

**UNIVERSITI TEKNOLOGI MARA**

**EFFECTS OF OWNERSHIP  
CONCENTRATION, BOARD OF  
COMMISSIONERS'  
CHARACTERISTICS, AND CEO  
CHARACTERISTICS ON EARNINGS  
MANAGEMENT IN INDONESIAN  
PUBLIC LISTED COMPANIES**

**DONI SAGITARIAN WARGANEGARA**

Thesis submitted in fulfilment  
of the requirements for the degree of  
**Doctor of Philosophy**  
**(Financial Criminology)**

**Accounting Research Institute**

**November 2025**

## ABSTRACT

Earnings management arises when managers manipulate financial reports for personal gain or to present performance more favorably. This issue is particularly significant in Indonesia, where the two-tier board system may intensify agency conflicts between managers and shareholders. Grounded in agency theory, this study underscores the importance of strong governance mechanisms to curb managerial opportunism and safeguard financial integrity. The study investigates the effects of ownership concentration, Board of Commissioners (BOC) characteristics, and CEO characteristics on earnings management in Indonesian publicly listed companies. Using 955 firm-year observations from 2015 to 2019, the analysis applies the modified Jones and Roychowdhury models to measure both accrual earnings management (AEM) and real earnings management (REM), with static panel estimation and robust techniques ensuring reliability. Findings show that higher ownership concentration is positively associated with abnormal production costs, indicating that concentrated ownership may facilitate earnings management through operational activities. In contrast, larger BOC size significantly constrains REM by reducing abnormal discretionary expenses, while gender diversity—particularly female commissioners—decreases abnormal cash flows from operations. BOC financial experience and CEO age also mitigate REM, especially concerning abnormal cash flows and discretionary expenses. However, several proxies, including certain aspects of BOC diversity and CEO traits, show limited or no significant effects, highlighting that governance mechanisms vary in their effectiveness in constraining managerial opportunism. By integrating agency theory, positive accounting theory, and agency cost perspectives, this study advances understanding of how ownership concentration, BOC attributes, and CEO characteristics collectively influence earnings management. The findings contribute theoretically by clarifying the differential effectiveness of governance mechanisms and practically by offering guidance for regulators and firms in strengthening governance frameworks to enhance accountability, improve oversight, and ensure credible financial reporting.

## ACKNOWLEDGEMENT

Alhamdulillah, all praise is due to Allah SWT, the Lord of the Universe, for the gifts bestowed upon me. Through His grace, I have been given the opportunity and skills to complete this academic task and embark on the journey of obtaining a PhD. The results of this work have made a significant contribution to the study. I am grateful to the Faculty of Economics and Business, University of Lampung, for their support throughout my studies. I would also like to thank Universiti Teknologi MARA (UiTM) and the Accounting Research Institute (ARI) for accepting me as an international student and allowing me to participate in a particular PhD program focused on Financial Criminology. They also appointed me a research assistant for a certain period, considerably easing my life there.

I am writing to express my deepest gratitude to my primary supervisor, Prof. Dr. Norhayati Mohamed, for her unwavering guidance, encouragement, and remarkable patience throughout my PhD journey. Her support and kindness have truly illuminated my path. I am also profoundly grateful to my co-supervisor, Prof. Dr. Imbarine Bujang, whose expertise, particularly in methodology, significantly influenced my research. I want to express my sincere appreciation to Professor Corina Joseph, PhD (Chairperson), Associate Professor Rahayu Abdul Rahman, PhD (Internal Examiner), and Professor Farid Sobhani, PhD (External Examiner) for their invaluable feedback and support during my viva voce.

Furthermore, I want to express my gratitude to my friends who have been with me through the ups and downs of my PhD journey. Pigo, Igo, Yudha, Panji, Irma, Ninuk, Ranti, Chara, and Faila have shared this challenging path. We will never forget it as we move beyond this journey towards our collective success. I would also like to thank the staff at the Accounting Research Institute (ARI), Universiti Teknologi MARA (UiTM), especially Mrs. Azizah, Miss Inna, Dr. Darussalam, as well as research assistants Dr. Naila and Dr. Hadi, for their valuable contributions and knowledge. Additionally, I would like to acknowledge the efforts of my Malaysian friends at ARI, M. Razuan, Jalilah, Qiu, Hazi, and Ipi, who have worked alongside us and pushed us toward success in this academic journey.

I am deeply grateful to my beloved wife, Vida Adriany S.E., for her unwavering support and encouragement throughout my PhD journey. My heartfelt appreciation also goes to my parents, \_\_\_\_\_, my mother-in-law, Mrs. Yetty Hermiati, and my brothers & sisters, Prof. Dezie Leonarda WN, PhD; Debbie Scorpina WN, AMD; Doris Sagita WN, S.E.; and Dodi Taurusa WN, SH—as well as my in-laws, Rachmad Basuki, Mrs. Riany Agustina, and Lukat Kurnia S.E., for their constant motivation and prayers. I lovingly remember my late family members: Mr. (late) Hi. Ir. Desmi Warganegara, (late) Denny Pisesta WN, S.E., (late) Dina Arfianti WN, AMD, and Mr. (late) Prof. Dr. Eddy Mulyadi Soepardi, CFA., CA. May Allah SWT grant them the highest place in Heaven. I am truly blessed with a supportive family, and I hope to make them proud.

# TABLE OF CONTENTS

	<b>Page</b>
<b>CONFIRMATION BY PANEL OF EXAMINERS</b>	<b>ii</b>
<b>AUTHOR'S DECLARATION</b>	<b>iii</b>
<b>ABSTRACT</b>	<b>iv</b>
<b>ACKNOWLEDGEMENT</b>	<b>v</b>
<b>TABLE OF CONTENTS</b>	<b>vi</b>
<b>LIST OF TABLES</b>	<b>xii</b>
<b>LIST OF FIGURES</b>	<b>xiv</b>
<b>LIST OF SYMBOLS</b>	<b>xv</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xvi</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Chapter Overview	1
1.2 Background of the Study	1
1.3 Problem Statement	12
1.4 Research Questions and Research Objectives	14
1.5 Scope of the Study	15
1.6 Significance of the Study	17
1.7 Structure of the Thesis	19
<b>CHAPTER 2 REGULATORY SETTINGS FOR CAPITAL MARKET AND CORPORATE GOVERNANCE IN INDONESIA</b>	<b>20</b>
2.1 Chapter Overview	20
2.2 Indonesia Capital Market Structure	21
2.2.1 Indonesian Financial Services Authority (OJK)	23
2.2.2 Indonesia Stock Exchange (IDX)	26
2.2.3 Indonesian Clearing and Guarantee Corporation (KPEI)	30

# CHAPTER 1

## INTRODUCTION

### 1.1 Chapter Overview

This chapter provides an overview of the research. Section 1.2 presents the background of the study. Section 1.3 examines the key players in corporate governance, including shareholders, the Board of Commissioners (BOC), and the CEO, and explores opportunistic managerial behavior in earnings management. Section 1.4 outlines the research questions and objectives, while Section 1.5 defines the scope of the study. Section 1.6 highlights the significance of the study and discusses earnings management within a two-tier board system. Finally, Section 1.7 summarizes the thesis structure.

### 1.2 Background of the Study

Quality financial reports are crucial for maintaining accountability, transparency, and trust in financial markets. They provide accurate and reliable information regarding a company's financial health, enabling investors, creditors, and regulators to make well-informed decisions. In addition, quality financial reports help prevent financial fraud, ensure compliance with accounting standards and regulations, and even mitigate earnings management behavior (Ronen & Yaari, 2008). On the other hand, poor-quality financial reports can have severe consequences, including a loss of investor confidence and legal sanctions. For instance, The recent scandals from 2015 to 2019, including Wells Fargo (USA) in 2016, General Electric in the USA in 2018, Luckin Coffee in China in 2019, and Toshiba in Japan in 2015, highlight high-profile cases of earnings management on a global scale (Bentley et al., 2025; Peng et al., 2022; Taleatu et al., 2020; Xinyan Jiang, 2022). Wells Fargo created millions of fake customer accounts to meet aggressive sales targets, inflating revenue figures. Luckin Coffee inflated its revenue by \$310 million to meet growth expectations and boost its stock valuation. Meanwhile, General Electric (GE) was accused of accounting fraud