structure of the error term. In addition, the use of robust standard errors further enhances the model's resilience against deviations in the distribution of residuals.

Coefficient of Determination Test (R-Square)

Table 7. R-Square score

Within	0.1373
Between	0.3252
Overall	0.2129

Source: Processed data (2025)

A within R-squared value of 13.73% indicates that 13.73% of the variation in earnings management can be explained by changes in the independent variables within the same entity over time (within-panel variation). The between R-squared value of 32.52% shows that 32.52% of the variation in earnings management across entities is explained by differences in their independent variables. The overall R-squared value of 21.29% suggests that 21.29% of the total variation in earnings management is explained by all variables included in the model, while the remaining variation is attributed to factors outside the model. Thus, these R-squared values indicate that the model possesses moderate explanatory power, implying that there are still other variables not included in the model that may influence earnings management.

Inferential Statistical Test

The significance of the partial effect of each independent variable on the dependent variable in the regression model is measured using the t-statistic test. Based on the previously selected Random Effects (RE) model, this test is conducted by comparing the p-value with a significance level of 10% (0.10). If the p-value is less than alpha (0.10), the independent variable is considered to have a significant effect on the dependent variable. The statistical software STATA 17 is used to perform this analysis.

Table 8. Statistical Test Results

ADA_Y	Coefficient	Robust std. err.	Z	P > z
IO_X1	-0.0900756*	0.0516449	-1.74	0.081
BSIZE_X2	0.1129420	0.0081018	1.39	0.163
BI_X3	-0.0712771	0.1137632	-0.63	0.288
BA_X4	-0.0023364*	0.0012948	-1.80	0.071
COV_X5	0.106727	0.0152634	0.70	0.484



PBV C1	-0.0001143	0.0018853	0.06	0.952
LEV C2	-0.4263110	0.622922	-0.68	0.494
ROE C3	0.0402154*	0.0200265	2.01	0.045

ADA : Absoluted Discretionary Accruals (Manajemen Laba), IO : Internal Ownership, BSIZE : Ukuran Dewan Komisaris (Board Size), BI : Board Independence (Ukuran Dewan Komisaris Independen), BA : Board Activity, COV : COVID-19, PBV : Price to Book Value Ratio, LEV : Leverage (DAR), ROE : Profitabilitas (Return on Equity),

Source: Processed data (2025)

Internal Ownership

The findings of this study are consistent with those of Arthawan and Wirasedana (2018) and Herrera and Andayani (2020), both of which suggest that internal ownership has a negative effect on earnings management. The probability value for Internal Ownership (IO_X1) is 0.081, which is lower than the 10% significance level ($\alpha = 0.10$). Therefore, H1 is accepted, indicating that at the 10% significance level, internal ownership significantly influences earnings management. The coefficient value of this variable is -0.0900756, demonstrating that earnings management practices tend to decrease as internal ownership increases. Thus, managerial ownership plays a role in limiting management's ability to engage in earnings manipulation.

Board Size

The insignificance of the effect of board size on earnings management is also supported by prior studies conducted by Grimonia and Destriana (2023) and Mardianto and Chintia (2022), which similarly concluded that board size does not significantly affect earnings management. The probability value for Board Size (BSIZE_X2) is 0.163, which is higher than the 10% significance level ($\alpha = 0.10$). Therefore, H2 is rejected, indicating that board size does not have a significant impact on earnings management.

Board Independence

This study's findings align with previous research showing that the presence of independent commissioners does not always effectively limit earnings management practices, as evidenced by Pratomo and Alma (2020) and Jhonatan and Suhendah (2024). The probability value for Board Independence (BI_X3) is 0.531, which exceeds the 10% significance level ($\alpha = 0.10$). Therefore, H3 is rejected, indicating that independent commissioners do not have a significant impact on earnings management.

Audit Committee Meeting Activity

The results of this study are consistent with Rinta (2021), who found that the frequency of audit committee meetings helps to reduce earnings management practices. The frequency of audit committee meetings (BA_X4) has a probability value of 0.071, which is below the 10% significance level ($\alpha = 0.10$). Therefore, H4 is accepted, indicating that audit committee activity significantly influences earnings management at the 10% significance level. The coefficient value of -0.0023364 implies that earnings management is less likely to occur when the audit committee meets more frequently. These results suggest that more comprehensive audit committee oversight can help mitigate earnings manipulation by management.

COVID-19

The findings of this study are consistent with Ramdani et al. (2022), which also examined the tourism sector and found that COVID-19 did not significantly affect earnings management. The COVID-19 variable (COV_X5), represented as a dummy variable distinguishing between the pre-pandemic and pandemic periods, has a probability value of 0.484, well above the 10% significance level ($\alpha = 0.10$). Consequently, H5 is rejected, indicating that COVID-19 does not have a statistically significant impact on earnings management. The coefficient value of 0.0106727 suggests a positive direction, indicating a tendency for increased earnings management during the COVID-19 pandemic. However,



because the effect is not statistically significant, there is insufficient evidence to conclude that the pandemic directly influenced earnings management practices in tourism companies.

CONCLUSION

Internal ownership has a significant negative effect on earnings management. This implies that the greater the proportion of shares owned by management or affiliated parties, the lower their tendency to manipulate earnings due to the alignment of long-term interests. Board size does not have a significant effect on earnings management. This finding suggests that the mere number of board members does not guarantee effective oversight unless supported by competence and a well-structured governance framework. Similarly, independent commissioners do not significantly affect earnings management. Their presence may not be effective without strong, demonstrable independence and high-quality oversight capabilities. Audit committee meeting activity has a significant negative effect on earnings management. The more frequently the audit committee holds meetings, the better the oversight function is performed, thereby reducing the likelihood of earnings manipulation. The COVID-19 pandemic does not have a significant effect on earnings management. The crisis did not directly trigger financial reporting manipulation, likely due to ongoing governance oversight and government policy support during the pandemic.

Recommendation

Future studies may consider removing the Price-to-Book Value (PBV) variable as a control variable, as PBV appears to have limited relevance when associated with earnings management. Companies are expected to comply more rigorously with **OJK Regulation No. 55/POJK.04/2015**, which mandates that listed companies on the Indonesia Stock Exchange (IDX) hold audit committee meetings at least once per quarter. In addition to conducting these meetings, companies should also provide detailed disclosures on the frequency and content of such meetings in their annual reports, as some firms only include brief mentions of audit committee meeting information. The government is encouraged to continue supporting and refraining from imposing restrictive tourism policies, considering that the tourism sector suffered substantial losses during the COVID-19 period compared to non-pandemic periods. This is particularly important given that Indonesia is internationally renowned for its tourism destinations. Investors are advised to take into account the level of earnings management practiced by companies when making investment decisions. This consideration will encourage companies to adopt greater transparency and report more accurate earnings figures in their financial statements.

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