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OWNERSHIP STRUCTURE AND EARNING MANAGEMENT: EMPIRICAL STUDY ON LISTED COMPANY IN INDONESIAN STOCK EXCHANGE PERIOD 2008-2012

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Abstract

The listed companies in Indonesia Stock Exchange generally have already had their ownership structure - separating owners and managers. Such structure may create agency conflict between two parties. Their different role leads to the earning management which requires some mechanism to control the agency conflict. This research, was aimed at identifying the influence of ownership (either institutional, managerial, foreign, and concentrated ownership) on the earnings management.The population of this research consisted of all company listed on the Indonesia Stock Exchange in 2008-2012. Thirty two samples were selected using the purposive sampling technique. This research used logistic regression model and descriptive statistics approach for the analysis.The research result show that the institutional and managerial ownership had negative and insignificant on the earnings management respectively. The foreign, family, and concentrate ownership had positive and insignificant influence on the earnings management respectively. This research has its limitation, that is, using only 32 samples and the statistical analysis did not point to significant result.

Keywords : Agency Theory, Ownership Structure, Earning Management.

I. INTRODUCTION

The financial `, are often the target of engineering management to maximize his desire, but it can be detrimental to shareholders or investors. Such action is done by selecting certain accounting policies, so that corporate profits can be set, increased or decreased in accordance with his wishes. Earnings management behavior to regulate in accordance with the wishes of management known as earnings management. Earnings management arise due to agency conflicts , which arise due to the separation between ownership by the management company (Sudewi, 2004 in Palestine, 2008). With this separation, the owner of the company authorizes the manager to take care of the running of the company as managing funds and other companies make decisions on behalf of the owner. With these powers, enabling the manager or management is not acting in accordance with the wishes or interests of the owner, due to the conflict of interests. Flexibility in managing the company can lead to abuse of power. The management of the company as the manager of the company can maximize profits in order to maximize its interests at the expense of the owner of the company. This can occur because managers have information that is not owned by the owner of the company (asymmetric information). To avoid the opportunity for management actions that are detrimental to shareholders can be done in two ways, namely, monitoring and bonding. Monitoring is done by monitoring the outside investors, whereas restrictions bonding is done by the managers themselves to take action. This mechanism will bring the cost of the so-called agency cost. Agency costs is the cost incurred owners to organize and supervise the performance of the managers so that they work for the benefit of the company. In this case the structure can minimize the agency cost of ownership . With the separation of ownership, it can improve monitoring efforts, it can reduce agency cost. Due to the agency cost is reduced, then the ownership structure may indirectly serve to increase its profit. One sizable ownership structure of a company is institutional ownership. According Tarjo (2008) Institutional Ownership is the ownership of the shares owned by the institution or institutions (insurance companies, banks, investment companies, asset management and other institutional ownership). Institutional investors can ask the management company to disclose social information in its annual report for transparency to stakeholders to gain legitimacy and increase corporate value through capital market mechanisms that affect the company's stock price.

The existence of foreign investors in the ownership structure of the company is expected to raise the performance of the company for several reasons. First, the foreign investor will put pressure on managers to provide additional oversight. Second, foreign investors can provide new capitals and hiring managers who are already trained. Third, foreign investors are helping local companies to enroll her in the international market which resulted in diminishing costs of capital (Bekaert & Harvey, 1999, in Lucyanda and Lilyana). Anderson et al (2002) said that the family-controlled company has a structure that reduces the agency conflict between shareholders and creditors. On the one hand, family ownership of owned large equity can direct Integration to implement actions that can be detrimental to the minority. These characteristics also menyidiakan incentive to monitor management.

Ownership is said to be concentrated if to achieve majority control of dominance or merger takes fewer investors. The concentration of ownership may be internal disciplinary mechanisms of management as one of the mechanisms that can be used to increase the effectiveness of monitoring, due to the large ownership makes shareholders have access to information that is significant enough to offset the informational advantage held management (Hubert and Langhe 2002 in Nuryaman). The practice of earnings management can be viewed from two different perspectives, ie as wrong actions (negative) and the actions that should be taken by the management (positive). Earnings management is considered as an act of misleading and deceiving shareholders. This is due to management have asymmetric information about the condition of the company . Another view assumes that earnings management is an attempt to satisfy shareholders. Earnings management is done to maximize the value of the company when there is information asymmetry between managers and owners. It can lower the perceived risk of investors due to uncertainty of future returns that is expected to improve shareholder value.

This research refers to research conducted by Handy and Rachardi (2009), which examines firm size on earnings management. Results of research conducted by Handy and Rachardi (2009) This is not an effect of firm size on earnings management . The difference in this study lies in the independent variable used is the structure of ownership. Results of previous studies on the effect of ownership structure on earnings management has a different outcome or inconsistent. Based on the inconsistency of the results of these studies researchers interested in studying the effect of ownership structure on earnings management. In this study, the ownership structure used as independent variables because the agency theory or contractual relationship between the investor (principal) enterprise manager (agent) raises an issue that is commonly called agency problem, it happens between the owners or shareholders of the management company as the manager. Management as an agent should meet the interests of the principal but did not rule out the agencies concerned with its own interests. Based on previous studies empirically prove that the relationship of principal and agent are often determined by the accounting numbers. This spurred an agent to consider how accounting numbers can be used as a means to maximize its interests. One form of such action is earnings management. According to the agency approach, the ownership structure is a mechanism to reduce conflicts of interest between managers and shareholders. So it can be concluded that with the ownership structure can reduce managers act to maximize their interests by manipulating earnings or earnings management.

Researchers interested in using the population for this study are all companies listed on the Indonesia Stock Exchange 2008-2012 period. Based on suggestions from previous research, to expand the scope of the study sample observation and research in order to extend the influence of the structure can be seen kepemilkan in reducing earnings management, then in this penelitiaan terdatar using all companies in Indonesia Stock Exchange in the period 2008-2012. It also became one of the differences from previous research. Based on the above description of the background of the author to do research, in which earnings management as the dependent variable is computed using the Modified Jones Model, while the indicators used to measure the height of agency conflicts in the firm that is institutional ownership, managerial ownership, foreign ownership, family ownership, and kepeilikan concentrated as the dependent variable.

II. LITERATURE AND HYPOTHESIS DEVELOPMENT

Theory of Agency

An important issue in a surveillance system is a matter of the agency relationship described by Jensen and Meckling (1976) as a contract between one or more parties (principal) with other parties (agent), to exercise authority and decision-making on behalf of the principal. Principal employs an agent to perform a task or the interests of the principal, including principal delegating decision-making authority to the agent. Agency theory assumes that all individuals are entitled to their own interests and not the interests. According Ujiyantho and Scout (2007) Perspective agency relationship is the basis used to understand earnings management. As an agent, manager morally responsible for optimizing the profit of the owners (principal) and in return will receive compensation in accordance with the contract. Thus there are two different interests in the company in which each party sought to achieve or maintain a desired level of prosperity. Companies with dispersed shareholders will have agency problems that occur because of differences in interests between management and owners of the company. Because of differences in the interests of each party trying to maximize profits for themselves. Where the principal wants great returns from shares held. While the agency wants compensation or bonuses over the performance. Principal saw the work of an agent based on its ability to raise profits to be allocated in the distribution of dividends. The higher the income, the greater the dividend, then the agent will be considered to work well and deserves to get high compensation. Instead, in order to meet the interests of the principal received high compensation, the agent was able to play some conditions the company to make it look the target given by the principal parties is reached.

Ownership Structure

Agency theory hypothesizes that between the agent and the principal there may be a conflict of interest. Managers have an obligation to maximize the welfare of the shareholders. On the other hand managers also have an interest to maximize their welfare. The unification of the interests of these parties often cause problems with the so-called agency problem. Ownership structure can be explained from two perspectives, namely agency approach and the approach of information asymmetry. According to the agency approach, the ownership structure is a mechanism to reduce conflicts of interest between managers and shareholders. In this case the ownership structure may also increase the company's profit since the ownership structure is one of the mechanisms used to reduce agency cost. Separation of ownership by the principal to control the agent in an organization tend to lead to agency conflicts between principals and agents (Palestine , 2008). Therefore, the ownership structure is considered as the most crucial thing to address the agency problem because with a good ownership structure, the company will realize a decent performance as a manager as competent authorities in the management of the company has sufficient authority to carry out their duties.

Earnings Management

Management earnings is a phenomenon that is difficult to avoid because of this phenomenon is the impact of the use of the accrual basis in preparing the financial statements. In practice, managers can select appropriate accounting policies accounting standards. Therefore, it is reasonable that managers choose policies to maximize utilitinya and the market value of the company. This is called earnings management (Scott, 2003, in Tarjo, 2008). So earnings management is accounting policy choiced by the manager in order to achieve certain goals.

Earnings information becomes part of the financial statements that are considered most important, because such information is generally viewed as a representation of performance management in a given period. Belkaoui (2000) outlines the importance of earnings information for the parties concerned , first as a basis for the company's earnings in determining dividend policy. Second, a basic income in calculating the tax liability company. Third, profit is seen as a guide in determining the direction of investment and economic decision -makers. Fourth, income is believed to be a means of prediction that helps in predicting earnings and economic events in the future, and the fifth, income guidelines used in measuring the performance of management.

Effect of Institutional Ownership on Earnings Management

According to Faizal (2004), firms with large institutional ownership indicates its ability to monitor management because of the greater institutional ownership, the more efficient utilization of assets of the company and is also expected to act as a deterrent against waste made by management. The higher the institutional ownership will reduce the opportunistic behavior of managers to reduce agency cost (Wahyudi and Hartini, 2006). It can be concluded that institutional ownership has a better ability to monitor management actions compared to individual investors. In addition, institutional ownership also has the ability to control the management through effective monitoring process (Ujiyantho and Scout, 2007).

Based on some of these theories can be concluded that the higher ownership by institutions will be smaller management opportunities to manipulate the figures in the form of earnings management. Based on the description above, for the first hypothesis is stated as follows institutional ownership negatively affect earnings management.

Effect of Managerial Ownership on Earnings Management

In addition to institutional ownership, managerial ownership is also thought to reduce the opportunistic behavior of managers. The size of the number of managerial stock ownership in the company may indicate a common interest between management and shareholders (Faisal, 2004) . The greater ownership in the management company 's management will tend to try to improve performance for the benefit of shareholders and for the benefit of himself. While Suranta and Midiastuti (2005) states that managerial ownership is one of the corporate governance mechanism that can be used to minimize the agency conflict. It can be concluded that managers who have a stake in the company will tend to act in accordance with the interests of shareholders because there is a common interest between the two. The second hypothesis is formulated as follows managerial ownership negatively affect earnings management.

Effect of Foreign Ownership on Earnings Managemen

Currently, many foreign investors have entered the capital market in Indonesia. Foreign investors tend to be more conservative in investing bought stock selection compared to domestic institutional investors . Foreign investors tend to prefer to invest in companies that have a higher value in the market. This is because foreign investors to invest for the long term. Companies with foreign ownership more often face the problem of information asymmetry due to geographical barriers and discussed. In addition, companies with foreign ownership are more likely to face political risk, asymmetric information and legal protection (La Porta et al, 1999). It will provide an opportunity for managers to perform earnings management. Based on the description above, the third hypothesis can diformualsikan following foreign ownership has a positive effect on earnings management.

Effect of Family Ownership on Earnings Management

Agency conflicts are conflicts that arise as a result of the desire of management (the agent) to act in accordance with their interests to sacrifice the interests of shareholders (principals) to obtain returns and long-term value of the company. It can encourage management to perform opportunistic earnings management. Jensen and Meckling (1976) states that the ownership structure is a mechanism to reduce the conflict between management and shareholders. Ownership of the company is divided into two companies controlled by the owner and the company that is controlled by management. One form is the ownership structure of family ownership. Majority ownership structures used in Asian countries namely family ownership. Arifin (2003) in Siregar and Siddhartha (2005) argues that family-controlled companies have lower agency conflict. This is due to the low conflict of interest between principal and agent in family-controlled companies than other companies. Based on the above, the fourth hypothesis can be formulated as follows Family Ownership negatively affect earnings management.

Effect of Ownership Concentration on Earnings Management

The concentration of ownership may be a mechanism that is used to increase the effectiveness of monitoring, because it became the majority shareholder has significant information. But in addition to favorable, the concentration of ownership may also result in losses. If the more concentrated the ownership of shareholders will put their own interests which may be different from the interests of managers and investors. The second is the potential loss shareholders would bear big risk because ownership is not diversified (Shieifer and Vishny, 1997). Structure kepemilkan companies in Indonesia including concentrated ownership. The concentration of ownership can make the majority owner to act in accordance interests, for example by making it become manager of the company. With this, the management company can make profits for shareholders menuntungkan majority and minority party harm. Based on the description above, the importance of the fifth hypothesis is formulated as follows Ownership concentration has a positive effect on earnings management.

Theoritical Framework

Based on a literature review as well as some previous studies, the variables involved in this study can be formulated into the following framework:

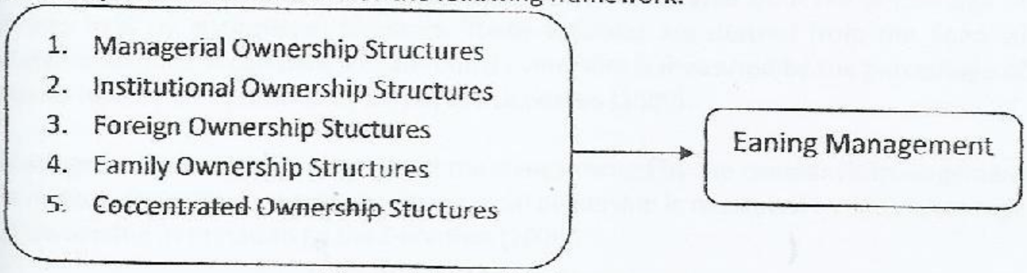

Figure 1: Theoritical Framework

III. RESEARCH METHODOLOGY

Population and Sample

The population in this study is a manufacturing company that is listed on the Indonesia Stock Exchange (IDX) during the period 2008-2012. The method used in sampling is purposive sampling method, ie the sampling method is based on certain criteria. Companies that meet all the criteria that were sampled in this study were 32 companies.

Variables and Measurement of Variables

The dependent variable in this study is earnings management. Tarjo (2008) descript earnings management in question is engineered profit by raising (lowering) the accrual component of earnings reported in the present moment of a unit that is the responsibility of the manager. Earnings management is measured by discretionary accruals and is calculated by the Modified Jones Model. Choose of modified Jones model because this model is considered as the best models in detecting earnings management compared to other models and provide the most robust results (Dechow et al, 1995). More calculation of earnings management are as follows:

Tait = NIIT - CFOit ....(1)

Description

TAit= Total accruals for firm i in year t, CFOit = Cash flow from operations for firm i in year t, NIIT = Net profit (net income) for firm i in year t.

NDAit = α1 (1/Ait-1) + α2 ((ΔREVit - ΔRECit)/Ait - 1) + α3 (PPEit/Ait-1) .... (2)

Further value can dihutung discretionary accruals as follows:

Dait = TAit/Ait-1 - NDAit .... (3)

Description

NDAit = Non-discretionary accruals for firm i in year t, ΔRECit = Changes in net receivables of firm i in year t - 1 to year t, Dait = discretionary accruals for firm i in year t, Ait - 1 = Total assets for firm i in year t – 1, ΔREVit = change in income in the period t, PPEit = fixed assets of firm i in year t and α1 , α2 , α3 = coefficient.

Working capital accruals data can be obtained directly from the statement of cash flows in operating assets, so investors can directly obtain such data without performing complex calculations. After the calculation results obtained, furthermore earnings management in this study will also be measured by a dummy variable. Due to the ownership structure aims to reduce agency cost of ownership so that the structure can increase its profit , then created a dummy variable for earnings management, ie 1 for firms with a positive outcome and 0 for firms with negative results. Institutional ownership variable is defined as ownership by financial institutions (both banks and non-bank) and non-financial institutions. Calculated from the percentage of shares held by institutional investors. These variables are derived from the financial statements of each company's institutional ownership is measured by the percentage of shares held by an institution as that of the Dervishes (2009).

Managerial ownership is ownership of the shares owned by the company's management in making decisions. In this study , managerial ownership is measured by the percentage of ownership as practiced by the Dervishes (2009).

Foreign ownership Is ownership of shares held by foreign ownership in the form of a foreign entity. When a company is more than one foreign ownership of companies that own shares, the shareholding is measured by calculating the total shares owned by all foreign ownership, can be formulated (Machmud and Chaerul, 2008). Companies with a controlling family ownership have greater voting rights in the election of directors and commissioners of the General Meeting of Shareholders (AGM) so that the company directors and commissioners occupied by the family members. Based on the theory developed by Jensen and Meckling (1976), the ownership structure of the company to be able to minimize or eliminate the problem and agency costs between majority shareholders and management. According to La Porta et al (1999), ownership is defined as a family of individual ownership and possession of the closed Integration (above 5 %), which is not a public company, country, or financial institutions. In this study of family ownership will be measured by a dummy variable, ie 1 for firms with family ownership of 20% or more and 0 for firms with family ownership is less than 20 % (Rebecca and Sylvia, 2012).

Concentration of ownership descript about how and who is in control of the whole or most of the ownership of the company and the whole or most of the shareholders control over the company's business activities. Concentration of ownership is measured by the level of ownership by a party of more than 51 % indicate a right of control by majority shareholders. In this study, concentrated ownership is a dummy variable , 1 = 0 = Integration concentrated and unconcentrated Integration (Nuryaman, 2009).

Analysis techniques

This study uses a model of the logistic equation regresion in testing the hypothesis with the following formulation:

$$Ln\ (EM/1\text{-}EM) = \alpha + \beta1MO + \beta2\ IO + \beta3FO + \beta4FyO + \beta5\ CO + e$$

Description

Ln(EM/1-EM)=Earning Management, MO=Managerial Ownership, IO=Institutional Ownership, FO=Foreign Ownership, FyO=Family Ownership, CO=Concentrated Ownership, α=constant, β1-β5=Coefficient and e = Error term

IV. RESULTS AND DISCUSSION

Descriptive Statistics Analysis

Descriptive statistical analysis relating to the collection and ranking data will provide an overview or description of the data as seen from the maximum, minimum, average (mean) and standard deviation resulting from the research variables. This study uses earnings management as the dependent variable and use the ownership structure as an independent variable that proxy into its components, namely institutional ownership, managerial ownership, foreign ownership, family ownership, and concentrated ownership. Based on the data processed SPSS such as institutional ownership, managerial ownership, and foreign ownership, it will be known maximum value, minimum, average (mean) and standard deviation of each variable. While family ownership variables, concentrated ownership, and earnings management is not included in the calculation of descriptive statistics for these variables have a nominal scale. Nominal scale is a measure of the scale of categories or groups (Ghozali, 2005). This figure only serves as a mere category labels without intrinsic value, therefore it is not appropriate to calculate the average value (mean) and standard deviation of these variables (Ghozali, 2005).

Institutional ownership was measured with a portion of the company's shares held by parties outside the company showed an average of 67.4151 and has a maximum value of 98.65 while the minimum value was 13.88 with a standard deviation of 16.56870. As for managerial ownership as measured by the number of shares held by a portion of the managerial ranks of the company showed an average value of 6.2235 and a minimum value of 0.01 while the maximum value of managerial ownership of 45.91 and has a standard deviation of 9.89469. Foreign ownership) indicates the portion of the company's shares are owned by foreigners either foreigners, foreign corporations, foreign governments and their parts. The lowest value of foreign ownership is ownership of 0.01 while the highest value was 85.08. The average value of foreign holdings of 37.1449 with a standard deviation of 26.21759. Family ownership variables measured by the level of ownership by one party over 20% indicate that family ownership is quite high. Based on samples data, there are 145 companies whose ownership is below 20% with a percentage of 90.6%. As for companies with holdings above 20% there are only 15 companies with a percentage of 9.4%. Concentrated ownership was measured by the level of ownership by a party of more than 51% showed the lack of rights of control by majority shareholders. Based on data showed the resulting frequency, where the percentage of companies concentrated sample was 85% which amounts to 136 samples. While the company is not concentrated samples, amounting to 24 samples with a percentage of 15%. Based on these results demonstrate that almost all samples of concentrated corporate ownership. Earnings management is measured by the Modified Jones Model is then measured with a dummy variable based on the function of ownership structure on earnings management. Based on data shows the frequencies obtained , where there are 47 sample firms with discretionary accruals with positive results with the percentage of 29.4%. While the sample of firms with negative results discretionary accruals totaling 113 sample firms with percentage 70.6%.

Hypothesis Test Results

Tabel 1

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1ª	KI	-.025	.017	2.150	1	.143	.975
	KM	-.017	.040	.178	1	.673	.983
	KA	.004	.007	.355	1	.551	1.004
	KK	.018	1.274	.000	1	.989	1.018
	KT	.888	.702	1.600	1	.206	2.431
	Constant	-.032	.950	.001	1	.973	.968

The table above shows the results of logistic regression testing with significant level of 5 % of the test the logistic regression equation , the logistic regression model is obtained as follows:

$$\ln (EM/1\text{-}EM) = -0.032 - 0.025IO - 0.017MO + 0.004FO + 0.018FyO + 0.888CO + e$$

H1: Institutional Ownership negative effect on earnings management. IO showed a negative regression coefficient of -0.025 with a probability of 0.143 above of significance of 0.05. It shows that H1 is rejected , thus indicating that institutional ownership is not a significant and negative effect on earnings management

H2: Managerial Ownership negative effect on earnings management. MO showed a negative regression coefficient of -0.017 with a probability of 0.673 above of significance of 0.05. It shows that H2 is rejected , thus it shows that managerial ownership is not a significant negative effect on earnings management.

H3: Foreign Ownership has a positive effect on earnings management. Foreign ownership showed positive regression coefficient of 0.004 with a probability of 0.551 above of significance of 0.05. It shows that H3 is rejected, thus meaning that foreign ownership is not significant and positive effect on earnings management .

H4: Family Ownership negative effect on earnings management.
FyO showed a positive coefficient of 0.018 with a probability of 0.989 above of significance of 0.05. It shows that H4 is rejected, thus meaning that family ownership is not a significant and positive effect on earnings management.

H5: Concentrated Ownership has a positive effect on earnings management CO showed a positive regression coefficient of 0.888 with a probability of 0.206 above variables of significance of 0.05. It shows that H5 is rejected , thereby concentrated ownership is not a significant positive effect on earnings management.

Discussion of Results

Effect of Institutional Ownership on Management Earnings

Institutional ownership is measured by the portion of the company's shares owned by outside parties who are not individuals. Based on the results of empirical testing shows a hypothetical first is rejected and H0 is accepted. From the results of testing the hypothesis, there were no empirical evidence of institutional ownership have a significant effect on earnings management. This result is consistent with the underlying theory that institutional ownership is shareholding company that is majority owned by the institution (insurance companies, banks, investment companies, asset management and other institutional ownership) will encourage more optimal control of the management. The level of institutional ownership also serves as a monitor agent to resolve the problem of agency. The results show that institutional ownership variables significant negative effect on earnings management. This suggests that institutional ownership has no significant effect on earnings management/no statistical relationship to earnings management. However, because the results of the regression coefficient is negative then the increase in institutional ownership leads to a decrease level of earnings management. Toward the negative coefficient indicates that the higher the institutional ownership tend to be smaller earnings management. This is because institutional investors with large stock holdings, have an incentive to monitor corporate decision-making. The greater the percentage of ownership the greater the power of the voice and encouragement to oversee management. The results of this study are consistent with studies conducted Jensen and Meckling (1976) and Tarjo (2008) which states that the negative effect of managerial ownership on earnings management. These results are also consistent with the theory expressed by Jensen and Meckling (1976) which states that institutional ownership has an important role in minimizing agency conflicts that occur between managers and shareholders. Agency cost can be eliminated by several alternatives, one of them with the ownership of institutional investors that can serve as the manager of the monitor action.

Effect of Managerial Ownership on Management Earnings

To minimize agency conflicts is to increase managerial ownership in the company. Managerial ownership is ownership by the management company, as measured by the percentage of shares owned by management. The greater ownership in the management will tend to try to improve performance for the benefit of shareholders and for the benefit of himself. With the managerial ownership managers the opportunity to take personal advantage can be in the minimization. Managerial ownership is measured by the number of shares held by a portion of the managerial ranks of the company. Based on the empirical test results obtained second hypothesis is rejected and H0 is accepted. The test results indicate that managerial ownership does not significantly affect earnings management. But it is in line with research conducted Ujiyantho and Scout (2007) and Jensen and Meckling (1976) who found a significant negative effect. Where results support the theory that basically says that the agency theory of managerial ownership can lower the tendency of excessive manipulation. It can unite the interests between managers and shareholders and increase the share of managerial ownership can be used as a way of overcoming the problem of agency . With the ownership of the shares held by the manager then the manager will act in harmony with the interests of shareholders so as to minimize opportunistic behavior of managers. Based on this, we can conclude that managerial ownership is not a significant negative effect on earnings management. This is because managers who have an ownership interest in the company will tend to act in accordance with the interests of shareholders because there is a common interest between the two. Where it shows, the higher the managerial ownership, the lower the agency conflict or earnings management in a company.

Effect of Foreign Ownership on Management Earnings

Foreign ownership indicates the portion of the company's shares are owned by foreigners either foreigners, foreign corporations, foreign governments and their parts. Based on the empirical test results show that the third hypothesis is rejected and H0 is accepted. The results of these tests show that foreign ownership does not significantly affect earnings management. This suggests that foreign ownership has no significant effect on earnings management/no statistical relationship to earnings management. However, because the regression coefficient is positive, the increase in foreign ownership leads to an increase in earnings management. The problems that arise due to differences in interests between the principal and the agent called with agency problems. One cause of agency problems is the presence of asymmetric information. Asymmetric Information is an imbalance of information held by the principal and the agent, when the principal does not have sufficient information about the performance of the agent on the contrary, the agent has more information about the capacity of self, work environment and the company as a whole (Widyaningdyah, 2001). Companies with foreign ownership more often face the problem of information asymmetry due to geographical and language barriers. Therefore, supervision of management will be more difficult dilkukan by foreign owners than domestic owners. In addition, companies with foreign ownership are more likely to face political risk, asymmetric information and legal protection (La Porta et al, 1999). It will provide an opportunity for managers to perform earnings management. The results in this study is in line with research conducted La Porta (1999). Where the results of this study indicate that foreign ownership is not significant positive effect on earnings management, which means the higher foreign ownership in a company, the higher the agency conflict and the higher the earnings management.

Effect of Family Ownership on Management Earnings

In the company of family ownership, agency problems arise between majority shareholders and minority shareholders. This happens because the family as majority shareholders tend to use their control to increase personal gain at the expense borne by minority shareholders, so investors will want a higher rate of return to compensate for ranks of the company. Based on the empirical test results obtained second hypothesis is rejected and H0 is accepted. The test results indicate that managerial ownership does not significantly affect earnings management. But it is in line with research conducted Ujiyantho and Scout (2007) and Jensen and Meckling (1976) who found a significant negative effect. Where results support the theory that basically says that the agency theory of managerial ownership can lower the tendency of excessive manipulation. It can unite the interests between managers and shareholders and increase the share of managerial ownership can be used as a way of overcoming the problem of agency . With the ownership of the shares held by the manager then the manager will act in harmony with the interests of shareholders so as to minimize opportunistic behavior of managers. Based on this, we can conclude that managerial ownership is not a significant negative effect on earnings management. This is because managers who have an ownership interest in the company will tend to act in accordance with the interests of shareholders because there is a common interest between the two. Where it shows, the higher the managerial ownership, the lower the agency conflict or earnings management in a company.

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In the company of family ownership, agency problems arise between majority shareholders and minority shareholders. This happens because the family as majority shareholders tend to use their control to increase personal gain at the expense borne by minority shareholders, so investors will want a higher rate of return to compensate for the risk (Dyck and Zingales, 2004 in Rebecca and Sylvia, 2012. Family ownership is measured by the level of ownership by a party of more than 20% indicates that there is a fairly high family ownership in a company. Based on the empirical test results indicate that the fourth hypothesis is rejected and H0 is accepted . In other words, the results of the test, no evidence was obtained that the ownership keluaga significant effect on earnings management. These results are contrary to Siregar and Siddhartha (2005) which states that the company controlled by the family and not the conglomerate will limit opportunistic earnings management (negatively related), but it will encourage income management that is efficient (positively related). These results are due to different measurement criteria of family ownership and family ownership levels in the samples. In this study, family ownership is measured by a dummy variable that is 1 for holdings above 20% and 0 for ownership below 20 %. While the research conducted Siregar and Siddhartha (2005) family ownership is measured by a dummy variable with a higher criterion in which the value of 1 for family ownership above 50% and 0 for ownership below 50%. In this study there were only 9.4% of firms with family ownership above 20%. While the research conducted Siregar and Siddhartha (2005) there is a 20.02% ownership of a family company with over 50%. The results of this study indicate that family ownership is not a significant positive effect on earnings management. This is because the family as majority shareholders tend to use their control to increase personal gain at the expense borne by minority shareholders, so investors will want a higher rate of return to compensate for the risk.

Effect of Concentrated Ownership on Management Earnings

It is to be concentrated ownership if the majority of shares are owned by a minority of individuals or groups. So that the shareholder has a number of shares that are relatively dominant compared to the other. Problems often arise because of the high concentration of ownership is a conflict between majority and minority shareholders. Because when the majority control of the company, the policies that they use can be detrimental to the minority party. One of them is the manager of earnings management conducted over the wishes of the minority who benefit himself. Based on the theory of concentrated ownership arises essentially in two groups of shareholders, namely, control, and minority shareholders. Controlling shareholder or majority shareholder may act together with shares or interests pemengang conflict with the interests of shareholders Besides, it also memepunyai more complete information than pemengang minority stake and this will affect corporate behavior. In connection with this theory of the concentrated ownership can essentially act as desired shareholder. Majority party who acts not control or supervisory action would be detrimental to the minority party. Concentrated ownership is measured by the level of ownership by a party of more than 51% indicate a right of control by majority shareholders. Based on the empirical test results showed the fifth hypothesis is rejected and H0 is accepted. From the results of the testing of the hypothesis, there were no empirical evidence that concentrated ownership significant effect on earnings management. However, these results contradict the results of research conducted Nuryaman (2008) which states that the concentration of share ownership may be a corporate governance mechanism in order to control the action in the company's profit management. The presence of a controlling shareholder or majority can limit opotunis behavior management. This result may be due to some distinct differences, the study done Nuryaman (2008) only on manufacturing companies on the Stock Exchange from 2005 with a sample of 101 companies . Another factor that causes the difference of the results of this research is a method of measuring earnings management. In this research, earnings management is measured by the modified Jones model and then re-measured using dummy variables. While the research conducted Nuryaman (2008) earnings management is measured by using the modified Jones model with a cross-section approach. So that the analytical techniques used would be different. Which in this study uses analysis logistic regression while Nuryaman (2008) using multiple regression analysis. The results of this study indicate that the positive effect of concentrated ownership is not significant. This result is caused by the current majority party control of the company, the policies that they use can be detrimental to the minority party. One of them is the manager of earnings management conducted over the wishes of the minority who benefit himself. These results also support ongoing research of La Porta et al. (1999) showed that the concentrated ownership structure occurred in countries with a low level of corporate governance. Emirzon (2006) revealed that all study of GCG implementation in Indonesia resulted in the same conclusion, namely the implementation of good corporate governance in Indonesia is very low, as evidenced by poor corporate governance index values obtained This suggests that concentrated ownership structures have not been able to provide good control over the management of the action opportunistic attitude in conducting earnings management.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the analysis and testing of the effect of ownership structure (institutional ownership, managerial ownership, foreign ownership, family ownership, and foreign ownership) as the independent variable and the dependent variable is earnings management in companies listed in Indonesia Stock Exchange from 2008-2012 , it can be be concluded as follows: (1) Institutional ownership variables significant negative effect on earnings management in companies listed in Indonesia Stock Exchange period 2008-2012, (2) Managerial ownership variables significant negative effect on earnings management in companies listed in Indonesia Stock Exchange period 2008-2012, (3) Foreign ownership variable is not significant positive effect on earnings management in companies listed in Indonesia Stock Exchange period 2008-2012, (4) Family ownership is not a significant positive effect on earnings management in companies listed in Indonesia Stock Exchange period 2008-2012 and (5) Concentrated ownership is not a significant and positive effect on earnings management in companies listed in Indonesia Stock Exchange period 2008-2012.

Suggestion

Based on the results of previous research and discussion can be drawn some suggestions as follows: 1) Doing research specifically intended to develop a measurement model that is more accurate earnings management, and 2) Further studies are expected to add or use other variables suspected to affect the level of earnings management in a company .

Limitations of Research

This study has the following limitations 1). The relatively limited number of samples, only 32 of the 455 companies listed on the Indonesia Stock Exchange, due to the difficulty of obtaining data and the complete annual report in accordance with the appropriate variable in this study. Therefore, further research is expected to increase the number of samples to be more accurate, 2) Measuring earnings management by using the Modified Jones Model is not believed to be able to separate the components of non diskrisoner accruals and discretionary accruals appropriately. So there is the possibility of errors of classification of non discretionary accruals and discretionary accruals, and 3) All the research that studied showed no significant dikarnakan result of differences in the study period, the number of samples and measurement methods used by previous studies.

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