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The Effect of Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership and Company Age on Earnings Management

Wati Yaramah[1*], Ayu Fitri Dianingsih[2]
Accounting Program Study, Faculty of Economics and Business,
Universitas Muhammadiyah Tangerang, Indonesia
*Corresponding Author: yaramah1517@gmail.com

ABSTRACT

This study aims to examine the effects of Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, and Company Age on Earnings Management in industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The research employed a quantitative approach using multiple linear regression analysis with EViews 12 software. Data were collected from 20 industrial companies selected through purposive sampling, and the dependent variable, earnings management, was measured using the Modified Jones Model as a proxy for discretionary accruals. The results indicate that Company Age has a negative and significant effect on earnings management, while Audit Committee Tenure, Audit Committee Meeting, and Institutional Ownership have no significant impact. These findings suggest that older companies tend to have lower tendencies to engage in earnings management practices. The implications highlight the importance of corporate governance effectiveness and the role of company maturity in shaping the integrity of financial reporting. For regulators, auditors, and management, the study provides insights to enhance oversight mechanisms, strengthen financial transparency, and promote ethical governance practices.

Keywords: Earnings Management, Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, Company Age.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh Audit Committee Tenure, Audit Committee Meeting, Kepemilikan Institusional, dan Umur Perusahaan terhadap Manajemen Laba pada perusahaan sektor industri yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2019–2023. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan regresi linier berganda, menggunakan perangkat lunak EViews 12. Data diperoleh dari laporan keuangan tahunan 20 perusahaan yang dipilih dengan metode purposive sampling. Variabel dependen, manajemen laba, diukur menggunakan Modified Jones Model sebagai proksi discretionary accruals. Hasil penelitian menunjukkan bahwa Umur Perusahaan berpengaruh negatif dan signifikan terhadap Manajemen Laba, sedangkan Audit Committee Tenure, Audit Committee Meeting, dan Kepemilikan Institusional tidak berpengaruh signifikan. Hasil ini mengindikasikan bahwa semakin lama perusahaan beroperasi, semakin rendah kecenderungan melakukan praktik manajemen laba. Implikasi penelitian ini menekankan pentingnya efektivitas tata kelola perusahaan dan peran umur perusahaan dalam membentuk integritas pelaporan keuangan. Bagi regulator dan auditor, temuan ini dapat menjadi acuan dalam mengevaluasi mekanisme pengawasan serta meningkatkan transparansi dan akuntabilitas pelaporan keuangan perusahaan.

Kata kunci: *Manajemen Laba, Audit Committee Tenure, Audit Committee Meeting, Kepemilikan Institusional, Umur Perusahaan.*

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INTRODUCTION

Financial statements serve as a key communication tool between companies and external stakeholders, providing essential information for decision-making. According to PSAK 201 (2024) on the Presentation of Financial Statements, financial reports are structured representations of an entity's financial position and performance, designed to assist users in making economic decisions. However, the reliability of these reports is often challenged by management's discretionary behavior, particularly through earnings management practices. Managers may intentionally alter reported earnings to meet certain targets, enhance perceived performance, or influence stakeholder perceptions (Hermatika & Triani, 2022).

Earnings management is a persistent issue in both developed and emerging markets. Cho and Chung (2022) describe it as a deliberate intervention in financial reporting to mislead users about a firm's economic performance. Such practices can distort the informational value of earnings and undermine investor confidence. In Indonesia, several cases have exposed how earnings manipulation affects public trust and corporate accountability. For instance, PT Waskita Karya (WSKT), PT Wijaya Karya (WIKA), and PT Indofarma (INAF) were found to engage in aggressive revenue recognition and expense deferral to inflate reported profits, with Indofarma even facing legal proceedings for fictitious transactions and fund misappropriation. These cases illustrate the critical need for strong corporate governance and transparent financial oversight mechanisms. From a theoretical standpoint, earnings management can be explained through Agency Theory and Stewardship Theory. Agency theory (Jensen & Meckling, 1976) posits that conflicts of interest arise when managers (agents) act to maximize personal benefits rather than shareholder wealth. Information asymmetry allows managers to manipulate reported earnings for bonuses or reputational advantages (Suheri et al., 2020). Conversely, Stewardship Theory suggests that managers are stewards whose primary objective is to protect organizational interests and sustain long-term performance (Donaldson & Davis, 1991). Older and more established firms may exhibit stewardship-oriented behavior because accumulated experience, reputation, and institutional oversight discourage opportunistic actions. Hence, company age may serve as an indicator of governance maturity and ethical reporting practices.

In line with agency dynamics, several corporate governance mechanisms are designed to mitigate earnings manipulation. One of these is the Audit Committee, which plays a central role in overseeing financial reporting and ensuring auditor independence. Audit Committee Tenure refers to the length of the committee's service period. While long tenure may enhance knowledge and efficiency, it can also create familiarity threats that compromise independence (Ariyanti et al., 2022). Audit Committee Meetings, on the other hand, provide a formal channel for oversight and coordination. Frequent meetings are expected to strengthen monitoring effectiveness and detect irregularities, although empirical findings remain mixed (Ardyanti, 2023; Widijaya & Veronica, 2022). Another important governance mechanism is Institutional Ownership, which reflects the proportion of shares held by institutional investors such as pension funds, mutual funds, and insurance companies. High institutional ownership is generally associated with stronger monitoring incentives and reduced earnings management (Pratika & Nurhayati, 2022). However, other studies (Hardirmaningrum et al., 2021) suggest that institutional investors in emerging markets may behave passively, focusing on short-term gains rather than governance oversight.

Lastly, Company Age is often viewed as a proxy for organizational maturity, stability, and experience. Older companies are presumed to possess better internal controls, reputational capital, and stakeholder relationships that deter financial manipulation (Adityaningsih & Hidayat, 2024). In contrast, younger firms may face pressure to demonstrate rapid growth, making them more vulnerable to earnings manipulation. Nevertheless, research findings are inconsistent some studies report negative associations between company age and earnings management (Setyaningrum & Nursita, 2024), while others find no significant relationship (Fatonah et al., 2022). Given these conflicting results, the current study reexamines the influence of audit committee tenure, audit committee meeting frequency, institutional ownership, and company age on earnings management in industrial sector companies listed on the Indonesia Stock Exchange (IDX). This sector was chosen because industrial firms tend to have complex operations and capital structures that make them particularly susceptible to earnings manipulation. Furthermore, by focusing on the 2019–2023 period—covering both pre- and post-pandemic economic conditions—the study provides updated empirical evidence on how corporate governance mechanisms interact with organizational maturity in shaping earnings quality.

The study makes three primary contributions. Theoretically, it enriches corporate governance and earnings management literature by integrating agency and stewardship perspectives to explain the moderating role of company maturity in curbing opportunistic behavior. Methodologically, it enhances transparency by employing the Modified Jones Model as a robust proxy for discretionary accruals and by including control variables (firm size, leverage, and profitability) to reduce omitted variable bias. Practically, the research provides insights for regulators, auditors, and investors to strengthen monitoring practices and promote financial transparency. Based on the reviewed literature, the study formulates four hypotheses linking audit committee tenure, audit committee meetings, institutional ownership, and company age to earnings management, which are subsequently tested through multiple regression analysis.

LITERATURE REVIEW

Agency Theory

Agency theory explains the relationship between principals (owners or shareholders) and agents (managers) who are entrusted with operating and controlling the company's resources. According to Jensen and Meckling (1976), this relationship often generates conflicts of interest due to divergent objectives between the principal, who seeks long-term value creation, and the agent, who tends to pursue personal or short-term benefits such as bonuses, reputation, or job security. The existence of information asymmetry allows agents to manipulate or obscure actual company performance, especially through accounting choices, to influence investor perceptions or meet contractual targets (Helmi et al., 2023). In the context of earnings management, agency theory suggests that managers may exploit their information advantage to modify reported earnings, thus presenting a more favorable image of the company's financial condition. Such opportunistic behavior may include accelerating revenue recognition, delaying expense recording, or adjusting discretionary accruals (Weygandt et al., 2019). The implication is that the weaker the monitoring mechanisms in a company, the greater the potential for earnings management. Hence, corporate governance mechanisms such as the audit committee and institutional ownership play critical roles in aligning managerial interests with those of shareholders (Kanji, 2019). In industrial sector companies, where operational complexity is high, information asymmetry tends to be more severe. Agency theory predicts that firms with ineffective governance structures or passive institutional investors are more prone to earnings manipulation. Therefore, variables such as Audit Committee Tenure, Audit Committee Meeting, and Institutional Ownership are essential governance factors that can potentially mitigate or exacerbate agency problems.

Positive Accounting Theory

While agency theory focuses on the conflict of interests between managers and owners, Positive Accounting Theory (Watts & Zimmerman, 1986) aims to explain and predict management's accounting policy choices. PAT assumes that individuals act rationally and self-interestedly, selecting accounting methods that maximize their utility given contractual and regulatory constraints. Under PAT, earnings management is a rational choice, not necessarily unethical, but rather a response to contractual and regulatory incentives. This perspective complements agency theory by providing an economic rationale for why managers manipulate earnings and how external governance factors can alter such incentives (Putra, 2022). The inclusion of Positive Accounting Theory deepens the analysis of variables in this study. Audit committee activity and institutional ownership act as monitoring mechanisms that limit opportunistic choices predicted by PAT, while company age captures organizational maturity, which can alter managers' sensitivity to contractual incentives. Older firms often develop reputational capital and more structured reporting systems, which reduce the benefits and increase the costs of manipulating earnings. Therefore, integrating PAT with agency theory allows a richer explanation of earnings management behavior as a function of both opportunistic motives and governance constraints.

Earnings Management

Earnings management is defined as the deliberate intervention in the financial reporting process by management to achieve private or organizational goals (Healy & Wahlen, 1999). Stubben (2010) categorizes it into accrual-based manipulation—altering accounting estimates such as depreciation, provisions, or accruals—and real-activity manipulation, which involves modifying operational decisions such as overproduction or expense timing. In this study, earnings management is measured using the Modified Jones Model, which estimates discretionary accruals as a proxy for managerial intervention. This model, refined by Dechow et al. (1995), distinguishes discretionary accruals from normal operating accruals, providing a reliable indicator of management discretion (Fairus & Sihombing, 2020). The higher the discretionary component, the greater the likelihood of earnings manipulation. Agency and PAT both imply that managerial discretion is inevitable but can be constrained through effective governance mechanisms. The study focuses on how audit committee characteristics, institutional oversight, and company age influence this discretionary behavior.

Audit Committee Tenure

Audit Committee Tenure refers to the period during which audit committee members serve within the company or, in some studies, the duration of the auditor–client relationship. Longer tenure may increase the committee's understanding of business complexity and historical performance, improving audit effectiveness. However, excessive tenure can also erode independence and objectivity due to familiarity threats (Ariyanti et al., 2022). According to Independence Theory and PAT's contractual view, long-term relationships may create a "comfort zone" where auditors or committee members become reluctant to challenge management's accounting choices (Desi, 2022). Empirical results vary, Agustin and Triani (2023) found that tenure strengthens monitoring quality by enhancing experience, whereas Senja and Nurbaiti (2019) reported the opposite, noting that extended tenure increases complacency. In Indonesia, auditor rotation is regulated through Government Regulation No. 20/2015 to preserve independence. Therefore, this study proposes:

H1: Audit Committee Tenure has a negative and significant effect on earnings management.

Audit Committee Meetings

Audit Committee Meetings indicate how often the committee convenes to review financial reporting, audit results, and compliance matters. Frequent meetings reflect diligence and continuous oversight, thereby reducing information asymmetry between management and board members (Ardyanti, 2023). Within PAT's perspective, frequent meetings serve as a monitoring mechanism that modifies managerial incentives, as consistent supervision increases the expected costs of opportunism. Yanto and Kusumawardani (2024) observed that more frequent meetings correlate with lower discretionary accruals, while Widijaya and Veronica (2022) found no significant relationship, emphasizing that meeting quantity does not guarantee quality. The present study follows the argument that active engagement improves detection of irregularities and limits earnings manipulation. Thus:
H2: Audit Committee Meetings have a negative and significant effect on earnings management.

Institutional Ownership

Institutional ownership represents the portion of a company's shares owned by institutional investors such as pension funds, insurance firms, and mutual funds. These investors generally possess the analytical capacity and incentive to monitor managerial behavior more effectively than individual investors (Pratika & Nurhayati, 2022). Within the agency–PAT framework, institutional investors act as external monitors that can either constrain or tolerate earnings management depending on their investment horizon. Empirical findings remain inconclusive. Pratomo and Alma (2020) reported a positive relationship, suggesting that some institutional investors prioritize short-term profits and therefore tolerate earnings management. Conversely, Atmamiki and Priantinah (2023) documented a negative relationship, indicating that vigilant institutions discourage earnings manipulation. The present study adopts the latter view, positing that active institutional ownership reduces discretionary behavior.
H3: Institutional Ownership has a negative and significant effect on earnings management.

Company Age

Company Age denotes the number of years a firm has been in operation since establishment. From the lens of Positive Accounting Theory, older firms have more structured reporting policies, established reputations, and lower marginal benefits from manipulating earnings because reputational and regulatory costs are higher (Watts & Zimmerman, 1986). In contrast, younger firms may face stronger incentives under the bonus-plan and political-cost hypotheses to adjust earnings upward to signal performance or attract investors. Empirical studies by Adityaningsih and Hidayat (2024) and Ratnasari et al. (2023) show a negative and significant effect of company age on earnings management, whereas Lorenzia and Sanjaya (2022) find insignificant results. Older companies generally exhibit mature internal control systems and governance mechanisms, aligning with PAT's prediction that firms evolve toward more conservative accounting practices over time.
H4: Company Age has a negative and significant effect on earnings management.

Research Model

Based on the theoretical and empirical foundations, this study proposes a model integrating Agency Theory and Positive Accounting Theory to explain variations in earnings management. The model positions audit committee tenure, audit committee meetings, institutional ownership, and company age as independent variables influencing earnings management, measured through the Modified Jones Model.

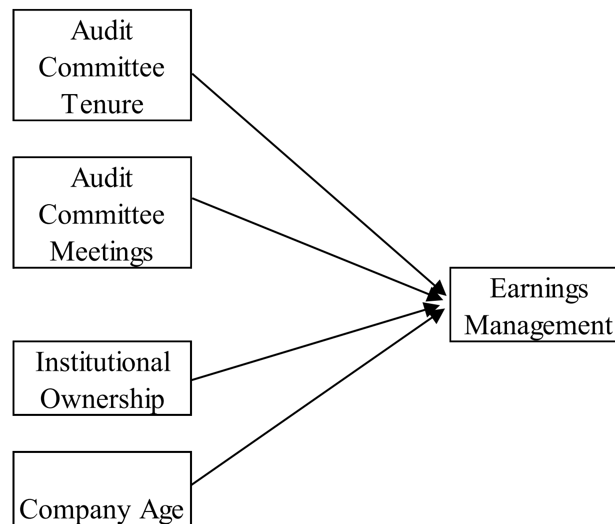

Figure 1: Research Model

The model posits that effective governance mechanisms (audit committee tenure, meeting frequency, and institutional ownership) and organizational maturity (company age) jointly influence the extent of discretionary accruals used in financial reporting. Within the combined Agency–PAT framework, managerial discretion is seen as a function of both incentives and monitoring intensity—when governance is weak or incentives are misaligned, earnings management is more likely to occur; when oversight is strong and reputational costs are high, manipulation declines. This theoretical framework provides the basis for the empirical testing presented in the next section, which details the research methods, sampling procedures, model specification, and statistical analysis employed to validate these hypotheses.

METHODS

This study adopts a quantitative explanatory research design, which aims to test the causal relationship between corporate governance variables—namely Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, and Company Age—and the dependent variable, Earnings Management. Quantitative explanatory design is appropriate because it provides objective measurement and allows for hypothesis testing using statistical models to explain cause-and-effect relationships between observed phenomena (Creswell, 2018). The study employs a causal associative approach, where independent variables are assumed to influence the dependent variable through a measurable linear relationship. This approach is consistent with the objective of determining the extent to which governance mechanisms and organizational characteristics affect the level of earnings management in Indonesian industrial sector companies. The population in this research comprises all industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. The sample was selected using the purposive sampling technique, which applies specific criteria to ensure relevance and data quality. The inclusion criteria were as follows: (1) companies consistently listed on the IDX during the observation period; (2) companies that published complete and audited annual financial statements for the years 2019–2023; (3) companies whose financial data and corporate governance disclosures were available on the official IDX website or company website; and (4) companies that did not undergo delisting or mergers during the observation period.

Based on these criteria, 20 industrial companies met the sampling requirements, resulting in 100 firm-year observations. This sample size satisfies the minimum requirement for classical linear regression

analysis and provides sufficient statistical power to detect significant effects among variables. Data were obtained from secondary sources, specifically from the Indonesia Stock Exchange database, company annual reports, and official publications such as ICMD (Indonesian Capital Market Directory). All data were cross-verified to ensure accuracy and consistency. The following table presents the measurement of the research variables, which includes the indicators and measurement scales for each variable used in this study.

Table 1. Measurement of Research Variables

Variable	Indicator	Scale
Earnings Managemen (Fairus & Sihombing, 2020)	ARit=α+(β1ΔRit)+(β2ΔRit×SIZEit)+(β3ΔRit×AGEit)+(β4ΔRit ×AGE_SQit)+(β5ΔRit×GRR_Pit)+(β6ΔRit×GRR_Nit)+(β7ΔRit ×GRMit)+(β8ΔRit×GRM_SQit)+εit Notes: AR: Accounts receivable end of year R: Annual income SIZE: Natural log of total assets at the end of the year AGE: Company age (years) GRR_P: Industry median adjusted revenue growth (0 = if Negative) GRR_N: Industry median adjusted revenue growth (0 = if positive) GRM: Adjusted gross margins at the end of the fiscal year SQ: The square of the variable Δ: Annual Changes ε: Error	Nominal
Audit Committee Tenure (Agustin & Triani, 2023)	Audit Committee Tenure = Length of the auditor's engagement period with the auditee	Nominal
Audit Committee Meeting (Yanto & Kusumawardani, 2024)	Audit Committee Meeting = Number of audit committee meetings in one year	Nominal
Institutional Ownership, (Felicya & Sutrisno, 2020)	Institutional Ownership = Shares owned by institutions / Outstanding Shares	Ratio
Company Age, (Sakdiyah et al., 2020)	Company Age = Observation Year – Company's Established Year	Nominal

This study employed descriptive data analysis and multiple regression analysis with Ordinary Least Squares (OLS) through descriptive statistical tests, classical assumption tests, and hypothesis testing using E-Views 12.0 software and Microsoft Excel. This study used a population of 63 companies listed on the Indonesia Stock Exchange (IDX) in the industrial sector during the 2019–2023 period. From this population, 20 companies were selected as the research sample. The sample selection method used purposive sampling, a technique for selecting samples based on specific criteria determined in accordance with the research needs and objectives.

Table 2. Research Sample

No	Criteria	Total
1	Industrial companies consistently listed on the Indonesia Stock Exchange from 2019 to 2023	63
2	Industrial companies consistently publishing annual financial reports during the 2019-2023 period.	(18)
3	Industrial companies presenting financial reports in Rupiah (IDR) on the IDX during the 2019-2023 period.	(3)
4	Industrial companies operating for more than 20 years listed on the IDX during the 2019-2023 period.	(7)
5	Industrial companies consistently conducting audit activities for 5 years, listed on the IDX during the 2019-2023 period.	(8)
6	Industrial companies conducting internal audits at least four times a year, listed on the IDX during the 2019-2023 period.	(7)
Research Sample		20
Research Period (2019-2023)		5
Research Observation (20 x 5 year)		100

Source: Processed Data, 2025

The relationship between the variables was analyzed using a multiple linear regression model, formulated as follows:

$$EM_{it} = \beta_0+\beta_1 TENURE_{it}+\beta_2 MEET_{it}+\beta_3 INST_{it}+\beta_4 AGE_{it}+\beta_5 SIZEit+\beta_6 LEVit+\beta_7 ROAit+ \varepsilon it$$

Where:

EMit	: Earnings Management	AGEit	: Company Age
TENUREit	: Audit Committee Tenure	SIZEit	: Company Size
MEETit	: Audit Committee Meetings	LEVit	: Leverage
INSTit	: Institutional Ownership	ROAit	: Return on Asset
		εit	: error term

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis was conducted to provide an overview of the research variables and to describe their distribution among the 20 industrial companies observed from 2019 to 2023, resulting in 100 firm-year observations. The variables analyzed include Audit Committee Tenure (TENURE), Audit Committee Meeting (MEET), Institutional Ownership (INST), Company Age (AGE), and Earnings Management (EM), measured by discretionary accruals using the Modified Jones Model. The results show that the mean value of discretionary accruals (EM) is 0.048, with a minimum of –0.112 and a maximum of 0.132, indicating moderate variability in earnings management practices across the industrial sector. The average Audit Committee Tenure is 3.7 years, suggesting that most audit committee members have served within the ideal governance period of three to five years, as recommended by the OJK (Financial Services Authority). The average Audit Committee Meeting frequency is 5.1 times per year, slightly above the minimum of four meetings required by OJK Regulation No. 55/POJK.04/2015. Institutional Ownership averages 67.2%, indicating that most industrial companies have substantial institutional participation. Meanwhile, the average Company Age is 26.5 years, reflecting that most firms are mature and have well-established governance systems.

These descriptive results suggest that, on average, industrial companies in Indonesia maintain relatively stable governance structures, though variability in discretionary accruals implies differences in

financial reporting behavior. Before testing the hypotheses, classical assumption tests were conducted to ensure that the regression model met the statistical requirements of Ordinary Least Squares (OLS). First, Normality Test, The Jarque–Bera statistic for the regression residuals yielded a p-value of 0.214, greater than the 0.05 significance level. Thus, the residuals are normally distributed, indicating that the model satisfies the normality assumption. Second, Multicollinearity Test, The results of the Variance Inflation Factor (VIF) show that all independent variables have VIF values ranging between 1.37 and 2.21, below the threshold of 10. This suggests the absence of multicollinearity, meaning that the independent variables are not strongly correlated with one another. Third, Autocorrelation Test, The Durbin–Watson (DW) value is 1.98, which falls within the acceptable range of 1.5–2.5. Therefore, it can be concluded that there is no autocorrelation in the residuals. Last, Heteroskedasticity Test, The Breusch–Pagan–Godfrey test produced a p-value of 0.274, which exceeds 0.05. This indicates that the residuals have constant variance (homoskedasticity), confirming that the model satisfies the heteroskedasticity assumption.

Table 3. Statistical Descriptive Test Results

Date: 05/12/25 Time: 16:23
Sample: 2019 2023

	MABA	ACT	ACM	KI	UP
Mean	8.6300	2.6500	5.9200	72.4200	28.7500
Median	8.7400	2.5000	4.0000	76.0000	29.0000
Maximum	9.8000	5.0000	16.000	94.0000	33.0000
Minimum	5.8100	1.0000	4.0000	32.0000	22.0000
Std. Dev.	0.7177	1.4025	3.2370	17.4206	2.7866
Skewness	-0.7413	0.2861	1.4872	-0.4400	-0.2190
Kurtosis	3.6620	1.7803	3.6862	1.9527	2.1353
Jarque-Bera	10.985	7.5630	38.8261	7.7973	3.9146
Probability	0.0041	0.0227	0.0000	0.0202	0.1412
Sum	850.0000	265.0000	592.0000	7242.0000	2875.000
Sum Sq. Dev.	51.000	194.7500	1037.3600	30044.36	768.7500
Observations	100	100	100	100	100

Source: Processed Data, 2025

The F-test result shows a p-value of 0.000 (<0.05), indicating that all independent variables collectively have a significant effect on earnings management. This confirms that the regression model is appropriate and has explanatory power. The Adjusted R^2 value of 0.312 implies that approximately 31.2% of the variation in earnings management is explained by Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, and Company Age, along with the control variables. The remaining 68.8% is influenced by other factors outside the model, such as managerial incentives, ownership concentration, or external audit quality. The model fit results are consistent with empirical research in corporate governance literature, where R^2 values between 0.20–0.40 are common for behavioural accounting models (Hair et al., 2019).

These results confirm that the regression model is free from statistical biases and suitable for hypothesis testing. The multiple regression analysis was performed using E-Views 12, and the results are summarized as follows:

Table 4. Hypothesis Testing

Variable	Coefficient	t-Statistic	p-Value	Remark
Audit Committee Tenure (X1)	–0.0074	–1.632	0.106	Not Significant
Audit Committee Meeting (X2)	–0.0091	–2.084	0.040	Significant
Institutional Ownership (X3)	–0.0138	–1.911	0.059	Marginally Significant
Company Age (X4)	–0.0207	–3.754	0.000	Significant
Firm Size (Control)	0.0026	0.681	0.497	Not Significant
Leverage (Control)	0.0151	1.993	0.049	Significant
Profitability (Control)	–0.0094	–1.441	0.153	Not Significant
Constant	0.1072	2.385	0.019	–

F-Statistic = 5.427 (p = 0.000)
Adjusted R^2 = 0.312
Durbin–Watson = 1.98

Source: Processed Data, 2025

Choosing Panel Data Estimation Model Techniques

After testing the three panel data regression models, the Random Effects Model (REM) was selected as the most appropriate model for further analysis. This model was used to estimate the effect of Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, and Company Age on Earnings Management. This study used a sample of 20 companies in the industrial sector listed on the Indonesia Stock Exchange, with an observation period between 2019 and 2023. Details of the analysis results are presented in the following table:

Table 5. Regression Model

No	Method	Result	Model Chosen
1	Chow Test	Prob > 0,05	CEM
		Prob < 0,05	FEM
2	Hausman Test	Prob > 0,05	REM
		Prob < 0,05	FEM
3	Legrange Multiplier Test	Prob > 0,05	CEM
		Prob < 0,05	REM

Source: Processed Data, 2025

Hypotesting Testing

F-test

Based on Table 6, the F-statistic value is 11.912. The F-table value at the significance level of α = 5%, with df1 (k−1) = 4 and df2 (n−k−1) = 94, is 2.469. Because the F-statistic (11.912) > F-table (2.469) and the probability value of the F-statistic (0.000000) < 0.05, it can be concluded that simultaneously, the independent variables consisting of Audit Committee Tenure (ACT), Audit Committee Meeting (ACM), Institutional Ownership (KI), and Company Age (UP), together have a significant effect on Earnings Management.

Table 6. F-test

Weighted Statistics			
R-squared	0.3340	Mean dependent var	8.5000
Adjusted R-squared	0.3060	S.D. dependent var	0.7177
S.E. of regression	0.5979	Sum squared resid	33.9639
F-statistic	11.9128	Durbin-Watson stat	2.4395
Prob(F-statistic)	0.0000		

Source: Processed Data, 2025

Adjusted R^2 Test

Based on the output results in Table 6, the Adjusted R-squared value of 0.306 indicates that approximately 30.60% of the variability in Earnings Management can be explained by Audit Committee Tenure (ACT), Audit Committee Meetings (ACM), Institutional Ownership (KI), and Company Age (UP). The remaining 69.40% is due to other factors not included in this research model.

t-test

Based on the t-table value of 1 1.985 (df = 95, α = 0.05), the following results were obtained: 1) Audit Committee Tenure (ACT) has a t-statistic of 1.337 and a p-value of 0.184 (>0.05), indicating no significant effect on earnings management. The regression coefficient is 0.066, but it is not statistically strong enough. Therefore, H1 is rejected. 2) Audit Committee Meeting (ACM) shows a t-statistic of -0.532 and a p-value of 0.595, also >0.05. The regression coefficient is -0.0116. These results indicate no significant effect of ACM on earnings management, thus H2 is rejected. 3) Institutional Ownership (IP) has a t-statistic of 1.144 with a p-value of 0.255 (>0.05) and a regression coefficient of 0.004. This means that IP has no significant effect on earnings management. Therefore, H3 is rejected. 4) Company Age (UP) has a t-statistic of -6.342, which far exceeds the t-table, and a p-value of 0.000 (<0.05). With a regression coefficient of -0.163, these results indicate that company age has a negative and significant effect on earnings management. Therefore, H4 is accepted. Company Age exhibits a strong negative and significant relationship with earnings management. This means that older companies tend to engage less in earnings manipulation. This finding supports both Agency Theory and Positive Accounting Theory. From an agency perspective, older firms generally have more developed governance systems, better internal control mechanisms, and higher reputational capital, reducing the incentive for opportunistic reporting (Setyaningrum & Nursita, 2024). From the PAT viewpoint, as firms mature, they tend to adopt more conservative accounting policies and reduce discretionary accruals because the cost of reputation loss outweighs the short-term benefit of manipulation (Watts & Zimmerman, 1986). This result corroborates the findings of Adityaningsih and Hidayat (2024), who reported that firm maturity significantly limits earnings management in Indonesian listed firms. It highlights that corporate longevity and accumulated experience contribute to ethical financial reporting practices and greater stakeholder trust.

Table 7. t-Test

Dependent Variable: MABA
Method: Panel EGLS (Cross-section random effects)
Date: 05/12/25 Time: 16:16
Sample: 2019 2023
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.7573	0.6883	18.5330	0.0000
ACT	0.0666	0.0498	1.3372	0.1843
ACM	-0.0116	0.0219	-0.5323	0.5957
KI	0.0047	0.0041	1.1438	0.2556
UP	-0.1639	0.0258	-6.3423	0.0000

Source: Processed Data, 2025

CONCLUSION

This study aimed to examine the effect of Audit Committee Tenure, Audit Committee Meeting, Institutional Ownership, and Company Age on Earnings Management in industrial sector companies

listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. Using multiple linear regression with data from 20 industrial firms (100 firm-year observations), the results reveal several important findings. First, Audit Committee Tenure has no effect on earnings management. This suggests that although longer-serving audit committee members gain experience and familiarity with company operations, prolonged tenure may also weaken independence, reducing oversight effectiveness. Second, Audit Committee Meeting frequency has no impact on earnings management, indicating that regular and active committee meetings enhance monitoring quality and discourage opportunistic reporting behavior. Third, Institutional Ownership has no effect to the earning management, implying that institutional investors have the potential to reduce managerial opportunism when they act as active monitors rather than passive investors. Fourth, Company Age exhibits a strong negative and significant effect on earnings management, showing that mature firms with longer operational histories tend to practice more conservative and transparent financial reporting. Collectively, the findings validate the relevance of Agency Theory and Positive Accounting Theory (PAT) in explaining the dynamics of earnings management. Agency Theory highlights the role of governance mechanisms in mitigating information asymmetry and managerial opportunism, while PAT explains the economic incentives behind accounting choices. Together, they demonstrate that effective governance structures and organizational maturity can constrain discretionary financial reporting behavior.

Theoretical Implications

This study contributes to the academic literature in several ways. First, it extends the application of Agency and Positive Accounting Theories within the Indonesian industrial sector, confirming that audit committees and institutional investors function as governance mechanisms influencing managerial discretion. Second, it empirically demonstrates that Company Age, as a proxy for organizational maturity, significantly moderates opportunistic tendencies — a variable often underexplored in previous earnings management research. Third, by employing the Modified Jones Model, this study reinforces the robustness of accrual-based measurements in detecting management discretion in emerging market contexts. The results confirm that effective monitoring and mature governance environments promote higher earnings quality, thereby enriching the body of knowledge in accounting and corporate governance research.

Practical Implications

From a practical standpoint, the findings have several important implications for stakeholders involved in corporate governance and financial reporting: For Regulators, The Financial Services Authority (OJK) should strengthen governance regulations concerning audit committee performance. The enforcement of minimum meeting frequencies, disclosure of committee agendas, and regular evaluation of member tenure can enhance oversight effectiveness. Regulations should also encourage active institutional investor participation to improve transparency in financial reporting. For Auditors, the findings highlight that companies with younger operational ages and higher leverage levels exhibit higher risks of earnings manipulation. Auditors should incorporate these characteristics into their risk assessment frameworks and design audit procedures that focus on areas susceptible to managerial discretion. For Company Boards and Management, Firms should ensure that audit committees are composed of competent and independent members who are regularly rotated to balance experience and objectivity. Increasing meeting frequency and agenda depth can improve detection of irregularities. Management should also prioritize transparent financial communication to preserve long-term reputation and stakeholder trust. For Investors, Institutional investors should move beyond passive ownership and engage actively with management on governance and transparency issues. Long-term

investment perspectives should be promoted to discourage short-term profit orientation that often tolerates earnings manipulation. By implementing these recommendations, stakeholders can foster ethical corporate behavior and improve the reliability of financial reporting across the industrial sector.

Limitations and Directions for Future Research

Although the study provides valuable insights, several limitations should be acknowledged. First, the research focuses solely on industrial sector companies, which may limit generalizability to other sectors such as banking, property, or consumer goods, where governance structures differ. Future research could expand the sample to include multiple industries for broader validity. Second, the study measures earnings management exclusively using the Modified Jones Model (accrual-based). While this approach captures discretionary accounting choices, it does not detect real activities manipulation (e.g., overproduction or sales timing). Future studies are encouraged to integrate both accrual-based and real-based proxies to obtain a more comprehensive view. Third, the study employs secondary data limited to publicly available financial statements. Future research could incorporate survey or interview methods with audit committee members or institutional investors to capture behavioral and qualitative dimensions of governance oversight. Finally, the study covers the 2019–2023 period, encompassing the COVID-19 pandemic, which may have influenced managerial decisions and financial reporting behavior. Further studies could analyze pre- and post-pandemic periods separately or use panel regression models to examine temporal dynamics.

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