

Analysis of the Impact of Corporate Governance Mechanisms on Earnings Management: A Study of Pharmaceutical Companies from 2019 to 2024

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Keywords	Abstract
Corporate Governance; Audit Committee; Audit Committee Expertise; Board of Directors; Profit Management; Pharmaceutical Companies.	This research aimed to analyze the influence of corporate governance mechanisms on earnings management in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period. The corporate governance mechanisms examined in this study were proxied by audit committee size, audit committee expertise, and board of directors' size. Using a quantitative approach with secondary data obtained from annual reports and financial statements, the sample consisted of 9 pharmaceutical companies selected through purposive sampling, resulting in 54 panel observations. Data analysis was conducted using panel data regression with cluster-robust standard error estimation to improve the reliability of the test results. Earnings management was measured using the Modified Jones Model through discretionary accruals. The results showed that audit committee size, audit committee expertise, and board of directors' size did not have a significant effect on earnings management. These findings indicate that the structural corporate governance mechanisms examined in this study were not effective in limiting or explaining earnings management practices in pharmaceutical companies during the observation period. This suggests that the effectiveness of corporate governance is determined not only by structural characteristics but also by other factors, such as supervisory independence, audit quality, company-specific characteristics, and business environment conditions. Future research is encouraged to expand the sample size, include additional corporate governance variables, and apply alternative earnings management measurement models to obtain more comprehensive findings.

INTRODUCTION

Financial statements are fundamental communication instruments between company management and various stakeholders, including investors, creditors, regulators, and the public. As a form of managerial accountability, financial statements provide comprehensive information regarding a company's operational performance, financial position, cash flows, and future prospects (Hastiwi et al., 2025). Within the framework of financial accounting standards, the quality of financial statements is determined by the extent to which the information presented fulfills qualitative characteristics, including relevance, faithful representation, comparability, and understandability (Prasetyo, 2022). For investors, financial statements serve as the primary foundation for assessing a company's feasibility as an investment object; therefore, their quality directly affects the efficiency of capital allocation in the capital market (Kapellas & Siougle, 2017; Shakespeare, 2020).

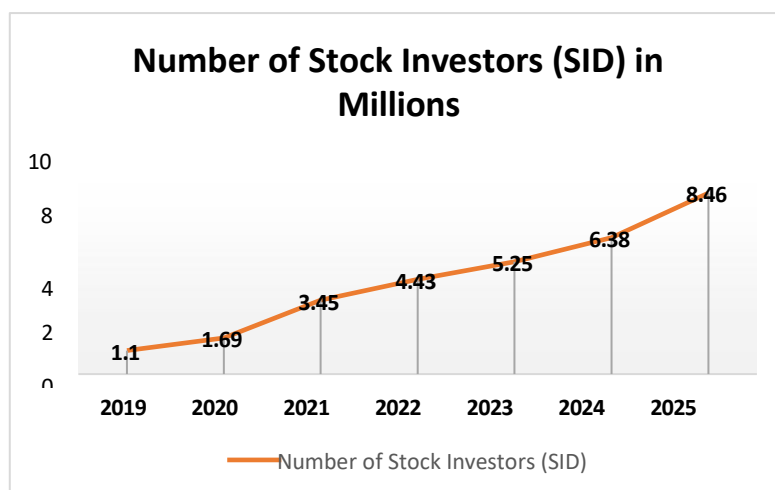


Figure 1. Number of Indonesian Stock Investors
Source: Indonesia Stock Exchange (IDX), 2025

The development of the Indonesian capital market over the past decade has demonstrated significant growth. Based on data from the Indonesia Stock Exchange (IDX), the number of retail stock investors increased from 1.1 million in 2019 to 8.46 million by the end of 2025. This increase also indicates that literacy, inclusion, activation, and digitalization of investor education efforts conducted by the IDX have been implemented effectively (Nurahmad, 2025). This growth strengthens the urgency of presenting transparent and accountable financial statements, as an increasing number of stakeholders rely on such information for investment decision-making. However, this development also increases the risk of information asymmetry, considering that retail investors generally have more limited capabilities in conducting in-depth financial statement analysis compared with institutional investors.

High-quality financial statements have been shown to increase investor confidence and encourage new investment inflows into companies (Arsal et al., 2025). However, a fundamental paradox exists in financial reporting: the pressure to consistently demonstrate positive performance may encourage management to engage in opportunistic actions. In accounting literature, this manipulation of accounting information is known as earnings management, referring to deliberate managerial intervention in the financial reporting process to influence stakeholders' perceptions of a company's actual performance (Indracahya & Faisol, 2017).

Earnings management refers to managerial actions that influence or intervene in accounting information for specific purposes, such as presenting a more favorable financial image to shareholders or the public (Sulistyanto, 2018). Earnings management may involve increasing or decreasing reported earnings depending on the objectives to be achieved (Masri & Khairunnisa, 2024). From an ethical perspective, such practices are often considered inconsistent with the principles of integrity and transparency (Yatulhusna, 2016).

Theoretically, the phenomenon of earnings management originates from the agency relationship between managers as agents and company owners as principals, which inherently creates potential conflicts of interest (Kusumawati, 2023). Information asymmetry within this relationship, in which managers possess greater access to internal company information than owners, provides opportunities for managers to exploit the flexibility of accounting standards

to present information that benefits their interests. Such information distortion not only disadvantages investors but may also disrupt the efficiency of resource allocation in the capital market as a whole (Ardyanti & Kurnia, 2023). Therefore, the implementation of accountable and transparent corporate governance systems is essential for reducing agency problems and minimizing earnings management practices.

Good Corporate Governance (GCG) functions as a supervision and control mechanism that ensures business processes operate according to the principles of integrity, accountability, and responsibility (Indracahya & Faisol, 2017). Companies can optimize financial performance and sustainable growth through the implementation of effective GCG principles (Aprilyana, 2025). Effective GCG implementation can reduce information asymmetry and increase investor confidence in the reliability of financial statement information (Asyiroh & Hartono, 2019).

The pharmaceutical sector was selected as the focus of this research because it plays a strategic role in supporting the national healthcare system while also possessing business characteristics that may create incentives for earnings management. This industry is characterized by several factors that potentially increase earnings management risks, including high research and development (R&D) costs with uncertain outcomes, strict regulations from the Food and Drug Supervisory Agency (Badan Pengawas Obat dan Makanan [BPOM]) that may affect revenue recognition, relatively short product life cycles due to patent expiration, and competitive pressure from generic products that may reduce profit margins. These factors may encourage pharmaceutical company management to maintain a positive financial performance image among investors while simultaneously creating incentives to engage in earnings management practices (Dhaneswara & Rahayuningsih, 2025).

In 2024, the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan [BPK]) submitted an investigative audit report (Laporan Hasil Pemeriksaan [LHP]) concerning the financial management of PT Indofarma Tbk. to the Attorney General's Office, which identified alleged criminal acts resulting in state losses of Rp371.83 billion. One of the findings involved alleged manipulation of accounting records. The BPK reported three methods allegedly used by PT Indofarma Tbk., including recording fictitious transactions unsupported by valid documentation, manipulating cash flow reports, and engineering revenue recognition to achieve predetermined targets (Affan, 2024). These actions indicate the presence of financial pressure, opportunities for fraudulent behavior, and attempts to rationalize such actions by perpetrators (Saridawati et al., 2025). This case demonstrates that even the pharmaceutical industry, which is closely associated with public interests, remains vulnerable to earnings management practices (Amaliah & Winedar, 2025). Furthermore, formally established corporate governance mechanisms, including audit committees, boards of commissioners, and external auditors, were unable to fully detect and prevent irregularities that occurred over approximately four years.

A similar case occurred in eFishery, a private company operating in the fisheries industry, where the company was reported to have artificially inflated revenue by recording Rp12.3 trillion in revenue, while subsequent investigations found actual revenue of only Rp2.6 trillion. The fraudulent scheme allegedly involved creating fictitious transactions, improving the appearance of operational cash flows, and concealing substantial operating expenses, causing reported net profits to appear significantly higher than the company's actual condition. Such

practices created an illusion of rapid growth and financial health to attract investors (Kompasiana, 2025).

Previous studies on corporate governance and earnings management have produced inconsistent findings. Several studies found that audit committee size, audit committee expertise, and board of directors' size significantly affected earnings management (Rinta, 2021; Riani et al., 2022), whereas other studies found no significant effects (Ardyanti & Kurnia, 2023; Das et al., 2025; Gulo et al., 2024). These inconsistencies may be explained by differences in industry context, research periods, and sample characteristics. Furthermore, studies examining earnings management in the pharmaceutical sector remain relatively limited (Kusumawati, 2023; Amaliah & Winedar, 2025; Gulo et al., 2024; Sucipto & Zulfa, 2021; Pratami & Pradipto, 2021; Salmita, 2024).

Therefore, this study sought to address this research gap by focusing specifically on a single homogeneous industry sector, namely pharmaceutical companies, to minimize variations arising from differences in industry characteristics. The novelty of this research lies in three aspects: first, its focus on a single homogeneous pharmaceutical industry sector to reduce industry-related variations and produce more consistent findings; second, its use of a recent observation period (2019–2024), covering the post-pandemic recovery phase; and third, its application of cluster-robust standard errors in panel data regression to address potential autocorrelation and heteroscedasticity issues that are often overlooked in similar studies. The title of this study is "Analysis of the Influence of Corporate Governance Mechanisms on Earnings Management: A Study of Pharmaceutical Companies from 2019 to 2024."

Based on this background, this study aimed to analyze the influence of corporate governance mechanisms, measured through audit committee size, audit committee expertise, and board of directors' size, on earnings management in pharmaceutical companies listed on the Indonesia Stock Exchange during the 2019–2024 period. This research was expected to provide both theoretical and practical contributions. Theoretically, this study contributes to the development of corporate governance and earnings management literature by providing empirical evidence from the pharmaceutical sector, which has unique characteristics compared with other industries. The findings may enrich the understanding of agency theory in emerging market contexts, particularly regarding the effectiveness of structural governance mechanisms in limiting opportunistic managerial behavior. Practically, this research may serve as a reference for pharmaceutical companies in evaluating and strengthening corporate governance mechanisms, for regulators such as the Financial Services Authority (Otoritas Jasa Keuangan [OJK]) in developing more effective policies to improve governance quality and reduce earnings management practices, and for investors in making more informed investment decisions by understanding the limitations of structural governance mechanisms in ensuring financial reporting quality.

METHOD

The study employed a quantitative research method with a causal comparative approach to examine the relationships between variables using numerical data (Laili, 2025). This explanatory research aimed to investigate the causal relationships between independent and dependent variables. The dependent variable was earnings management in pharmaceutical

companies, while the independent variables consisted of audit committee size, audit committee expertise, and board of directors' size.

The population included all pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). The study used data from the 2019–2024 period to align with the research objectives. The sample was selected using purposive sampling based on predetermined criteria (Siregar, 2017). Based on these criteria, 9 companies were selected as research samples. The observation period covered six years (2019–2024), resulting in 54 panel data observations (9 companies × 6 years).

The data were analyzed using panel data regression. Model selection was conducted through the Chow, Hausman, and Lagrange Multiplier tests, which indicated that the Common Effect Model was the most appropriate model. Hypothesis testing was performed using t-tests and F-tests at a 5% significance level. Cluster-robust standard errors at the company level were applied to address potential autocorrelation and heteroscedasticity issues. The coefficient of determination (R^2) was used to evaluate the explanatory power of the regression model. All statistical analyses were performed using Stata software.

RESULTS AND DISCUSSION

Results

Once all prerequisite tests have been met and the right model is determined, the final regression analysis is performed using the Common Effect Model (CEM) with cluster-robust standard errors (vce (cluster Variables) to correct for autocorrelations. The estimated regression equations are as follows:

$$DA = \alpha + \theta_1 ACS + \theta_2 ACE + \theta_3 BDS + \varepsilon$$

The final regression results are presented in full in Table 4.15 below.

Table 1. Final Regression Results (CEM with Cluster-Robust Standard Errors)

Variabel	Coefficin	Robus SE	t	p-value	95% CI Bawah	95% CI Top
ACS	0.0238	0.0187	1.27	0.239	-0.0194	0.0670
ACE	0.0167	0.0240	0.70	0.506	-0.0386	0.0721
BDS	-0.0047	0.0041	-1.14	0.285	-0.0142	0.0048
Konstanta	-0.0725	0.0724	-1.00	0.346	-0.2394	0.0943

$n = 54 \mid F(3,8) = 1.33 \mid Prob > F = 0.3311 \mid R^2 = 0.0470 \mid Clusters: 9 \text{ companies} \mid Dep. Var: DA$

Source: Data processed using Stata (2025)

Based on the regression results in Table 1, the regression equations formed are as follows:

$$DA = -0.0725 + 0.0238 ACS + 0.0167 ACE - 0.0047 BDS + \varepsilon$$

The constant value of -0.0725 indicates that if all independent variables are zero, then the DA value is estimated to be -0.0725, indicating an income-decreasing trend in the sample pharmaceutical companies. The ACS coefficient of +0.0238 indicates that for every 1 audit committee member added, the DA value is estimated to increase by 0.0238. The ACE coefficient of +0.0167 indicates that for every increase in the proportion of audit committee members with a financial background of 1 unit, the DA is estimated to increase by 0.0167. The BDS coefficient of -0.0047 indicates that for every 1 addition of 1 member of the board of directors, the DA is estimated to decrease by 0.0047.

a. Partial Test (t-test)

The t-test is used to test whether each independent variable individually has a significant effect on the dependent variable. The hypothesis for each variable is as follows:

H0 : p-value > 0.05 then there is no significant effect

H1 : p-value < 0.05 then there is a significant effect

The test was performed at a significance level of $\alpha = 5\%$, with a degree of freedom $df = g - 1 = 9 - 1 = 8$ (where g is the sum of clusters).

Audit Committee Size (ACS)

The results of the t-test showed that the ACS variable had a coefficient value of 0.0238, a robust standard error of 0.0187, a t-value of 1.27, and a p-value of 0.239. Since the p-value is $0.239 > 0.05$ (α), H0 cannot be rejected. It was concluded that the size of the audit committee (ACS) with a positive coefficient did not have a significant effect on profit management (DA) in pharmaceutical companies listed on the IDX for the 2019–2024 period

Table 2. Audit Committee Size T Test

Variabel	Coefficient	Rob. Std. Err.	t	P> t
ACS	0.0238321	0.0187372	1.27	0.239

P-value = 0.239 > 0.05

H0 is irresistible

Conclusion:

ACS has no significant effect on DA

Source: Data processed using Stata (2025)

Audit Committee Membership (ACE)

The results of the t-test showed that the ACE variable had a coefficient of 0.0167, a robust standard error of 0.0240, a t-value of 0.70, and a p-value of 0.506. Since the p-value is $0.506 > 0.05$, H0 cannot be rejected. It was concluded that the audit committee's financial expertise (ACE) with a positive coefficient did not have a significant effect on profit management in the sample pharmaceutical company.

Table 3. Audit Committee Membership T Test

Variable	Coefficient	Rob. Std. Err.	t	P> t
ACE	0.0167361	0.0240099	0.70	0.506

P-value = 0.506 > 0.05

H0 is irresistible

Conclusion:

ACE has no significant effect on DA

Source: Data processed using Stata (2025)

Board of Directors Size (BDS)

The results of the t-test showed that the BDS variable had a coefficient of -0.0047, a robust standard error of 0.0041, a t-value of - 1.14, and a p-value of 0.285. Since the p-value is $0.285 > 0.05$, then H0 cannot be rejected. It was concluded that the size of the board of directors

(BDS) with a negative coefficient did not have a significant effect on profit management in the sample pharmaceutical company.

Table 4. T Test Size of the Board of Directors

Variabel	Coefficient	Rob. Std. Err.	t	P> t
BDS	-0.004726	0.0041291	-1.14	0.285
P-value = 0.285 > 0.05				
H0 is irresistible				
Conclusion:				
BDS has no significant effect on DA				

Source: Data processed using Stata (2025)

Simultaneous Test (F Test)

The F test was performed to test whether all independent variables (ACS, ACE, BDS) together had a significant effect on the dependent variables (DA). The hypotheses tested are as follows:

- H0 : p-value > 0.05 (simultaneously, the ACS, ACE, and BDS variables are not Influential significant to DA)
- H1 : p-value < 0.05 (simultaneously, at least one of the variables ACS, ACE, or BDS Have a significant effect against DA.)

Table 5. Simultaneous Test Results (F Test)

Remarks	F-count	df	p-value
ACS, ACE, BDS → DA (simultan)	1.33	(3.8)	0.3311
P-value = 0.3311 > 0.05			
H0 is irresistible			
Conclusion:			
By simultan, variabel ACS, ACE, and BDS does not has a significant effect on DA			

Source: Data processed using Stata (2025)

The results of the F test show a value of $F(3.8) = 1.33$ with a probability of 0.3311. Since the p-value is $0.3311 > 0.05$, H0 cannot be rejected. It is concluded that the variables ACS, ACE, and BDS simultaneously do not have a significant effect on profit management in pharmaceutical companies listed on the IDX for the 2019–2024 period. This indicates that the corporate governance mechanism measured structurally through these three variables together has not been proven to be able to explain the variation in profit management in a meaningful way in this study sample.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to measure the proportion of variation in dependent variables that can be explained by independent variables in the model. The R^2 value ranges from 0 to 1, where a higher value indicates the model's better ability to explain the variation in the data.

Table 6. Determination Coefficient Results

Remarks	Value	Percentage	Interpretation
R-squared	0.0470	4.70%	Model-described DA variations
1 - R ² (<i>Unexplained</i>)	0.9530	95.30%	DA variations explained by other factors

Source: Data processed using Stata (2025)

The R² value of 0.0470 or 4.70% shows that the ACS, ACE, and BDS variables are only able to explain 4.70% of the variation in profit management (DA) in pharmaceutical companies listed on the IDX for the 2019–2024 period. Meanwhile, 95.30% of DA variation was explained by other factors not included in this study model. This low R² value is a common finding in accounting research on corporate governance and profit management, especially in a relatively small and sectorally homogeneous sample. (Dechow et al., 1995) also noted that the Modified Jones Model tends to produce low R² because many of the factors affecting discretionary accruals are idiosyncratic and unobservable.

The Effect of Audit Committee Size (ACS) on Profit Management

The results of the statistical test on the first hypothesis show that the size of the audit committee with a positive coefficient (+0.0238) does not have a significant effect on profit management in pharmaceutical companies listed on the IDX for the 2019–2024 period, so H1 is rejected. The statistical results show that the number is insignificant with a probability value of 0.239 well above the significance threshold of 0.05. These results are consistent with research from (Rinta, 2021; Riani et al., 2022) who found that the size of the audit committee had a negligible influence on profit management.

From the perspective of agency theory, the audit committee is supposed to act as a supervisor against the opportunistic behavior of managers, but in practice in Indonesia the function does not work as it should. Interestingly, this study shows the direction of a positive relationship between audit committees and profit management, which means that the larger the number of audit committee members, the more likely managers are to do profit management. This can happen because the large number of audit committee members is not balanced by adequate quality supervision. Audit committee members are often selected based on personal closeness to the company's management, rather than based on their professional expertise, so that the effectiveness of supervision is very low and the large number of committee members cannot be a guarantee of strict supervision or reduced profit management (Rinta, 2021).

In addition, there are other possibilities where the formation of an audit committee by a company is only limited to aborting OJK obligations or regulations (Giovani, 2019). POJK Number 55 /POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of the Work of the Audit Committee by the Grace of God Almighty The Board of Commissioners of the Financial Services Authority requires companies to have at least an audit committee consisting of an independent party with expertise in finance and accounting, an independent party with expertise in the field of law and an independent commissioner. This rule can cause the audit committee in the company to be less effective in carrying out its duties and functions because it is not in accordance with the company's needs but rather in compliance with regulations (Riani et al., 2022)

The insignificance of ACS to DA can also result from too large a group size. Groups that are too large can experience internal conflicts in the form of coordination and free-riding problems, where additional members do not automatically increase the intensity of supervision proportionately (Jensen, 1993). A large group will find it difficult to reach consensus because there are many differences of opinion and have to wait for all members to agree on the decision taken. In addition, the large number of members can cause an effect of dependence on other members so that irresponsible members may only come to fulfill attendance but do not supervise as they should.

The Influence of Audit Committee (ACE) Expertise on Profit Management

The results of the statistical test of the audit committee's expertise variables show an insignificant influence and a positive coefficient (+0.0167) on profit management in pharmaceutical companies listed on the IDX for the 2019–2024 period. The results of the statistical test showed that the insignificant number with a probability value of 0.506 was well above the significance threshold of 0.05 so that H2 was rejected. These results are in line with research from (Ardyanti & Kurnia, 2023; Riani et al., 2022) where the audit committee's expertise has no effect on profit management.

Although in POJK Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of the Work of the Audit Committee By the Grace of God Almighty, the Board of Commissioners of the Financial Services Authority requires the competence, knowledge and ability of audit members in accordance with their field of work, but the proportion of members with a financial background does not perfectly reflect the quality of the actual supervision of the company's financial statements (Ardyanti & Kurnia, 2023). There is a need to consider other factors such as: relevance of specific experience in the pharmaceutical industry, activeness in meetings and discussions, psychological independence from management, and access to internal information not included in financial statements. In the context of the Indofarma scandal, the fact that fraud lasted for several years without being detected by the audit committee suggests that formal expertise does not always correlate with the effectiveness of actual supervision.

The relevance of these findings to the case of manipulation of financial statements by PT Indofarma Tbk is very real where the Indofarma audit committee has formally met the expertise requirements set by the OJK, but the fraud worth Rp 371.83 billion has continued for many years without being detected. This confirms that formal expertise is a necessary condition but not a sufficient condition for effective financial statement supervision.

The Effect of Board of Directors Size (BDS) on Profit Management

The results of the statistical test on the variable size of the board of directors (BDS) showed an insignificant effect with a negative coefficient of -0.0047 ($t = -1.14$; $p = 0.285$), so that H3 was rejected. These results are in line with research (Rinta, 2021; Das et al., 2025) where the board of directors has no effect on profit management. The negative direction of this coefficient is consistent with the theoretical prediction of agency theory that larger boards of directors have greater oversight capacity over managers' opportunistic actions, including profit management. Each addition of one member of the board of directors was associated with a decrease in DA of 0.0047 units, although this decrease was not large and consistent enough to be statistically significant.

Companies may place the role of the board of directors in decisions that are strategic and general, rather than in decisions related to accounting techniques (Das et al., 2025). Furthermore, in agency theory, the board of directors can act as an agency that seeks to maximize its utility. So that even though they get a role as financial supervision, there are still flaws in integrity, transparency and a sense of responsibility in carrying out their duties (Rinta, 2021).

The Simultaneous Influence of Corporate Governance on Profit Management

Simultaneously, the three corporate governance variables tested in this study did not have a significant effect on profit management ($F(3,8) = 1.33$; $p = 0.3311$). A very low R^2 value of 4.70% indicates that the constructed model is only able to explain a small fraction of the DA variation. This low R^2 value can be caused by the nature of DA which is a residual part of the total accruals model which already contains many non-discretionary components (Utami, 2020). In other words, DA is inherently difficult to explain by independent variables because it is a component that is "left" after controlling for the fundamental performance of a company. DA is influenced by many company-specific factors that are not observed as well as the results of management decisions that are discretionary and difficult to measure. In addition, the variation in R^2 values in previous studies that varied greatly (ranging from very low 5.7% to very high 86.1%) showed that there was no standard (Sucipto & Zulfa, 2021; Kusumawati, 2023; Das et al., 2025; Amaliah & Winedar, 2025; Pratami & Pradipto, 2021; Riani et al., 2022; Ardyanti & Kurnia, 2023; Gulo et al., 2024).

Structural and observable measures of corporate governance (such as committee and board size) may not be sufficient to capture the governance dimensions that actually determine profit management. The most obvious evidence of the limitations of this structural governance mechanism is the case of PT Indofarma Tbk. itself, which formally has all the required governance components (audit committee, board of directors, external auditors), but still suffers from manipulation of financial statements. Effective governance requires more than formal compliance with structural regulations, but also a culture of integrity, factual independence, ethical commitment, and substantial quality of oversight.

CONCLUSION

This study concludes that audit committee size, audit committee expertise, and board of directors' size did not have significant effects on earnings management in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period, as indicated by the low R^2 value of 4.70%. However, these findings should be interpreted with caution due to several limitations. The sample consisted of only 9 companies with 54 observations, which limited the generalizability of the findings. The study examined only three structural corporate governance variables, while 95.30% of the variation in earnings management remained unexplained by the model. The measurement of earnings management using the Modified Jones Model may have limitations due to industry-specific accrual characteristics, while the measurement of audit committee expertise based solely on educational background may represent an imperfect proxy. Furthermore, the 2019–2024 observation period included the COVID-19 pandemic, which may have created abnormal business conditions affecting discretionary accruals.

Despite these limitations, the findings indicate that structural corporate governance mechanisms alone were insufficient to constrain earnings management. Other factors, such as supervisory independence, audit quality, company characteristics, and business environment conditions, may have played more substantial roles in influencing earnings management practices. Future research is recommended to expand the sample size across multiple industry sectors, incorporate additional corporate governance variables, including audit committee independence and meeting frequency, apply alternative earnings management measurement models, and extend the observation period beyond the pandemic period to obtain more comprehensive and generalizable findings. For pharmaceutical companies, it is recommended that governance quality be improved beyond structural compliance by strengthening supervisory independence and fostering an ethical corporate culture. For regulators, such as the Financial Services Authority (Otoritas Jasa Keuangan [OJK]), these findings highlight the need to develop more substantive governance policies that emphasize the effectiveness and quality of oversight rather than merely fulfilling structural requirements.

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