

Study of Oligarchical Performance in Indonesian State-Owned Enterprises: Agency Theory and Javanese Culture Perspectives

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ABSTRACT

This research explores the impact of In a special principal-agent context, Earnings management is used as a mediating variable in the audit quality of oligarchical performance in Indonesian State-Owned Enterprises (ISOE). The Board of Directors, the Board of Commissioners, and the Minister of R.I. are empowered by the State-Owned Enterprises Act. Despite having a significant function, the latter is not granted total authority. The division of power among internal companies, labor unions, the Board of Commissioners, the Minister of R.I., the President of R.I., and political party leaders is a reflection of Javanese culture. The Board of Directors must consider and accommodate all stakeholders, which results in oligarchical performance. An examination of ISOE's 2021 annual reports using partial least squares and WarpPLS 5.0 reveals that earnings act as a mediator between audit quality and oligarchical performance. administration. This study is unique since it is predicated on particular assumptions regarding agency relationships and Javanese culture in its concept of oligarchical performance and analysis

INTRODUCTION

This research seeks to investigate the relationships among audit quality, earnings management, and oligarchical performance.. in ISOE as a mediating variable. In contrast to previous research in the ISOE, we contribute to defining different performances, called oligarchical performance.

The agency theory assumes that there is a Principal and agent refers to the contractual relationship between the two parties. The firm's owner is known as the principal, and agents are chosen by the principal to manage the company for them (Jensen and Meckling, 1976). On the other hand, ISOE assumed contractual agency links between the Indonesian people and the President of the Indonesia Republic (RI). According to the State-Owned Enterprises Act, No. 19, 2003, the President of the Indonesia Republic (R.I.) delegated authority to the Minister of R.I., the Board of Commissioners, and the Board of Directors. Therefore, ministers, the Board of Directors (BOD), and the Board of Commissioners are examples of stakeholders with changing interests (BOC), established the president of the Republic of Indonesia (R.I.), as well as the heads of political parties there.

In ISOE, As a central body, the Board of Directors has limited authority to determine a company's performance. Some parties share power and authority, such as political party leaders, labor unions, boards of commissioners, internal firms, and R.I. presidents and ministers. Consequently, when managing a business, the board of directors must take into account and accommodate all stakeholders. Referring to Agency Theory, all parties have self-interest, that is, utility maximizers. Because of that and information asymmetries, moral hazards will occur (Hendriksen and Breda, 1992).

In ISOE, A central body with limited authority to determine a company's performance is the Board of Directors. Authority and power are shared by a number of groups, including political party leaders, labor unions, boards of commissioners, internal companies, and R.I. presidents and ministers. In order to manage a business, the board of directors must take into account and accommodate all stakeholders. harmony is social interaction in which people are willing to act, creating alignment and agreement. In the Indonesian Dictionary (Edisi 3 tahun 2005), harmony culture is the condition of idea, feel, action, and willingness to create alignment and agreement.

The implication of moral hazard and harmony behavior is that the BOD conducts the firm by creating alignment and harmonization to all the interest parties by optimizing their selfish interest, even nonoptimal to the firm. Thus, We refer to the BOD's performance as oligarchical since it represents a compromise between all interested parties. Performance in an oligarchy is created and formed because of the spread of authority and power in the firm. The BOD conducts the firm based on legitimizing all interest parties, the Labor Unions, the Political parties, the President of R.I., the Minister of R.I., and the Board of Commissioners. Therefore, the result of moral alignment and agreement is oligarchical performance hazard.

To obtain the legitimation of stakeholders, the primary Labor Union, the Board of Commissioners, the Minister of ISOE, and the BOD need to show that their performance is optimally expressed in financial reports, especially earnings. One of the moral hazard behaviors to expressing optimal earnings is earning management. Complementary to obtaining the legitimation of stakeholders, the BOD has management tools such as audit quality as a part of external control, Good corporate governance (GCG), corporate social responsibility (CSR), etc., in operating their management activities.

This study investigates how the BOD uses audit quality to obtain and express their oligarchical performance through earning management. In light of everything said above, we anticipate that audit quality in ISOE will first have an adverse influence on oligarchical performance after having a positive effect on earnings management. This suggests that the principle (people) earned less money while management tools took use of the BOD to show strong success through earning management. This study's main contribution is the oligarchical performance, or performance disparity. Various assumptions in agency interactions and unique business structures serve as the foundation for analysis and explanation cultures, known as Javanese Culture, is the second unique aspect of this study.

Earnings management is an attempt to maximize or reduce returns to accomplish specific objectives, like tax evasion or showcasing the growth of the business's potential to raise the company's reputation among stakeholders, including shareholders and creditors (Dempster & Oliver, 2019). Numerous studies highlight the importance of audit quality in earnings management. In order to ease the dissemination of real-time information to stakeholders and other users through audit quality, earnings management aims to hide information from stakeholders. Earnings management strategies undermine investor confidence in the accuracy of financial reporting and obstruct appropriate money flow in financial markets, claims Rusmin (2010). However, according to Saleh et al. (2020b), good audit quality can increase investor confidence in the quality of financial reporting and assist them in making the best decisions. Previous studies have shown that high-quality audits can contribute to the improvement of accounting data, forecast future strategies, and enhance the decision-maker's ability to make pertinent and superior choices (Easley & O'Hara, 2004).; Almarayeh et al., 2020). Jensen and Meckling (1976) found that the higher the audit quality, the lower the agency expenses, which in turn improves the performance of the business.

Self-sufficient Auditors provide written recommendations to the managers and board of directors of the audited company to improve work processes and strategies to increase the organization's business effectiveness (Farouk & Hassan, 2014; Phan et al., 2020). However, there is a knowledge gap about the importance of audit quality in reducing earnings management practices and enhancing oligarchical performance because other researchers have not discovered a significant correlation between audit firm size and reduced earnings management practices, nor a positive correlation between auditor tenure and earnings sustainability. Allahkaram et al. (2017). Consequently, an

economic model that This study develops the direct relationship between audit quality, earnings management, and business success. particularly to demonstrate how earnings management functions as a moderator in the connection between oligarchic behavior and audit quality. This provides new empirical evidence from emerging markets. Although there has been previous research on the association between these elements in established markets, very few studies have also been conducted in developing markets like Jordan, which served as the impetus for this study.

In this study, the author intends to make several contributions. First, examine the connection between oligarchical performance, earnings management, and audit quality. The most crucial step is to investigate how earnings management functions as a mediator in the The author plans to contribute in a number of ways to this study. First, look at the connection between oligarchical performance, earnings management, and audit quality. The most crucial step is to investigate how earnings management functions as a mediator in the Because principals and agents have different levels of knowledge, agency problems arise when ownership and control are separated. To address these issues, an external audit is required. When one side knows more about the company's current state than the other, this is known as information asymmetry (Schipper & Vincent, 2003). Information asymmetry's predominance between Because shareholders lack the incentives, resources, or access to relevant information to keep an eye on and regulate managers' actions, managers (agents) and shareholders (principals) may engage in earnings management tactics (Warfield, Wild, and Wild 1995). More precisely, according to agency theory, audit work is essential for building unity among organizations. relationship between audit quality and firm performance to fill in the gaps in previous studies. Second, this study model is based on relevant agency theory and is widely used in accounting research to identify person and firm behavior (Jensen and Meckling, 1976; Waweru & Prot, 2018). Thus, this study aims to improve knowledge of earnings management, audit quality, and business performance by giving actual data from the ISOE. Third, by emphasizing audit quality, the research results highlight the factors influencing business performance and earnings management. Lastly, it can explain how BOD views the use of management tools like audit quality as a means of reaching a consensus with all parties involved and how this audit quality might impact techniques for managing earnings and what is known as oligarchical performance.

LITERATURE REVIEW

Agency theory aims to comprehend the problems that occur when agents act on behalf of others, particularly corporate executives (Mitnick 2015). Managers and stakeholders will have a conflict of interest since agency theory suggests opportunistic behavior, which is the urge to advance one's self-accepted interests (McCullers and Schroeder, 1982). To resolve this tension, agency theory suggests control mechanisms including adopting governance to monitor managers' performance and using external audits (Brickley and James 1987). Another task is to match management goals with stakeholders. In other words, most corporate choices are made by managers, and their goals may not always

align with those of external investors. Consequently, managers' actions and goals that are not immediately evident lead to disputes between shareholders and supervisors (Chen et al., 2020). In these circumstances, agency theory encourages the implementation of control measures to enhance business performance and lower profit management (Jensen and Meckling, 1976).

One of the effects of agency theory is knowledge asymmetry, which happens when one person in a relationship knows more or less than others (Bergh et al., 2019). It shows up in a company because managers have access to firm information that gives them a competitive advantage over stakeholders (Zogning 2017). According to García-Teruel, Martínez-Sola, and Martínez-Solano (2018), managers are able to influence income because they usually have greater access to inside knowledge about the company's operations than stakeholders. Additionally, informational asymmetry might raise the cost of borrowing from outside sources, which is detrimental, according to Myers and Majluf (1984).

METHODOLOGY

This study uses annual reports of ISOE ended 2021 as the research population. All of the population was selected and applied to examine the hypotheses.

Variable Measurement

Table 1. Variables and their Measurements

Variable	Measurement
Oligarchical performance	
- Return on Assets (ROA)	Net profit per total assets of company i in year t
- Return on Equity (ROE)	Net profit per total equity of company i in year t
- Earnings per Share (EPS)	Net profit per number of outstanding shares of company i in year t
Audit Quality	
- Audit Firm Size	dummy variable; 1 for Big-4 KAP, 0 otherwise.
Tenure audits	dummy variable; 1 for audit tenure ≥ 3 years, 0 audit tenure < 3 years.
Earnings management	$DA_{i,t} = \frac{TA_{i,t}}{A_{i,t-1}} - \left[\alpha_1 \left(\frac{1}{A_{i,t-1}} \right) + \alpha_2 \left(\frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} \right) + \alpha_3 \left(\frac{PPE_{i,t}}{A_{i,t-1}} \right) \right]$
Company Size (Size)	Ln total assets of company i in year t
Company Value (CV)	Ln (CV) = market capitalization plus total liabilities minus total cash and cash equivalents of company i in year t
Cash Holdings (C.H.)	Total cash and cash equivalents per total assets of company i in year t
Leverage (Lev)	Total liabilities per total assets of company i in year t

Dividend Payout (Dividends)	Dividend per share divided by earnings per share of company <i>i</i> in year <i>t</i>
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Some of the proxies used in the prior literature to measure audit quality include audit firm size (whether the company is audited by large firm auditors), audit tenure (length of relationship between audit firm and client), and industry specialist audit firms (whether the firm is audited by industry specialist audit firms) (Abu Afifa et al., 2020; Al-Thuneibat et al., 2011; Sumiadji & Subiyantoro, 2009). Audit firm size and audit tenure are the two main proxies utilized in this study to measure audit quality. Based on previous research, the dependent variable in this study is oligarchy performance. Three stand-ins that characterize a company's financial situation – ROA (return on assets), ROE (return on equity), and EPS (earnings per share) – are used to quantify oligarchical performance (Alqirem et al. Sayyar et al., 2015; al., 2020). In this study, oligarchical performance is measured using these three proxies, which are profitability measures.

The mediating Earnings management (E.M.) is the variable in this study. Accrual-modified Jones model measures have been employed in earnings management in numerous prior studies (Alqirem et al., 2020; Chang & Sun, 2009; Saleh et al., 2020a). The modified Jones model is used to measure nondiscretionary accruals in order to compute earnings management (E.M.) (Dechow et al., 1995; Jones, 1991). Previous studies have shown that the Jones model is more appropriate than others for evaluating earnings management (Chen, 2010). Thus, the modified Jones model is also used to measure earnings management (E.M.) in this study.

Some Company size (Size), cash holdings (C.H.), leverage (Lev), dividend payments (Dividends), and corporate value (CV) are some of the control variables that are employed. Prior research (Dechow & Dichev, 2002) looked at the characteristics of large organizations, such as more predictable and varied operations, in addition to the need that income be of higher quality and allocated to the company's stakeholders. Tests from previous research (Dechow & Dichev, 2002; Mao & Renneboog, 2015) show that because of the volume of transactions they perform, the organization's management has a significant amount of power to affect profitability. Furthermore, other researches (Goh et al., 2013; Liu & Tsai, 2015) discovered that the following elements can induce managers to manipulate earnings and affect oligarchical performance: Leverage, firm size (Size), cash holdings (C.H.), and company valuation (CV) (Lev), as well as dividend disbursements. Considering that there is a greater chance of further profits management being carried out to meet investors' expectations when losses have previously happened. and make money. The factors employed in this investigation are listed below, and their measurements:

Analysis Method

Regression Analysis

Regression analysis is used to ascertain the impact of the independent factors on the dependent variable. It is believed that some of the variables in this

study act as mediating variables. As a result, the multiple linear regression model equation is estimated and converted into a path analysis model equation. The equation for the regression model that describes the correlation between the three study variables – oligarchical performance, audit quality, and earnings management – is estimated as follows:

$$EM_{i,t} = \alpha + \beta_1 SofAF_{i,t} + \beta_3 AFT_{i,t} + \beta_4 Size_{i,t} + \beta_5 CV_{i,t} + \beta_6 CH_{i,t} + \beta_7 Lev_{i,t} + \beta_8 Dividends_{i,t} + \varepsilon_i \dots (1)$$

$$Performance_{i,t} = \alpha + \beta_1 SofAF_{i,t} + \beta_3 AFT_{i,t} + \beta_4 EM_{i,t} + \beta_5 Size_{i,t} + \beta_6 CV_{i,t} + \beta_7 CH_{i,t} + \beta_8 Lev_{i,t} + \beta_9 Dividends_{i,t} + \varepsilon_i \dots (2)$$

With the following information:

1. $EM_{i,t}$: Earnings management
2. $Performance_{i,t}$: Oligarchical performance (ROA, ROE, and EPS)
3. α : Constant
4. β : coefficient
5. $SofAF_{i,t}$: KAP size
6. $AFT_{i,t}$: Tenure audits
7. $Size_{i,t}$: Company Size
8. $CV_{i,t}$: Company values
9. $CH_{i,t}$: Cash holdings
10. $Lev_{i,t}$: leverage
11. $Dividends_{i,t}$: Dividends payout
12. ε_i : Standard error

Furthermore, to prove the strength Using the Sobel test calculator on the website, a Sobel test is performed to determine the indirect impact of the independent variable on the dependent variable through the mediating variable.: <https://www.danielsoper.com/statcalc/calculator.aspx?id=31>.

RESEARCH RESULT

Selected Sample

Based on the use of all population methods, 95 ISOE companies throughout the study period of 2021 served as the study's samples. Three data outliers are eliminated from the study sample, and the final sum of the research sample is 92.

Descriptive Analysis

The standard deviation, mean size, and The minimum-maximum values are used to illustrate the analysis or descriptive description of the research variables during the study period. According to Table 2, which shows the mean audit firm size (SofAF; 0.69), 31% of the sample firms were audited by other audit firms, while 69% of the sample firms were audited by Big-4 KAPs.. Approximately 81% of the companies in the study sample had their audits conducted by the same KAP for three years or longer, according to the mean audit tenure (AFT; 0.81). Furthermore, the study sample's enterprises have engaged in earnings management methods, lowering their earnings to achieve a secondary goal, including tax evasion, according to the mean earnings management (EM; 0.31). Additionally, some opportunistic actions adhere to international universally recognized financial principles and accounting

standards, enabling Big-4 KAPs to provide advice on practices for administrative purposes and in compliance with accounting law.

It was found that standard deviations of the average ROE (-0.18%), average ROA (0.007%), and average EPS (114.64) of 0.12, 3.12, and 462.35, in that order. Additionally, the average firm size (Size: 29.81), average company valuation (CV: 29.74), average cash holdings (CH: 0.06%), average leverage (Lev: 0.69%), and average dividend payments (Dividends: 0.02%) have standard deviations of 2.78, 2.01, 0.09, 0.73, and 0.08, respectively. The important results of these variables show that the sample companies hold 0.06% of their total assets in cash and cash equivalents to accomplish a range of objectives. Most of the enterprises in the study sample employ external funding to finance their investments over the long term. That time.

Table 2. Descriptive Statistics

Variable	N	Means	std. Deviation	Maximum	Minimum
ROA	92	0.007	0.12	0.46	-1.20
ROE	92	-0.18	3,12	16.07	-41.87
EPS	92	114.64	462.35	2823	-993
sofaAF	92	0.69	0.26	1	0
AFT	92	0.81	0.23	1	0
EM	92	0.31	0.57	0.99	-1.79
Size	92	29,81	2.78	31,54	20.38
CV	92	29,74	2,01	34,48	21,64
CH	92	0.06	0.09	0.49	0.00
Leverage	92	0.69	0.73	5.78	0.01
Dividend	92	0.02	0.08	1.63	-1.79

Source: Output of IBM SPSS 26, 2022 Data Processing

DISCUSSION

Relationship of Audit Quality and Earnings Management

The test results of the first regression model (1) aim to determine the relationship between audit quality and profit management, as shown in Table 3. The test results indicate that earnings management (E.M.), audit firm size (SofAF), and audit engagement term (AFT) all have positive and substantial effects. Thus, H1 is accepted. The results show that the practice of earnings management rises with the size of the audit firm, suggesting that larger audit firms work harder to promote opportunistic behavior in their client businesses. Since they may oversee client ISOE more and won't lose money if the audit fails, auditors from large firms may be more susceptible to management fraud attempts, which could explain the findings. happen (Rusmin, 2010; Chen et al., 2011).

According to the research findings, earnings management methods also increase with audit firm turnover (audit engagement period/AFT). This differs from earlier research, including Wijaya (2020), Alsufy et al. (2020), Sumiadji and Subiyantoro (2009), and Bauwhede et al. (2003), and is backed by many agency theory contexts. This outcome could be explained by the significant turnover of

audit firms. increases discretion and compromise of BOD among all interest parties, resulting in decreased oversight and increased earnings management practices in companies of ISOE.

The results of leverage show a detrimental and substantial impact on how businesses manage their earnings, which can be interpreted as Because of the possibility of stringent scrutiny by creditors, managers of companies with high leverage ratios are less able to influence results (Dechow & Dichev, 2002; Mao & Renneboog, 2015; Saleh et al., 2020).

Table 3. Regression Model Testing Results 1

Variables	E.M. models		sig.
	B	T	
C	0.636	2,877	0.005
sofaAF	0.228	3,238	0.001
AFT	0.242	3,313	0.001
Size	-0.068	-2,157	0.032
CV	-0.150	-0.445	0.654
CH	-0.201	-0.527	0.593
Lev	-0.435	-3,775	0.000
Dividends	-0.190	-3,468	0.001
R-squared			0.297
Adjusted R-squared			0.277
F-statistics			9,321
Sig. F-statistics			0.000 ^b

Source: Output of IBM SPSS 26, 2022 data processing

The Relationship Between Audit Quality and Oligarchical Performance

Table 4 displays the results of the second hypothesis, which examines the relationship between audit quality and oligarchical performance. The test results show that audit firm size (SofAF) has a strong and favorable impact on oligarchical performance proxies, notably ROA and ROE, but a negative and insignificant impact on EPS. Additionally, AFT has a considerable negative influence on EPS, as well as on ROA and ROE proxies similarly. While ROE and EPS are positively and marginally impacted by size, ROA is positively and dramatically impacted. The three oligarchical performance proxies (ROA, ROE, and EPS) are not significantly impacted by CV, despite its positive effects. Lev and C.H. significantly and negatively affect ROE. and ROA, in that order. The final result, H2 is entirely accepted.

Large Recent studies have shown that audit fees are negatively correlated with business success and that audit firms obtain greater audit fees than smaller audit firms (Alali, 2011; Lin and Hwang, 2010; Ugwu et al., 2020). This implies that when the cost of an audit rises, a company's financial performance falls. The test results in this study do not support these studies, but they are consistent with research conducted by Afza and Nazir (2014) and Phan et al. (2020), which found a favorable association between the performance of organizations audited by large audit firms. One explanation could be that big auditing companies are more

focused on preserving company resources than small audit firms to reduce risks related to using company resources so that Oligarchical performance will increase.

Furthermore, to some extent, the research results match High AFT is found to decrease "agency conflicts" amongst all stakeholders, enhance the accuracy of accounting data, and increase the "using" of ISOE BOD (Elewa & El-Haddad, 2019). Since they are less familiar with the client's environment, a new audit firm may require more time and effort in the interim, perhaps leading to a higher audit price. As a result, it may lower the total returns realized over the time frame.

The Mediation Effect of Earnings Management in the Relationship Between Audit Quality and Oligarchical Performance

The results Table 4 displays the results of testing the third hypothesis, which indicate that earnings management (E.M.) has a negative and significant influence and that ROA and ROE are two proxies for oligarchical performance. In other words, when earnings management tactics increase, a company's performance (ROA and ROE) declines. The idea that managers must decide to lessen oligarchy in order to properly manage earnings lends credence to this view. Therefore, by gradually reducing taxes and fees, efficient profit management increases the value of the company (Subramanyam 1996). Additionally, this outcome is consistent with previous research showing accrual-based earnings management negatively impacted oligarchical performance (Machdar et al., 2017; Martowidjojo et al., 2019). They contend that managers obstruct business performance by accretion management of earnings to avoid paying taxes and fees. These findings, however, contradict those of other research, such as that conducted by Jiraporn et al. (2008), Abbas & Ayub (2019), and Almasarwah et al. (2021), which discovered that managers who employ earnings management to increase company profitability in order to enhance their standing with shareholders and avoid agency conflicts have a favorable impact on firm performance... Thus, H3 is entirely accepted.

Table 4. Regression Model Testing Results 2

Variables	ROA models			ROE models			EPS models		
	B	t	sig.	B	t	sig.	B	t	sig.
C	-0.734	-4.166	0.000	-0.745	-2,087	0.036	-305,106	-1,540	0.115
sofaAF	-0.061	-2,160	0.032	-0.078	-2,082	0.041	-29,129	-0.811	0.409
AFT	-0.017	-0.668	0.505	-0.029	-0.561	0.584	-82,235	-2.171	0.028
EM	-0.067	-3,518	0.001	-0.092	-2,780	0.008	-25.155	-0.786	0.423
Size	0.022	2,232	0.027	0.029	1,456	0.147	13,724	0.808	0.418
CV	0.005	0.572	0.568	0.001	0.078	0.938	11,570	0.692	0.390
CH	-0.040	-0.263	0.793	-1,191	-3,865	0.000	130,140	0.573	0.509
Lev	-0.081	-2,000	0.047	-0.126	-1,540	0.125	-79835	-1,248	0.204
Dividends	-0.002	-0.681	0.497	0.001	0.172	0.864	-0.733	-0.223	0.814
R-squared	0.210			0.170			0.059		
Adjusted R-squared	0.173			0.131			0.015		
F-statistics	5,641			4,356			1.335		
Sig. F-statistics	0.000 ^b			0.000 ^b			0.229 ^b		

Source: Output of IBM SPSS 26, 2022 data processing

Furthermore, the Sobel test was used in this study to investigate the indirect (mediating) effects of earnings management strategies on the

relationship between audit quality and business performance. As Table 6 illustrates, earnings management strategies completely moderate the relationship between SofAF and AFT as well as proxies of corporate performance, including ROA and ROE. Furthermore, earnings management strategies do not buffer the relationship between SofAF and AFT or the company's performance proxy, EPS. Prior studies (Mahrani & Soewarno, 2018; Cing et al., 2015) supports this finding by pointing out that oversight mechanisms influencing financial performance are mediated by earnings management.. Therefore, H4 is accepted.

Table 5. Sobel Test Results for Hypothesis 4

Indirect influence	T _{count}	t _{table}	Sig.	Information
SofAF →EM →ROA	-2.33	±1.96	0.02	Mediate
AFT →EM →ROA	2.35	±1.96	0.02	Mediate
SofAF →EM →ROE	-2.05	±1.96	0.04	Mediate
AFT →EM →ROE	2.07	±1.96	0.04	Mediate
SofAF →EM →EPS	0.76	±1.96	0.45	Not Mediating
AFT →EM →EPS	-0.76	±1.96	0.45	Not Mediating

Source: Output of IBM SPSS 26 and Sobel Test Calculator, 2022 Data Processing

CONCLUSIONS AND RECOMMENDATIONS

This study examines the connection between oligarchical performance, earnings management, and audit quality. Importantly, this study was carried out to close the gaps in the earlier research and examine the ways in which earnings management strategies mediate the connection between audit quality and oligarchical performance.. This study was carried out using empirical data from 92 companies on ISOE for 2021.

According to the study's findings, high-manager organizations are more likely to alter earnings due to the audit's quality. Since corporate earnings management is often a good strategy, managers usually control results by lowering rather than increasing earnings. Additionally, AFT and Earnings management techniques are positively impacted by SofAF. Techniques for manipulating earnings have a negative effect on two business proxies. performance of ROA and ROE, but have no impact on EPS.

The findings of this study also show that two proxies, ROA and ROE, are significantly and favorably impacted by SofAF. AFT has a negative and significant effect on EPS and a negative and insignificant influence on ROA, but it has no appreciable positive effect on ROE. Size has a strong and positive impact on ROA but little on ROE or EPS. The company's success statistic is unaffected by CV, despite the fact that it helps with direction. The three proxies of business performance (ROA, ROE, and EPS) are unaffected by dividends, however C.H. has a detrimental impact on ROE and ROA is negatively impacted by Lev. Furthermore, ROE and ROA, two measures of business success, completely moderate the association between audit quality and earnings management techniques. However, earnings management strategies do not act as a mediator

in the relationship between audit quality and oligarchical performance as determined by EPS.

This study's restriction is that Only organizations with ISOE are included in its demographic and research sample. Another flaw in the research model is the lack of variables that can influence profit management tactics and business performance, such as ownership structure characteristics and corporate governance. In light of the study's shortcomings, the authors recommend that future research examine study models in different industries and incorporate characteristics such as corporate governance or ownership structure to offer additional context-specific explanation.

FURTHER STUDY

This research still has limitations, so further research is needed related to the topic of Study of Oligarchical Performance in order to perfect this research and increase insight for readers.

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