

THE EFFECT OF MANAGERIAL OWNERSHIP ON EARNINGS MANAGEMENT WITH CAPITAL STRUCTURE AS A MEDIATING VARIABLE (AN EMPIRICAL STUDY ON MANUFACTURING COMPANIES IN THE FOOD AND BEVERAGE SUB-SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN 2022–2024)

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Abstract

This study investigates the relationship between managerial ownership and earnings management and examines whether capital structure functions as a mediating mechanism in this relationship. The motivation for this research arises from inconsistent empirical evidence regarding the effectiveness of managerial ownership as a corporate governance tool in constraining opportunistic earnings management practices. Drawing on Agency Theory, this study focuses on manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange during the 2022–2024 period. An empirical quantitative approach is employed using secondary data obtained from audited annual financial reports. The final sample comprises 231 firm-year observations selected through purposive sampling. Multiple linear regression analysis is applied, accompanied by mediation testing using a stepwise regression procedure. Earnings management is measured using discretionary accruals based on the Modified Jones Model, managerial ownership is proxied by the proportion of shares held by management, and capital structure is represented by the Debt to Asset Ratio. The findings indicate that managerial ownership does not exhibit a statistically significant relationship with earnings management. In addition, managerial ownership is not significantly associated with capital structure, and capital structure does not significantly influence earnings management. Consequently, capital structure does not mediate the relationship between managerial ownership and earnings management. These results suggest that ownership-based governance mechanisms and financing policies may not operate effectively in limiting earnings management within the observed firms. This study contributes to the literature by highlighting the contextual nature of governance mechanisms derived from Agency Theory. The findings are expected to provide insights for corporate management, investors, and regulators in strengthening corporate governance and financial oversight practices.

Keywords: Managerial ownership, earnings management, capital structure.

1. INTRODUCTION

In the realm of corporate financial reporting, earnings management continues to attract significant scholarly attention due to its potential impact on the reliability of accounting information. Earnings management occurs when managers exercise discretion in financial reporting or operational decisions to achieve certain objectives, which may ultimately influence stakeholders perceptions of firm performance (Healy & Wahlen, 1999; Dechow et al., 1995). Such practices become particularly relevant in

emerging markets, where governance mechanisms and regulatory enforcement are still evolving.

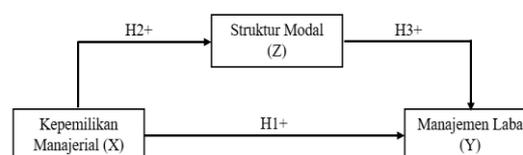
Agency Theory provides a fundamental framework for understanding earnings management behavior. The theory posits that conflicts of interest arise when ownership is separated from managerial control, creating incentives for managers to act in their own interests rather than those of shareholders. One governance mechanism proposed to mitigate agency conflicts is managerial ownership, whereby managers hold equity stakes in the firm. By aligning managerial incentives with shareholder interests, managerial ownership is expected to reduce opportunistic behavior, including earnings management (Jensen & Meckling, 1976; Fama & Jensen, 1983). However, empirical findings regarding this relationship remain inconclusive.

In addition to ownership structure, capital structure has been identified as a factor that may influence managerial behavior. The use of debt financing introduces monitoring by creditors and increases contractual obligations, which may constrain earnings management practices. Conversely, higher leverage can create pressure on managers to manipulate earnings in order to meet debt covenants or performance expectations. Therefore, capital structure may serve as an intervening mechanism linking managerial ownership and earnings management (Jensen, 1986; DeFond & Jiambalvo, 1994).

Despite extensive research on earnings management, studies that explicitly examine capital structure as a mediating variable between managerial ownership and earnings management remain limited, particularly in the context of Indonesian manufacturing firms. The food and beverage sub-sector represents an important industry due to its relatively stable demand and significant contribution to the economy, making it a relevant context for examining governance and financial reporting behavior (Siregar & Utama, 2005; Widianingsih, 2020).

Based on these considerations, this study aims to empirically examine the effect of managerial ownership on earnings management and to assess the mediating role of capital structure. The conceptual framework of this study proposes both direct and indirect relationships among the variables, as illustrated in Figure 1.

Figure 1. Conceptual Framework



Source: Processed by researchers (2026)

2. METHODOLOGY

2.1 Population and Sample

The manufacturing firms in the food and beverage subsector that are listed on the Indonesia Stock Exchange between 2022 and 2024 are the subject of this study. This industry was chosen because of its reliable operational traits and financial data accessibility. Purposive sampling was used to choose the sample based on a number of factors, such as the availability of comprehensive and audited yearly financial statements and the disclosure of data on capital structure, earnings management, and managerial ownership. The research comprised 231 firm-year data in total based on these criteria.

2.2 Operational Definition of Variables

Managerial discretion in financial reporting that influences reported results is known as earnings management. The Modified Jones Model, which has been widely used in earlier empirical research, provides the basis for the discretionary accruals used in this study to assess earnings management (Dechow et al., 1995). Managerial ownership, expressed as a percentage of all outstanding shares, is the percentage of business shares held by managers who actively participate in corporate decision-making. The Debt to Asset Ratio, which shows how much of a company's assets are financed by debt, serves as a proxy for capital structure, which represents the makeup of corporate financing (Brigham & Houston, 2019).

2.3 Data Analysis Method

This study employs an empirical quantitative approach to examine the relationships among variables using multiple linear regression analysis. Multiple linear regression is applied to test the direct effects of managerial ownership on capital structure and earnings management, as well as the effect of capital structure on earnings management (Ghozali, 2018; Wooldridge, 2013). Mediation analysis is conducted using a stepwise regression approach to assess both direct and indirect effects among variables (Ghozali, 2018).

Prior to hypothesis testing, diagnostic tests are performed to ensure that the regression models satisfy key statistical assumptions, including normality, multicollinearity, heteroskedasticity, and autocorrelation (Ghozali, 2018). All statistical analyses are conducted using SPSS software. The regression models applied in this study are specified as follows:

Model 1:

$$Z = \alpha + P1ZX + \varepsilon1$$

Model 2:

$$Y = \alpha + P2YX + P3YZ + \varepsilon2$$

where Y represents earnings management, X denotes managerial ownership, Z refers to capital structure, α is the constant term, β represents regression coefficients, and ε is the error term.

3. FINDINGS AND DISCUSSION

3.1 Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Kepemilikan Manajerial	231	.00	84.81	9.8499	20.55529
Manajemen Laba	231	-.50	.81	-.0084	.13986
Struktur Modal	231	-23.62	29.32	1.1942	2.97759
Valid N (listwise)	231				

Source: Secondary Data (2026)

Referring to Table 1, the descriptive statistics provide an overview of the distribution of the research variables, including minimum and maximum values, mean scores, and standard deviations. The results indicate that earnings management, managerial ownership, and capital structure vary considerably across firms and observation periods. The level of dispersion observed in the data suggests heterogeneity among sample firms, indicating that the dataset is appropriate for further regression analysis.

3.2 Normality Test

Table 2. Kolmogorov-Smirnov Test Results 1

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		231
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.97722483
Most Extreme Differences	Absolute	.323
	Positive	.245
	Negative	-.323
Test Statistic		.323
Asymp. Sig. (2-tailed)		.000 ^c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Secondary Data (2026)

Table 3. Kolmogorov-Smirnov Test Results 2

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		231
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.13848934
Most Extreme Differences	Absolute	.075
	Positive	.075
	Negative	-.072
Test Statistic		.075
Asymp. Sig. (2-tailed)		.003 ^c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Secondary Data (2026)

Based on Table 2 and Table 3, the results of the normality test show that the residuals do not fully follow a normal distribution. However, considering the relatively large number of observations, the normality assumption can be relaxed by referring to the Central Limit Theorem. Therefore, the residuals in both regression models are considered acceptable for subsequent statistical testing.

3.3 Multicollinearity Test

Table 4. Multicollinearity Test Results 1

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Kepemilikan Manajerial	1.000	1.000

a. Dependent Variable: Struktur Modal

Source: Secondary Data (2026)

Table 5. Multicollinearity Test Results 2

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Kepemilikan Manajerial	1.000	1.000
	Struktur Modal	1.000	1.000

a. Dependent Variable: Manajemen Laba

Source: Secondary Data (2026)

Based on Table 4 and Table 5, the multicollinearity test results show that tolerance values exceed the minimum threshold and Variance Inflation Factor (VIF) values remain below the critical level. These findings indicate that multicollinearity is not present among the independent variables, allowing each variable to contribute independently to the regression models.

3.4 Heteroskedasticity Test

Table 6. Glejser Test Results 1

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.229	.200		6.151	.000
	Kepemilikan Manajerial	-.005	.009	-.040	-.600	.549

a. Dependent Variable: ABRESID1

Source: Secondary Data (2026)

Table 7. Glejser Test Results 2

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.090	.008		11.618	.000
	Kepemilikan Manajerial	.000	.000	.073	1.105	.270
	Struktur Modal	.001	.002	.044	.664	.508

a. Dependent Variable: ABRESID2

Source: Secondary Data (2026)

Referring to Table 6 and Table 7, the heteroskedasticity test results demonstrate that the significance values of all independent variables exceed the 0.05 level. This suggests that the variance of the residuals is constant, and thus the regression models do not suffer from heteroskedasticity.

3.5 Autocorrelation Test

Table 8. Autocorrelation Test Results 1

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.016 ^a	.000	-.004	2.98372	1.901

a. Predictors: (Constant), Kepemilikan Manajerial
b. Dependent Variable: Struktur Modal

Source: Secondary Data (2026)

Table 9. Autocorrelation Test Results 2

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.139 ^a	.019	.011	.13910	2.014

a. Predictors: (Constant), Struktur Modal, Kepemilikan Manajerial
b. Dependent Variable: Manajemen Laba

Source: Secondary Data (2026)

As presented in Table 4 and Table 5, the Durbin–Watson statistics fall within the acceptable range between the upper bound and its complementary value. This indicates that there is no indication of autocorrelation in the residuals, suggesting that the regression models satisfy the assumption of error independence.

3.6 Multiple Linear Regression Analysis

Table 10. Results of Multiple Linear Regression Analysis 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.217	.218		5.586	.000
	Kepemilikan Manajerial	-.002	.010	-.016	-.236	.813

a. Dependent Variable: Struktur Modal

Source: Secondary Data (2026)

Table 11. Results of Multiple Linear Regression Analysis 2

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.021	.011		-1.904	.058
	Kepemilikan Manajerial	.001	.000	.118	1.797	.074
	Struktur Modal	.004	.003	.076	1.166	.245

a. Dependent Variable: Manajemen Laba

Source: Secondary Data (2026)

Regression Model 1's findings, as shown in Table 10, show that management ownership has a negative but statistically negligible impact on capital structure. Additionally, as Table 11 illustrates, Regression Model 2 shows that neither capital structure nor managerial ownership substantially affects profits management. These results imply that the selected businesses' profits management practices are not significantly influenced by differences in managerial ownership and financing choices.

3.7 Coefficient of Determination (R²)

Table 12. Results of the Determination Coefficient (R²) 1

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.016 ^a	.000	-.004	2.98372	1.901

a. Predictors: (Constant), Kepemilikan Manajerial
b. Dependent Variable: Struktur Modal

Source: Secondary Data (2026)

Table 13. Results of the Determination Coefficient (R²) 2

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.139 ^a	.019	.011	.13910	2.014

a. Predictors: (Constant), Struktur Modal, Kepemilikan Manajerial
b. Dependent Variable: Manajemen Laba

Source: Secondary Data (2026)

The coefficient of determination for Regression Model 1, as shown in Table 12, shows that managerial ownership only partially accounts for the difference in capital structure. In a similar vein, Table 13 for Regression Model 2 demonstrates that capital structure and managerial ownership together only partially explain the difference in profits management. This suggests that characteristics not included in this study have an impact on earnings management strategies.

3.8 F-Test

Table 14. F Test Results 1

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.498	1	.498	.056	.813 ^b
	Residual	2038.690	229	8.903		
	Total	2039.187	230			

a. Dependent Variable: Struktur Modal
b. Predictors: (Constant), Kepemilikan Manajerial

Source: Secondary Data (2026)

Table 15. F Test Results 2

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.088	2	.044	2.262	.106 ^b
	Residual	4.411	228	.019		
	Total	4.499	230			

a. Dependent Variable: Manajemen Laba
b. Predictors: (Constant), Struktur Modal, Kepemilikan Manajerial

Source: Secondary Data (2026)

According to Table 14, the F-test findings show that capital structure is not concurrently impacted by management ownership. Furthermore, Table 15 demonstrates that capital structure and managerial ownership do not significantly affect profits management when combined. These findings imply that, at the five percent level, neither regression model is statistically significant.

3.9 t-Test

Table 16. t-Test Results 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.217	.219		5.586	.000
	Kepemilikan Manajerial	-.002	.010	-.016	-.236	.813

a. Dependent Variable: Struktur Modal

Source: Secondary Data (2026)

Table 17. t-Test Results 2

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.021	.011		-1.904	.058
	Kepemilikan Manajerial	.001	.000	.119	1.797	.074
	Struktur Modal	.004	.003	.076	1.166	.245

a. Dependent Variable: Manajemen Laba

Source: Secondary Data (2026)

The partial test findings, as shown in Table 16, demonstrate that management ownership has no discernible impact on capital structure. Additionally, Table 17 shows that neither capital structure nor managerial ownership significantly affects earnings management. These results demonstrate that none of the theories put out in this study have empirical backing.

3.9.1 Effect of Managerial Ownership on Earnings Management

The t-test results indicate that managerial ownership does not have a significant effect on earnings management. This finding suggests that managerial shareholding may not be sufficient to limit opportunistic earnings management practices.

This result is consistent with previous studies by Christi et al. (2022) and Widianingsih (2020), which also report that managerial ownership does not significantly influence earnings management. One possible explanation is that the proportion of managerial ownership in many firms is relatively small, thereby limiting its effectiveness as a governance mechanism.

3.9.2 Effect of Managerial Ownership on Capital Structure

The empirical results show that managerial ownership does not significantly affect capital structure. This finding supports the results of Pratiwi (2016) and Kartikasari et al. (2022), which suggest that financing decisions are not necessarily determined by ownership structure but may instead be driven by operational and market considerations.

3.9.3 Effect of Capital Structure on Earnings Management

The results further indicate that capital structure does not have a significant effect on earnings management. This finding is in line with the studies of Lestari (2019) and Nurainun Bangun (2020), which argue that leverage does not always encourage earnings management when external monitoring mechanisms are effective.

3.9.4 Effect of Managerial Ownership on Earnings Management through Capital Structure

Because managerial ownership does not significantly influence capital structure, and capital structure does not significantly affect earnings management, capital structure cannot serve as a mediating variable. This result supports the argument that governance mechanisms derived from Agency Theory are highly context-dependent (Siregar & Utama, 2005).

4. CONCLUSION

This study concludes that managerial ownership does not significantly affect earnings management, either directly or indirectly through capital structure as a mediating variable. Capital structure is also found to have no significant effect on earnings management. These findings indicate that the effectiveness of ownership-based governance mechanisms and financing policies is highly context-dependent.

The results provide implications for firms to strengthen other corporate governance mechanisms beyond managerial ownership and capital structure. Future research is encouraged to incorporate additional governance variables, extend the observation period, and apply alternative analytical methods to further explore earnings management behavior.

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