The Structure of Ownership and Bonus Compensation Its Effect on Earnings Management in Insurance Companies on Registered the Indonesia Stock Exchange in 2015-2019

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ABSTRACT

This research is aimed to determine the effect of the structure ownership and bonus compensation both simultaneously and partially on earnings management in insurance sector issuers on the Indonesia Stock Exchange (BEI) 2015-2019. The type of research used is verification research or hypothesis testing research. By using the census method and unbalanced panel data obtained 68 observation companies that meet the population criteria. The type of data used is secondary data obtained from the capital market reference center on the Indonesia Stock Exchange. Multiple regression analysis model is used to test the hypothesis. The results of this study indicate that (1) ownership structure has a negative effect on earnings management. (2) bonus compensation has a negative effect on earnings management, and (3) managerial ownership structure and bonus compensation simultaneously have an effect on earnings management.

Keywords

Structure ownership, bonus compensation, earnings management

Introduction

Financial reports are the main tool for managers to show the effectiveness of achieving goals and to carry out the accountability function in the organization. In the Financial Accounting Standards (IAI, 2009) it is stated that "the purpose of financial statements is to provide information concerning the financial position, performance and changes in the financial position of a company which is useful for a large number of users in making economic decisions. One of the important parameters in

The financial statements used to measure management's performance are earnings, which are presented in the income statement. Profit is one of the main indicators for measuring performance and management accountability. Profit information can be used as a guide in making investments that help investors or other parties in assessing the company's future earnings power (ability to generate profits). Management realizes this tendency to pay attention to earnings, especially managers whose performance is measured based on earnings information, thus encouraging the emergence of earnings management.

Earnings management is interesting to study because it can provide an overview of the behavior of managers in reporting their business activities in a certain period, namely the possibility of certain motivations that encourage them to manage reported financial data. Earnings management is not always associated with attempts to manipulate accounting data or information, but it can also be done by selecting accounting methods that are permitted under accounting regulations.

The results of previous studies found several factors that are thought to influence earnings management. Jensen and Meckling (1976) found that manipulation behavior by managers originates from conflicts of interest which can be minimized through a monitoring mechanism that aims to align various interests, namely by increasing managerial ownership, so that the interests of the owners of the shares will be aligned with the manager's ownership.

Moh'd et al. (1998) in Midiastuty and Machfoedz (2003) state that institutional investors are parties who can monitor agents with large ownership, so that the motivation of managers to manage earnings is reduced. Jiambalvo (1996), Midiastuty and Machfoedz (2003) found that institutional

ownership has a negative effect on earnings management. These findings indicate that institutional ownership is an effective mechanism in monitoring manager performance.

The research results of Suryatiningsih and Siregar (2008) show that bonus schemes are positively related to positive accrual discretionary, in which the bonus scheme of BUMN directors provides incentives for directors to carry out earnings management through discretionary accruals that increase profits in order to maximize the bonus they receive. Palestin (2008) found that bonus compensation has a significant effect on earnings management. The bonus compensation system can have an influence on management performance.

Kane et al. (2005) in Palestin (2008) states that by using the bonus mechanism in agency theory, management ownership is below 5%, there is a desire for managers to carry out earnings management in order to get a large bonus. Management ownership is more than 25%, because management has a large enough ownership with controlling rights of the company, so information asymmetry is reduced.

The object of his research is insurance companies listed on the IDX because insurance companies are companies that have different characteristics from companies in general, insurance companies take over risks from other parties so that insurance companies are more risk-intensive than other companies. Many insurance company customers are from the general public who depend on their money to be managed by the insurance company, so that when the company is not managed properly by management, many people will become victims.

Research Objectives

The purpose of this study is to examine the effect of ownership structure and bonus compensation on earnings management in insurance companies listed on the Indonesia Stock Exchange 2015-2019".
1. Does Ownership Structure affect earnings management in insurance companies listed on the Indonesia Stock Exchange 2015-2019?

2. What is the Bonus Compensation for earnings management in insurance companies listed on the Indonesia Stock Exchange 2015-2019?
3. Does the Ownership Structure and Bonus Compensation affect Profit Management in Insurance Companies listed on the Indonesia Stock Exchange 2015-2019?

Benefits of Research

1. For researchers, can add, broaden horizons and develop knowledge, especially for financial research as a consideration for further research on the factors that affect earnings management.
2. For companies, this study can be used for decision-making considerations so as to avoid adverse earnings management practices
3. For investors it can be used as a consideration in including their capital in a company with good management quality.

Literature Review

Agency Theory

Agency theory is a contract between one or more principals (investors / owners) and agents (management). This agency relationship is carried out by the implementation of a contractual relationship in which the principal delegates decisions to be authorized by the agent himself. The implementation of a contractual between the agent and the principal is intended to align interests between the two and avoid conflicts of interest, such as the difference in information received by the principal is less than the information received by the agent (Jensen & Meckling, 1976).

The emergence of a desire to take earnings management actions can be explained through agency theory, where management has more information than the principals or in other words, there is an imbalance of information obtained by shareholders and management. More information received by management creates opportunities for management to manipulate financial reports to enrich or prosper themselves (Palestin, 2008). This raises a conflict of interest where the principal and agent both want to maximize their

respective benefits based on the information received.

Jensen and Meckling (1976) also stated that there are two types of information asymmetry, namely Adverse Selection and Moral Hazard. Adverse Selection where one party gets more information than the other regarding the activities and how the company's prospects in the future. Meanwhile, Moral Hazard is information regarding actions to settle transactions that can only be observed and known by one party due to the separation of duties which is also one of the controls in a company.

This imbalance of information encourages shareholders or principals to be more closely monitored so that any information received is more accurate, more supervision carried out by shareholders gives rise to the name agency cost.

Institutional Ownership

Institutional ownership is the percentage of share ownership by institutional investors such as investment companies, banks, insurance companies, pension funds (Kennelly 2000). The existence of institutional ownership will encourage an increase in more optimal supervision of company performance. This means that the greater the percentage of shares held by institutional investors, the more effective the monitoring efforts will be because it can control the opportunistic behavior of managers (Jensen 1986). From the company's point of view, institutional ownership can reduce agency conflicts because it is able to control and direct managers to make debt and dividend policies that favor the interests of institutional shareholders.

Lin and Fu (2017) state that institutional investors who actively monitor the company's business can reduce information asymmetry and agency problems so that they can improve company performance. Institutional investors can apply their managerial skills, professional knowledge and voting rights to influence managers to increase company efficiency. Institutional investors can also assist companies in making business decisions. When companies need additional funding, institutional investors can provide additional funds or use their network to assist the company in obtaining funding sources.

Bonus Compensation

Bonus compensation is one of the awards given by the company for employee services. In general, the goal in designing a compensation system is to attract employees and retain competent employees (Elfira, 2014).

Bonus compensation is the company's policy to provide bonuses to managers based on their work in order to achieve company goals (Arfan & Muhammad, 2013). Aprina & Khairunnisa (2015) stated that bonus compensation is an award by the company owner to the management who manages the company for achieving good results and exceeding the predetermined achievements. In other words, the greater the achievement that exceeds the existing target, the greater the possibility for the company to give bonuses.

The decision to give bonuses is not made by all companies, this policy is based on the policies of each company or often referred to as the bonus scheme (Pujiningsih, 2011). The act of giving bonuses within the company is commonplace. The existence of a bonus scheme in the company can motivate managers to manipulate the company's net income to maximize the profit that will be received. This bonus compensation is not fixed in the form of material or money, bonuses can also be given in the form of facilities and others.

Earnings Management

Earnings management is interference in the external financial reporting process in order to benefit itself, and is one of the factors that reduces the credibility of financial reports (Setiawati & Na'im, 2000). Earnings management is thought to appear or be carried out by managers in the financial reporting process of an organization because they expect a benefit from the actions taken.

Earnings management according to Fisher and Rosenzweig (1995) is an act of reducing or increasing profits in a certain period by management without causing a decrease and an

increase in the company's economic profits in the long run called earnings management. Meanwhile, according to Schipper (1989) earnings management is the preparation of financial statements in which there is interference that leads to self-benefit.

Healy and Wahlen (1999) explain that earnings management actions occur when managers make decisions according to their personal needs in reporting and compiling company financial reports which have the effect of misleading stakeholders in using the report. According to the National Association of Certified Fraud Examiners, the definition of earnings management is a deliberate error and negligence when compiling financial reports regarding accounting data and material facts that are misleading when used as a basis for making a decision (Sulistyanto, 2014).

Based on the description of the definition of earnings management above, it can be concluded that earnings management is an engineering act of financial statements, especially to manipulate company profits to match what is desired. Certain motivations can encourage managers to report activities or financial reports in accordance with what they want or say is not in accordance with the actual situation. This profit engineering action will actually have a negative impact which will affect the quality of earnings which decreases and affect decision making based on earnings data or overall financial statements. According to Hery (2015), the act of manipulating profits does not always refer to attempts to manipulate data but also tends to the selection of accounting methods that are allowed according to existing accounting standards.

Framework

Relationship between Structure Ownership and Earnings Management

Institutional ownership is one way to monitor the performance of managers in managing the company so that ownership by other institutions is expected to reduce earnings management behavior by managers. Institutional ownership has the ability to control management through the monitoring process effectively. Cornett et al. (2006) found evidence that the supervisory actions carried out by a company and institutional investors can limit the behavior of managers. This supervisory action can encourage managers to focus more on company performance, thereby reducing opportunistic or selfish behavior. Moh'd et al. (1998) in Midiastuty and Mahfoedz (2003) state that institutional investors are the parties who can monitor agents with large ownership, so that managers' motivation to manage earnings is reduced. A certain percentage of shares owned by an institution may affect the process of preparing financial statements which does not preclude accrualization in the interests of management. Midiastuty and Mahfoedz's (2003) study found a negative relationship between institutional ownership and earnings management.
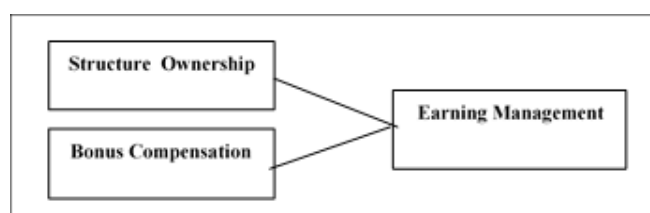
Bonus Compensation Relationship with Earnings Management

Bonus payments are often linked to the level of net profit generated in the year concerned. The manager will try to manage net income in such a way as to maximize his bonus. Managers who have information on the actual company's net income will act opportunistically to manage earnings by maximizing current profits or saving them for years to come.

Palestin (2008) shows a positive relationship between bonus compensation and earnings management. With this it can be concluded that if the company has a compensation (bonus scheme), then managers will tend to take actions that regulate net income in order to maximize the bonus they receive. Research by Suryatiningsih and Siregar (2008) also shows that the bonus scheme for BUMN directors provides incentives for directors to carry out earnings management through discretionary accruals that increase profits in order to maximize the bonus they receive. The test results show that in general the variables for calculating the bonus scheme, namely divided profit, last year's profit achievement index, and budget achievement index significantly affect the amount of discretionary accruals. The bonus scheme calculation variables also proved to be positively related to positive discretionary accruals.

Ownership Structure and Bonus Compensation have an effect on Earning Management

According to Pujiati and Arfan (2013), examining the effect of managerial ownership, institutional ownership and bonus compensation on earnings management in manufacturing companies on the IDX in 2006-2010. Based on the results of hypothesis testing, the following conclusions are obtained: Managerial ownership, institutional ownership, and bonus compensation together have an effect on earnings management, managerial ownership has a negative effect on earnings management, institutional ownership has a negative effect on earnings management and bonus compensation has a negative effect on earnings management. in manufacturing companies on the IDX.

Population and Sample

The population in this study are insurance companies listed on the Indonesia Stock Exchange (IDX) for the period 2015 - 2019, obtained from the official IDX website at www.idx.co.id. Namely, it can be seen in Table 1 as follows:

No.	Company Name
1	PT Asuransi Bina Dana Arta Tbk (ABDA)
2	PT Asuransi Harta Aman Pratama Tbk (AHAP)
3	PT Asuransi Multi Arta Guna Tbk (AMAG)
4	PT Asuransi Bintang Tbk (ASBI)
5	PT Asuransi Dayin Mitra Tbk (ASDM)
6	PT Asuransi Jasa Tania Tbk (ASJT)
7	PT Asuransi Kresna Mitra Tbk (ASMI)
8	PT Asuransi Ramayana Tbk (ASRM)
9	PT Jiwa Syariah Jasa Mitra Abadi (JMAS)
10	PT Lippo General Insurance Tbk (LPGI)
11	PT Maskapai Reasuransi Tbk (MREI)
12	Malacca Trust Wuwungan Insurance Tbk (TMI)
13	Paninvest Tbk (PNIN)
14	Asuransi Tugu Pratma Indonesia Tbk (TUGU)
15	Victoria Insurance Tbk(VINs)

Based on these provisions, the total population of this study is 68 company observations, namely: in 2015 there were 11 companies, in 2016 there were 13 companies, in 2017 there were 14 companies, in 2018 there were 15 companies, and in 2019 there were 15 companies. Since the population elements of this study were not many (only 68 observations), all elements of the population were studied. In other words, the research method used is the census method.

Methodology

This study aims to examine the effect of the independent variable (ownership structure and bonus compensation) on the dependent variable (earnings management) through hypothesis testing. This type of research used in this research is verification research. The type of relationship between variables is a causal relationship, namely the type of relationship that explains the effect of the independent variable on the dependent variable or the type of relationship that explains the causal relationship between variables (Sekaran & Bougie, 2009). The unit of analysis in this study is the level of service, namely the insurance company in the Indonesia Stock Exchange that carries out earnings management by increasing profits (income-increasing discretionary accruals). The time horizon used is unbalanced panel data (each cross-sectional unit has a number of observations that are not always the same for every time / period).

Earning Management

Scott (2006) provides the definition of income as follows: "earnings management is the choice by a manager of accounting policies to achieve certain goals". Earnings management is the potential use of accrual management for the purpose of obtaining personal benefits. To measure the level of earnings management, discretionary accruals are used and are calculated by The Modified Jones Model (1991) which is used by (Dechow et al., 1995). The best model in controlling earnings

management compared to other models. The reason for choosing the Jones model is really because this model is responsive and gives the best results.

Total accruals are obtained from the difference in net income and cash flow from operations. The total accruals of a company which are non-discretionary accruals (normal accrual level) and discretionary accruals (abnormal accruals), can be formulated as follows:

TA = Net income - Cash flow from operations
TA = normal accrual (NDA) + abnormal accrual (DA)

Accrual that is not expected or accrual is not normal in the circumstances as a component that cannot state (residual) of total accruals. This abnormal accrual rate is the level of accruals resulting from earnings engineering performed by managers.

The steps in calculating discretionary accruals are as follows:

DA = TA – NDA
TA = NDA +DA
Total Accural (TCA)
$$TAC = NI_{it} - CFO_{it}$$

Estimating Total Accural (TAC) with Ordinary Least Square (OLS) to get regression

$$\frac{TA_{it}}{A_{it-1}} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon$$

Calculate Nondiscretionary Accurals (NDA)

$$NDA_{it} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it}} \right)$$

Calculate Discretionary Accruals (DA) as a measure of earnings management

$$DA_{it} = \left(\frac{TA_{it}}{A_{it-1}} \right) + NDA_{it}$$

DA = Estimated discretionary accruals for company i in period t

TA = Total accruals of company i in period t
NDA = Estimated non-discretionary accruals for company i in period t
Tait = Total accruals for company i in period t
Ait-1 = Total assets for company i in period t
ΔREV = Change in net sales of company i from year t-1 to year t
ΔREC = Change in net receivables of company i from year t-1 to year t
PPEit = Fixed assets (gross property, plant, and equipment) company i in period t

Ownership Structure

Institutional ownership is the proportion of share ownership held by institutional parties such as companies, financial institutions, investment companies and cooperatives. The measurement for calculating institutional ownership is the percentage of shares owned by an institution or institution which can be formulated as follows (Koh, 2003):

$$KI = \frac{Jumlah\ saham\ Institusi}{Total\ Saham\ Perusahaan} x100\%$$

Bonus Compensation

The management compensation program is a policy and procedure for providing compensation for managers, including bonuses based on the achievement of performance goals for a period (Blocher, 2007). This variable uses a dummy variable, namely by using a scale of 1 if there is a bonus compensation to management and a scale of 0 if there is no bonus compensation to management.

Method of Analysis

To test and analyze the effect of managerial ownership, institutional ownership and bonus compensation on earnings management in manufacturing companies on the Indonesia Stock Exchange, multiple linear regression analysis models are used. The model is formulated as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 + \varepsilon_{it}$$

Explanation

Y_{it} = Earnings management company i year t

α = constant

$\beta_1, \beta_2, \beta_3$ = Coefficient regression

$X_{1\,it}$ = Company ownership structure i year t

$X_{2\,it}$ = Company bonus compensation i year t

ε_{it} = Error term (variables not included in this research model)

Results and Analysis

Description of Research Data

This research is an empirical research on insurance companies listed on the IDX regarding ownership structure and bonus compensation and its effect on earnings management. This study uses secondary data obtained directly from the annual financial statements of insurance companies published by the IDX. Description of research data can be seen in Table 2.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev.
Ownership Structure	68	,09	1,00	,7102	,24577
Bonus Compensation	68	,00	1,00	,7206	,45205
Earning Management	68	-,36	,10	-,0152	,05658
Valid N (listwise)	68				

Based on Table 2, it can be seen that the lowest, highest and average values of the variables studied with 68 company observations during 2015-2019. The dependent variable for earnings management proxied by discretionary accruals has the lowest value of -0.36, which means that earnings management is carried out at -36% of the company's total assets. The highest value is 0.1, meaning that earnings management is carried out at 10% of the company's total assets. The average value of the level of earnings management is -0.152 means that the average earnings management is -15.2% of the company's total assets.

The first independent variable is Ownership Structure with the lowest value of 0.09, meaning that the lowest number of company shares owned by the company is 9% of the total outstanding shares. The highest value is obtained at 1, meaning that the highest number of company shares owned by the company is 100% of the total shares outstanding. The average value of managerial ownership is 0.7102, which means that the number of shares owned by managerial parties averages 71% of the total shares outstanding. The data description of the second independent variable can be seen in Table 2.

Table 3. Bonus compensation variable data description

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	19	27.9	27,9	72.1
	1	49	72.1	72.1	100.0
	Total	68	100.0	100.0	

Source: Secondary data, 2020 (processed)

Based on Table 3, the second independent variable, namely bonus compensation is measured using a dummy variable. The value of 1 shows that there are 49 company observations or 72.1% of the total company observations that provide bonus compensation to their management, while the value 0 shows 19 company observations or 27.9% of the total observations of companies that do not provide bonus compensation to their management.

Hypothesis Testing Results

Based on the results of calculations using the help of the Statistical Product and Service Solutions (SPSS) program version 20.0, using multiple linear regression analysis, the Ownership Structure and bonus compensation are obtained and their effect on earnings management in insurance companies on the Indonesia Stock Exchange 2015-2090 as seen in Table 4.

Table 4. Regression results effect of independent variables on dependent variables

Multiple linear regression equation $Y = 0.022 - 0.051X_1 - 0.001X_2 + \varepsilon$		
	B	**Standard Error**
Constant (a) Management Ownership Compensation Bonus	0.022	0,022
	-0.051	0,029
	-0.001	0,016
Correlation coefficient (R) = 0.226[a]		
Coefficient determination $(R^2) = 0.051$		
Adjusted $(R^2) = 0.022$		

Based on Table 4, the multiple regression equation is obtained as follows:

$$Y = 0.022 - 0.051X_1 - 0.001X_2 + \varepsilon$$

The constant value is 0.022, this figure shows that if the factors of ownership structure (X1), bonus compensation (X2) are considered constant, then the amount of earnings management in insurance companies listed on the IDX is 0.022.

Partial Test Results

Based on Table 3, it can be seen that:

The regression coefficient value of the effect of Ownership Structure (X1) on Y earnings management is -0.051. The results of this study reject H0 (null hypothesis) and accept Ha (alternative hypothesis), it can be said that share ownership structure has a negative effect on earnings management in insurance companies listed on the IDX. The managerial ownership regression coefficient value of -0.051 indicates that any increase in managerial ownership of 1% of the number of shares outstanding will result in a decrease in earnings management by 0.051% of total assets, and bonus compensation (X2) is constant.

The regression coefficient value of the effect of bonus compensation (X2) on earnings management (Y) is -0.001. The results of this study accept H0 (null hypothesis) and reject Ha (alternative hypothesis). It can be said that bonus compensation has a negative effect on earnings management in insurance companies listed on the IDX. The regression coefficient value of -0.001 indicates that each bonus compensation will result in a decrease in earnings management by 0.001% of the company's total assets, and the assumption of the variable ownership structure (X1) is constant. On the other hand, without compensation, the earnings management bonus remains constant at 0.022% of the company's total assets.

Discussion

The Effect of Ownership Structure on Earnings Management

Based on the results of hypothesis testing, the company's ownership structure has a negative effect on earnings management, which is indicated by the regression coefficient value of -0.051. This negative effect means that the greater the percentage of company share ownership, the lower the level of earnings management carried out by the insurance company manager, on the contrary the smaller the percentage of company share ownership the higher the level of earnings management carried out by the insurance company manager.

This negative effect can occur because the institutional company owns a portion of the company's shares, so that the company's tendency to regulate accounting earnings decreases. With the ownership of shares owned by the company, the company will act in accordance with the interests of shareholders so as to minimize the company's opportunistic behavior.

The results of this study are consistent with the results of research conducted by Widyastuti (2009), Ujiyantho and Pramuka (2007) which show that managerial ownership has a negative effect on earnings management. These findings indicate that a high proportion of managerial share ownership tends to not occur in earnings management. Therefore, it can be concluded that managerial ownership is one way that can be used to reduce the occurrence of earnings management in a company.

Effect of Bonus Compensation on Earnings Management

Based on the results of hypothesis testing, bonus compensation has a negative effect on earnings management as indicated by the regression coefficient value of -0.001. This negative effect means that the greater the bonus compensation given to management, the lower the level of earnings management carried out by the insurance company, conversely, the smaller the bonus compensation given to management, the higher the level of earnings management carried out by the insurance company. So if the company provides bonus compensation to large management, the lower the earnings management practices the company will carry out.

The negative effect of bonus compensation on earnings management indicates that the results of this study are not consistent with the bonus plan hypothesis. The results of this study are also inconsistent with the results of Palestin (2008) which found that bonus compensation has a significant effect on earnings management.

This negative influence can be explained through agency theory (Jensen & Meckling, 1976). Based on agency theory, the provision of large compensation or incentives means that the

manager's policy is broader to influence earnings when reporting company conditions. When the compensation or incentives are high, shareholders seek to exercise tighter control over company manager policies. This is done by shareholders in an effort to reduce the company's behavior in conducting earnings management. Based on the description of the research data, it also shows that of the 68 observations of companies that are the target population, there are 49 observations of companies that provide bonus compensation to their employees.

The Effect of Ownership Structure and Bonus Compensation on Earnings Management

Based on the results of hypothesis testing, ownership structure and bonus compensation have an effect on earnings management.

The correlation coefficient (R) = 0.226 which indicates that the degree of relationship (correlation) between the dependent variable and the independent variable is 22.6%. This means that earnings management has a weak relationship with ownership structure (X1) and bonus compensation (X2), because the correlation coefficient is between 0.20-0.40 using the Guilford classification (1956) in Arfan (2008). To find out the magnitude of the influence of other variables that are not included in this research model (ε) is calculated using the method used by Loather and McTavish (1993) in Arfan (2008) with the following formula:

$\varepsilon = 1 - R2$ The coefficient of determination (R2) = 0.051, meaning that 5.1% of the changes that occur in earnings management (Y) can be explained by changes in ownership structure (X1), and bonus compensation (X2), while the rest of 94.9% is explained by other variable factors that are not included in this research model. Research on earnings management continues to develop and it was found that many influencing variables were not tested in the study.

Conclusion

Conclusion

This research was conducted to examine the effect

of managerial ownership, institutional ownership, and bonus compensation on earnings management in insurance companies on the IDX in 2015-2019.

Based on the results of hypothesis testing, the following conclusions are obtained:
1. Ownership structure has a negative effect on earnings management in insurance companies on the IDX.
2. Bonus compensation has a negative effect on earnings management in insurance companies on the IDX.
3. Ownership Structure Ownership and bonus compensation affect earnings management in the Insurance company on the IDX.

Limitations

This study has limitations, including the following:
1. This study uses a period of financial statement data for only five years, from 2015 to 2019.
2. This study only examines insurance companies listed on the IDX with certain criteria set by researchers, so that the results cannot be generalized to other companies listed on the IDX.
3. In addition, the number of independent variables used to find their effect on earnings management is only two variables, namely ownership structure and bonus compensation. Based on the regression results, it is known that the coefficient of determination (R2) = 0.051, meaning that only 5.1% of changes in earnings management can be explained by these three variables, while the rest of 94.9% is explained by other variable factors that are not included in this research model.

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