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The Influence of Related Party Transactions on Earnings Management in Indonesian Food and Beverage Sub-Sector Companies: Ownership Concentration as a Moderating Variable

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ABSTRACT: This research tests how transactions among related parties influence the management of earnings, considering ownership concentration as a moderating factor. The research specifically targets businesses inside of the food and beverage sub-division that are registered on the Indonesia Stock Exchange (IDX) during the phase by 2016 to 2022. Earnings management, a tactic frequently utilized by corporate executives to manipulate reported financial outcomes, is associated by both accrual-based and real earnings management techniques. This research emphasizes how transactions by related parties can enable accrual earnings management, especially in circumstances defined by significant ownership concentration, where major stockholders might leverage their influence to the disadvantage of smaller group stockholders. Through moderated regression analysis, this research investigates the extent to which ownership concentration can enhance or reduce the influence of related party transactions on earnings management. The outcomes reveal that a high concentration of ownership intensifies earnings manipulation, particularly in less regulated settings such as Indonesia, where conflicts of interest among majority and smaller group stockholders are prevalent. These outcomes add to the expanding literary works on corporate governance and offer valuable empirical insights for stakeholders concerning the monitoring of related party transactions.

KEYWORDS: Earnings Management, Related Party Transactions, Ownership Concentration, Accrual Earnings Management, Corporate Governance

I. INTRODUCTION

Earnings management is frequently understood as a tactic employed by corporate management to influence reported earnings, aiming to align these earnings by the desired expectations. The enhancement of a businesses's value is often demonstrated through the profits it generates, which do a essential role in the businesses's financial reporting. As a measure of a businesses's condition, financial statements encourage businesses to connect in earnings management. Managers do the discretion to choose accounting policies that allow them to manipulate earnings in their favor. Changes in financial statement components made by management can obscure the businesses's actual performance, misleading stockholders and potential investors about the businesses's operational success (Subastian, Widagdo, & Setiawan, 2021).

Management is motivated to manipulate earnings to report higher profits and increase the businesses's economic value, a procedure known as earnings management. This manipulation often stems by personal interests, outcomeing in financial statement deception and management errors (Noor, Sanusia, Heang, Iskandar, & Isa, 2015). Earnings management generally encompasses two main approaches: accrual earnings management and real earnings management. Accrual earnings management centers on adjusting reported earnings through accounting techniques that do not directly influence cash flows, while real earnings management entails modifying operational activities to influence financial outcomes (Zang, 2012). Techniques for accrual earnings management involve modifying depreciation timelines, setting provisions for doubtful accounts, and choosing various accountin g methods (such as different approaches to depreciation or inventory assessment). Conversely, procedures associated by real earnings management include hastening sales, providing discounts, reducing discretionary spending, changing shipment timings, and delaying financial outgoingss related to research and development or maintenance (Roychowdhury, 2006).

In Indonesia, earnings management tends to be opportunistic, favoring the interests of certain parties rather than being efficient (Azizah, 2017). Opportunistic earnings management is conducted by management for personal valuable, such as achieving profit targets. This attitude remains prevalent in Indonesia, a fact reflected by the country's high corruption index (Narsa, Afifa, &

Wardhaningrum, 2023). A 2019 research by the Association of Certified deception testrs (ACFE) Indonesia reveald that financial statement deception was the third most prevalent form of deception in the nation (ACFE, 2019). Notable instances of financial statement deception in Indonesia include the cases of PT Garuda Indonesia (Persero) in 2018 and PT Tiga Pilar SejahteraFood Tbk in 2017.

In the case of PT Garuda Indonesia, the businesses initially reported a profit of IDR 72.5 billion in 2018, but after an audit and recording adjustments, it posted a loss of IDR 2.53 trillion. The businesses had initially recognized revenues by a cooperation agreement by PT Mahata Aero Teknologi as income, even though the payment was supposed to be deferred over 15 years. Another case involved PT Tiga Pilar Sejahtera Food Tbk, where the businesses overstated receivables by IDR 4 trillion and inflated earnings by IDR 662 billion, showing significant financial discrepancies (CNBC Indonesia, 2019; Kontan, 2017).

Related Party Transactions in Indonesia

In Indonesia, related party transactions (RPTs) are often utilized as a mechanism to enhance management and controlling stockholders' profits due to weak regulations governing public investor protection (Muhammadi & Jiang, 2017). These transactions can harm smaller group stockholders through tunneling, where the controlling stockholders transfer businesses assets to related entities for personal valuable. Earnings management through related party transactions aims to maximize confidential valuables by shifting businesses funds to affiliated entities and manipulating earnings (Pacces, 2018). Methods of engaging in such transactions include transfer pricing, selling assets for gains, issuing low-priced securities to related parties, and compensating executive managers who are relatives of the majority stockholders by high salaries (Afriani Utama & Utama, 2009).

Related party transactions, under certain conditions, can create opportunities for deception, valuableing majority stockholders while harming smaller group stockholders (Wukirasih & Supatmi, 2022). Potential agency conflicts can arise among majority stockholders and smaller group stockholders, allowing the former to exploit the businesses for personal gain. This is a key issue in countries by weak corporate governance frameworks, where dominant stockholders can take advantage of RPTs to expropriate businesses wealth at the financial outgoings of smaller group stockholders (Coffe, Jackson, Mitts, & Bishop, 2018). Tareq, Houqe, Zijl, Taylor, & Morley (2017) argued that majority stockholders could use their control to dominate corporate decisions, often at the financial outgoings of smaller group stockholders.

In addition to transactions among businesses and their affiliates, RPTs can also occur among a businesses and its top executives, board members, or their close family members (Huang & Liu, 2010). The literary works on related party transactions highlights the potential unfavorable influences of these deals, commonly referred to as tunneling (Alhadab, Abullatif, & Mansour, 2020). Tunneling involves the extraction of businesses resources by majority stockholders for personal gain, by smaller group stockholders bearing the cost (Dhamari, Gamrh, & Ismail, 2018). The misuse of RPTs is often more prevalent in developing countries, where family businesses are common and corporate governance is weak (Jensen & Meckling, 1976).

Ownership Concentration and Agency Conflicts

Agency conflicts frequently emerge among majority and smaller group stockholders when ownership is held by a limited number of individuals or entities. This scenario is known as agency problem Type II (Villalonga & Amit, 2006), where disputes among controlling and non-controlling stockholders outcome in the appropriation of wealth. In developing nations such as Indonesia, where legal safeguards for smaller group stockholders are inadequate, concentrated ownership enables dominant stockholders to manipulate earnings for their own advantage, often utilizing related party transactions (Supatmi, Sutrisno, & Purnomosidhi, 2019).

Research conducted in countries such as Jordan and Malaysia has reveald that related party transactions do an inverse connection by accrual earnings management, but not by real earnings management (Alhadap et al., 2020). In a similar vein, Jalan, Badrinath, & Gamrh (2020) identified a unfavorable connection among related party transactions and earnings management. Conversely, El-Helaly, Georgiou, & Lowe (2018) discovered that related party transactions and real earnings management techniques can serve as alternatives, particularly in cases where businesses are not audited by the Big Four accounting businessess. Conversely, Jao, Tangke, Holly, Thungadi, & Agustuty (2023) found that related party transactions do a favorable influence on earnings management. These outcomes are consistent by the research conducted by businesses Firmanzah & Marsoem (2023), which revealed that related party transactions do a significant role in facilitating tax avoidance.

Research Focus and Importance

This research focuses on the food and beverage sub-division businesses registered on the Indonesia Stock Exchange (IDX) among 2016 and 2022. This division was selected due to its rapid growth, driven by increasing personal incomes and consumption among middle-class consumers. The assistance of the food and beverage industry to Indonesia's gross domestic product (GDP) is substantial, accounting for 6.32% of the national GDP in 2022 (BPS, 2022). Additionally, the division contributes over one-third of the non-oil and gas manufacturing division, making it a critical area for financial transparency and corporate governance.

The establishment of the ASEAN Economic Community (AEC) in 2015 has heightened competition throughout Southeast Asia. The AEC's objective is to eliminate obstacles to economic activities inside of the region, promoting the unrestricted movement of goods, services, investments, and skilled labor (Prasetyo, 2014). Consequently, businesses in the food and beverage division face increasing pressure to enhance their financial reporting in order to attract foreign direct investment (FDI) an d maintain their competitiveness in the global marketplace. This situation creates further motivations for businesses to connect in earnings management, complicating the governance dynamics inside of the industry.

Research Motivation

This research is driven by the conflicting outcomes found in earlier research regarding the connection among related party transactions (RPTs) and earnings management. Some studies emphasize the detrimental influence of RPTs on earnings quality, while others argue that, when properly regulated, RPTs can enhance operational efficiency. Considering the importance of ownership concentration in Indonesia's corporate environment, this research seeks to add to the existing literary works by exploring how ownership concentration influences the connection among RPTs and accrual earnings management. Accrual earnings management is generally more detectable through empirical methods than real earnings management (Cohen & Zarowin, 2010). Additionally, the use of accruals allows management higher leeway to adjust earnings devoid of necessitating actual cash transactions (Astuti & Indriani, 2018).

Furthermore, this research incorporates ownership concentration as a moderating factor to evaluate its influence on the connection among related party transactions (RPTs) and earnings management. Ownership concentration may exert a dual influence: it could enable earnings management by permitting majority stockholders to act opportunistically, or it might enhance corporate governance and curb the abuse of RPTs (Alhadab et al., 2020). In developing nations, smaller group stockholders frequently do inadequate protection of their rights, highlighting the importance of ownership concentration in comprehending the dynamics of corporate governance.

Drawing by the aforementioned circumstance, this research aims to investigate the connection among related party transactions and accrual earnings management, considering ownership concentration as a moderating factor.

Research Novelty

This research introduces a fresh perspective by analyzing the connection among related party transactions and earnings management specifically inside of food and beverage businesses registered on the Indonesia Stock Exchange (IDX) by 2016 to 2022. Although numerous studies do addressed earnings management and related party transactions, this investigation stands out by incorporating ownership concentration as a moderating variable to determine if concentrated ownership amplifies or diminishes the influence of related party transactions on earnings management. Consequently, this research enhances the existing literary works on corporate governance in Indonesia, particularly inside of the dynamic and promising food and beverage division.

Problem Formulation

1. How do related party transactions influence earnings management in food and beverage sub-division businesses registered on the Indonesia Stock Exchange (IDX) by 2016 to 2022?
2. Does ownership concentration strengthen or weaken the influence of related party transactions on earnings management?

Research Objectives

This research aims to:

1. Assess the influence of related party transactions on earnings management in food and beverage sub-division businesses registered on the Indonesia Stock Exchange (IDX) by 2016 to 2022.
2. Test whether ownership concentration moderates the connection among related party transactions and earnings management.

Research valuables

1. **Theoretical valuable**: This research is expected to enrich academic discussions on the connection among related party transactions, ownership concentration, and earnings management in the circumstance of emerging markets like Indonesia. It also contributes to the literary works on corporate governance and how ownership factors influence earnings manipulation.
2. **Practical valuable:** The outcomes of this research are expected to serve as a reference for stockholders, regulators, and businesses management to improve corporate governance procedures, particularly in managing related party transactions and earnings management. These insights can help enhance transparency and accountability in financial reporting.

II. LITERARY WORKS REVIEW

A. Agency Theory

Agency theory explains the connection among two parties: the principal, who provides the resources or holds ownership, and the agent, who creates decisions on behalf of the principal (Rankin et al., 2012). The separation of roles among principals and agents often leads to opportunistic attitude, commonly referred to as the agency problem, where agents prioritize their own interests over those of the principal (Jensen & Meckling, 1976).

Agency problems arise in two main forms. The first, Type I agency problem, occurs among stockholders (principals) and managers (agents) (Benjamin et al., 2016). The second, Type II agency problem, emerges by conflicts among majority and smallergroup stockholders (Villalonga & Amit, 2004; Gama & Rodrigues, 2012). In Type II agency problems, majority stockholders exploittheir controlling position to create decisions that may expropriate wealth by smaller group stockholders. Majority stockholders use their influence over management to create decisions that align by their interests, often at the financial outgoings of smaller group stockholders, who may receive lower dividends or face other disadvantages (Isakov & Weisskopf, 2015).

In businesses by concentrated ownership, Type II agency problems are likely to occur, as majority stockholders, often reinforced by the board of directors, leverage confidential information to create decisions that valuable themselves (Panda & Leepsa, 2017). This research employs Type II agency theory to understand how related party transactions (RPTs) can be utilized by businessess to cover financial performance through earnings management, which ultimately valuables majority stockholders at the financial outgoings of smaller group stockholders.

B. Earnings Management

Earnings management refers to managerial actions taken to influence reported earnings, typically through accounting choices or operational changes, in order to meet specific targets (Scott, 2015). Earnings management can be understood in two ways: (1) as an opportunistic action by managers to maximize personal utility, or (2) as efficient contracting that enables managers to protect the businesses against unexpected events (Scott, 2015).

Two key factors drive earnings management: the need to valuable the businesses (e.g., maximizing stock prices) and the desire to valuable the manager (e.g., maximizing compensation) (Rankin et al., 2012). Managers often connect in earnings management to avoid breaching debt covenants, improve the businesses's value, or meet analysts' expectations (Makhaiel & Sherer, 2017). Moreover, political and regulatory pressures can lead managers to reduce reported earnings to avoid scrutiny or reduce political costs (Habbash & Alghamdi, 2015).

Accrual earnings management and real earnings management are the two primary methods utilized to manipulate financial reports. Accrual earnings management involves adjusting accounting policies, while real earnings management alters actual business operations (Zang, 2012; Roychowdhury, 2006). This research focuses on accrual earnings management, which can be measured using discretionary accruals.

C. Related Party Transactions

A related party refers to any entity, be it an individual or an organization, that maintains a connection by the entity responsible for preparing the financial statements. In Indonesia, transactions by related parties (RPTs) are regulated by PSAK No. 7, which mandates the disclosure of the nature, monetary value, and outstanding loads associated by these transactions (Herawati et al., 2022). RPTs may arise among a businesses and its subsidiaries, its management team, board members, or other entities that do a close affiliation by the businesses.

As stipulated by PSAK No. 7, a businesses is considered to possess a special connection by another entity if it has the ability to exert control, meaning it can influence both operational and financial decision-making processes inside of the other businesses.

Although transactions by related parties (RPTs) do the potential to enhance operational efficiency by lowering transaction costs, they also pose risks of financial misconduct or earnings manipulation if not handled appropriately (Mao, Sun, Zhu, & Li, 2021). For instance, managers might exploit RPTs to redirect resources to affiliated entities, thereby obscuring the actual financial condition of the organization through procedures of earnings management (Nindita et al., 2021).

D. Ownership Concentration

Under PSAK No. 15, an investor is deemed to possess significant influence over financial and operational policy decisions if it holds more than 20% of the voting rights. In contrast, an ownership stake of less than 20% reveals a lack of significant influence. Significant influence refers to the capacity to connect in the decision-making processes related to financial and operational policies of an economic entity, devoid of having the authority to control or jointly control those policies.

Ownership concentration can be classified into two distinct categories: concentrated ownership, defined by a single stockholder or a specific group exerting substantial control, and dispersed ownership, in which shares are distributed more equitably among a broader base of stockholders (Coghlan, 2019).

Studies suggest that concentrated ownership heightens the potential for disputes among majority and smaller group stockholders, especially in nations by inadequate legal safeguards for smaller group interests, such as Indonesia (Claessens et al., 2000). Majority stockholders frequently leverage their dominant position to sway management into procedures of earnings manipulation, which serve their interests at the financial outgoings of smaller group stockholders (La Porta et al., 1999).

Nevertheless, concentrated ownership may also enhance supervision of management, thereby diminishing the chances for earnings manipulation. Given that majority stockholders typically possess a vested interest in the long-term prosperity of the businesses, they can serve as formidable overseers, thereby constraining the scope of earnings management (Ramsey & Blair, 1993; Bennedsen & Wolfenzon, 2000).

E. Hypothesis Development

1. The influence of Related Party Transactions on Earnings Management

Investigations reveal a strong connection among transactions by related parties (RPTs) and accrual earnings management. Such as, research has demonstrated a unfavorable connection among RPTs and accrual earnings management, as businesses may utilize these transactions to distort their reported earnings (Marchini et al., 2018; Alhadab et al., 2020). Conversely, other studies propose that businessess by inadequate governance structures, particularly in emerging economies, might exploit RPTs for tunneling procedures, diverting resources to affiliated entities to the detriment of smaller group stockholders (Habib et al., 2017). Consequently, the initial hypothesis of this research is:

- H1: Related party transactions do a favorable influence on earnings management.

2. The Moderating Role of Ownership Concentration

The influence of ownership concentration on earnings management has been a subject of extensive discussion. In nations defined by robust corporate governance, concentrated ownership can enhance oversight of management, thereby decreasing the chances of earnings manipulation (Alves, 2012). Conversely, in jurisdictions by insufficient legal protections, concentrated ownership may intensify agency issues, as majority stockholders leverage their control to appropriate confidential valuables to the detriment of smaller group stockholders (Fan & Wong, 2002). Thus, the second hypothesis posited is:

- H2: The concentration of ownership serves as a moderating factor in the interdo among transactions by related parties and the procedure of earnings management.

III. RESEARCH METHOD

A. SAMPLES AND METHODS

This study has the objective to quantify and elucidate the impact of transactions by related parties on the procedure of earnings management, by the degree of ownership concentration serving as a moderating variable. The research employs a quantitative methodology, relying on secondary data sources extracted by businesses financial reports available on the website www.idx.co.id and the official websites of the respective businessess. The analysis is conducted using SPSS 23 software, appl ying the multiple regression technique. The population for this research comprises businesses in the food and beverage sub-division registered on the Indonesia Stock Exchange (IDX), and the sample consists of 224 food and beverage sub-division businesses spanning the phase by 2016 to 2022.

Table 1 Research Sample

N0	Description	Total
1	Food and beverage sub-division businesses registered on the IDX.	97
2	Businesses that do not publish complete annual reports and do not have data related to research variables during the 2016-2022phase.	65
	Number of Samples Per Year	**32**
	Year of observation	**7**
	Number of observation data	**224**

Source: Processed secondary data, 2024

B. EARNINGS MANAGEMENT

The measurement of *discretionery accruals* as a proxy for *earnings management* uses the *modified Jones* model presented by Dechow, Sloan, & Sweeny (1995) to detect *earnings management* attitude in a businesses. The calculation outcome of *discretionery accruals* by zero value means that *earnings management* is set by *income smoothing* pattern. While the favorable value reveals *earnings management* is set by *income increasing* pattern and the unfavorable value reveals *earnings management* is set by*income decreasing* pattern (Sulistyanto, 2008).

The following is a measurement of *discretionery accruals* using *modified Jones* (1995):

a. Determine the total *accruals* score

$$TAC_{it} = \mathrm{NI}_{it} - CFO_{it}$$

$$\frac{TAC_{it}}{A_{it-1}} = \beta 1\left(\frac{1}{A_{it-1}}\right) + \beta 2\left(\frac{\Delta REV_{it}}{A_{it-1}}\right) + \beta 3\left(\frac{PPEit}{A_{it}}\right) + \varepsilon$$

b. Calculating total accruals estimated by *Ordinary Least Square* (OLS) regression

c. Determining *Non-discretionary accrual* (NDA)

$$\mathrm{NDA}_{it} = \beta 1\left(\frac{1}{A_{it-1}}\right) + + \beta 2\left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it}}\right) + \beta 3\left(\frac{PPE_{it}}{A_{it}}\right)$$

d. Determining *discretionary accrual* (DA)

$$\mathrm{DA}_{it} = \frac{TACit}{A_{it-1}} - \mathrm{NDA}_{it}$$

Description:

DA $_{it}$: *Discretionary Accruals of* businesses i in the phase of year t

$TAC\ it$: Total accruals of businesses i in year t

NI it: Net income of businesses i in year t

$CFO\ it$: Operating cash flow of businesses i in year t

$A\ it{-}1$: Total assets of businesses i in year t-1

$\Delta REV\ it$: Businesses i's revenue in year t minus businesses I's revenue in year t-1

PPE $_{it}$: *Property, Plant, Equipment*

$\Delta\ Recit$: Businesses i's receivables in year t minus businesses i's revenue in year t-1.

ε: *error*

C. RELATED PARTY TRANSACTIONS

In this research, transactions involving related parties (RPTs) are treated as independent variables. RPTs are defined as a dummy variable, assigned a value of one when the total of sales, purchases, and outstanding balance among the businesses and its affiliated entities surpasses 1% of the businesses's overall annual assets; otherwise, it is assigned a value of zero (Alhadab et al., 2020).

RPTs = related party sales + related party purchases + related party outstanding balance

D. OWNERSHIP CONCENTRATION

This research incorporates a single moderating variable, referred to as ownership concentration (CONC). Ownership concentration (CONC) is represented by the portion of shares held by the largest institutional or individual stakeholders.

E. THE YEAR OF THE COVID-19 PANDEMIC

This analysis includes a singular control variable, specifically the phase of the COVID-19 pandemic spanning 2020 to 2021 (COV). The researcher employs a dummy variable, assigning a value of one if the year in question falls outside the pandemic timeframe, and a value of zero if it coincides by a year influenceed by the pandemic.

F. RESEARCH MODEL

This research employs a combination of descriptive statistical analysis methods, classical assumption testing, and multiple linear regression techniques, utilizing Moderated Regression Analysis (MRA) for moderation. The formulation can be expressed as follows:

Hypothesis Test 1
EM = α + y*RPTs + β2*Z + ε
Description:
EM: DA proxy
RPTs: A dummy variable is defined such that it assumes a value of one when the aggregate of sales, purchases, and expenditures among the businesses and its affiliated entities exceeds 1% of the totalassets; conversely, it takes a value of zero in all other instances.
Z: Control variable

Hypothesis Test 2
EM = α + y*RPTs + λ*CONC +η*(RPTs * CONC) + β*Z + ε
Description:
EM: DA proxy
RPTs: A dummy variable is established, which is assigned a value of one when the cumulative total of sales, purchases, and financial outgoingss involving the businesses and its related parties surpasses 1% of the overall assets; otherwise, it is designated a value of zero.
CONC: Ownership concentration
RPTs * CONC: Interaction among related party transactions and ownership structure
Z: Control variable

IV. RESULTS AND DISCUSSION

A. DESCRIPTIVE STATISTICS

The dependent variable, *earnings management* as measured by *discretionary acrual* (DA), has an mean of -0.02 and a standard deviation of 0.30, indicating that the sample has a fairly high variation. The minimum *discretionary acrual* value is -0.78 while the maximum *discretionary acrual* value is 0.65.

The independent variable, related party transactions (RPTs), is quantified by the frequency of transactions occurring among a businesses and its affiliated entities, yielding a mean of 0.60 by a standard deviation of 0.49, indicating a relatively low level of variability inside of the sample. The highest recorded value for related party transactions (RPTs) is 1.00, while the lowest is 0.00.

The ownership concentration variable (OWNC), employed as a moderating factor, exhibits a mean of 0.72 alongside a standard deviation of 0.31, which suggests that the variability inside of the sample is relatively minimal. The ownership concentration reaches a maximum of 1.07 and a minimum of -0.05.

The control variable derived by the COVID-19 year reflects a mean value of 0.43, accompanied by a standard deviation of 0.49, indicating a considerable level of variability inside of the sample. In this dataset, the lowest COV value recorded among the sample businesses is 0, while the highest reaches 1.

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DA	224	-0.78	0.65	-0.02	0.30
RPTs	224	0	1	0.60	0.49
OWNC	224	-0.05	1.07	0.72	0.31
COV	224	0	1	0.43	0.49
Valid N (listwise)	224				

Source: Processed secondary data, 2024

B. CLASSICAL ASSUMPTIONS Normality Test

In this research, the Kolmogorov-Smirnov (K-S) statistical test was employed to assess the normality of the data, yielding outcomes that reveal a normal distribution; thus, the requirements for normality do been satisfied. The K-S test revealed a significance value exceeding 0.05, specifically 0.343.

Table 3 Normality Test

Variables	Sig	Limit	Description
Unstandardized Residual	0.343	>0.05	Normal

Source: Processed secondary data, 2024

Heteroscedasticity Test

In this research, the Glejser test was utilized to evaluate heteroscedasticity, yielding significance outcomes that surpass the 0.05 confidence threshold. As a result, one can ascertain that the regression model fails to demonstrate heteroscedasticity.

Table 4 Heteroskedasticity Test

Variables	t	Sig
RPTs	-1.787	0.075
OWNC	1.712	0.088
COV	-0.710	0.479

Source: Processed secondary data, 2024

Multicollinearity Test

In the multicollinearity test, it can be drawn that each independent variable has a tolerance value higher than 0.10 and a *Variance inflation factor* (VIF) value smaller than 10, so the conclusion is that there is no multicollinearity problem.

Table 5 Multicollinearity Test

Variables	*Tolerance*	*VIF*	Description
RPTs	0.998	1.002	No multicollinearity
OWNC	0.936	1.068	No multicollinearity
COV	0.938	1.066	No multicollinearity

Source: Processed secondary data, 2024

Autocorrelation Test

According to the autoconnection assessment conducted through the Run Test, the significance outcome obtained is 0.081. This reveals that there is no evidence of autoconnection present in the regression model, as the significance level exceeds the 0.05 threshold.

Table 6 Autocorrelation Test

Variables	Sig	Limit	Description
Unstandardized Residual	0.081	>0.05	No autocorrelation

Source: Processed secondary data, 2024

C. HYPOTHESIS TEST

Table 7 Hypothesis Test 1

Model	Unstandardized Coefficients		ıstandardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-0.087	-0.036		-2.412	0.017
RPTs	0.109	0.041	0.177	2.670	0.008
COV	-0.003	0.040	-0.005	-0.070	0.944

Source: Processed secondary data, 2024

Hypothesis one test in this research is to test the influence of related party transactions (RPTs) by earnings management

(DA) using the Multiple Linear Regression Test above the multiple linear regression calculation obtained the following equati on EM =- 0.087 *+ 0.109 ** RPTs *- 0.003 * Z + ε*, where EM is earnings management; RPTs is related party transactions and Z is the control variable for the covid-19 pandemic year. The adjusted coefficient of determination (Adjusted R^2) is calculated to be 0.022, suggesting that the combined influence of the related party transaction variable and the COVID-19 pandemic phase accounts for 2.2% of the variation in the earnings management variable. Consequently, the leftover 97.8% of the variance in earnings management can be attributed to factors beyond the independent variables considered in this research.

The outcomes by the first hypothesis test, as presented in Table 7, reveal that related party transactions (RPTs) exert a favorable influence on earnings management. This is evidenced by a t-value of 2.670 and a favorable β coefficient of 0.109, signifying a substantial favorable connection among earnings management and related party transactions, by a significance level of 0.008. Therefore, it can be concluded that the first hypothesis is reinforced.

Table 8 Hypothesis Test 2

Model	**Unstandardized Coefficients**		**Unstandardized Coefficients**	**t**	**Sig**
	B	**Std. Error**	**Beta**		
(Constant)	0.122	0.071		1.727	0.086
RPTs	-0.105	0.099	-0.171	-1.064	0.288
OWNC	-0.311	0.091	-0.319	-3.406	0.001
RPTs_OWNC	0.305	0.126	0.425	2.420	0.016
COV	0.021	0.041	0.034	0.513	0.609

Source: Processed secondary data, 2024

Hypothesis two in this research is to test whether ownership concentration moderates the influence of related party transactions (RPTs) on earnings management using the Multiple Linear Regression Test above the multiple linear regression calculation outcomes in the following equation EM = 0.122 - 0.105*RPTs - 0.311*CONC +0.305*(RPTs * CONC) + 0.021*Z + ε where EM is earnings management; RPTs is related party transactions; CONC is ownership concentration, RPTS*CONC is the moderation of the interaction among related party transactions and ownership concentration and Z is the control variable for the covid-19 pandemic year. Upon incorporating the moderating variable into the second hypothesis test, the adjusted coefficient of determination (Adjusted R^2) rose to 0.063. This reveals that 6.3% of the variations in earnings management can be attributed to related party transactions (RPTs) functioning as the independent variable, alongside ownership concentration (OWNC) as the moderating variable, and the COVID year (COV) serving as a control variable. Consequently, the leftover 93.7% of the variations in earnings management are likely influenced by other factors beyond the independentvariables analyzed in this research.

The outcomes of the second hypothesis test, detailed in Table 7, reveal that ownership concentration enhances the influence of related party transactions (RPTs) on earnings management. This is reflected in a t-value of 2.420 and a favorable β coefficient of 0.305, which suggests that the ownership concentration variable fortifies the association among related party transactions and earnings management. The significance level is recorded at 0.016, leading to the conclusion that the second hypothesis is accepted.

D. DISCUSSION

1. The influence of Related Party Transactions on Earnings Management:

The research outcomes reveal that related party transactions (RPTs) exert a noteworthy favorable influence on earnings management. This conclusion is reinforced by a significance value of 0.008, a t-value of 2.670, and a favorable beta coefficient of 0.109. These outcomes imply that an increase in RPTs correlates by heightened earnings management activities inside of businessess. This evidence stands in contrast to previous studies, including those conducted by Alhadab et al. (2020), which identified a unfavorable connection among RPTs and accrual-based earnings management. Conversely, the outcomes are consistent by the research conducted by Jao, Tangke, Holly, Thungadi, and Agustuty (2023), which demonstrates a meaningful favorable connection among related party transactions (RPTs) and earnings management.

2. Moderating influence of Ownership Concentration on the connection among RPTs and Earnings Management:

The research reveals that ownership concentration amplifies the favorable connection among related party transactions

(RPTs) and earnings management. This assertion is substantiated by a significance level of 0.016, a t -value of 2.420, and a beta coefficient of 0.305. businessess defined by higher ownership concentration tend to connect more frequently in earnings management activities via RPTs, outcomeing in heightened agency conflicts among majority and smaller group stockholders. These outcomes align by prior studies by Choi et al. (2004), Kim and Yoon (2008), Gulzar and Wang (2011), and Alves (2012), all of which identified a favorable association among higher ownership concentration and earnings management procedures..

V. CONCLUSIONS AND SUGGESTIONS

A. CONCLUSIONS

This research investigates the influence of related party transactions (RPTs) on earnings management, by ownership concentration serving as a moderating variable, specifically inside of the food and beverage sub-division of businesses registered on the Indonesia Stock Exchange (IDX) by 2016 to 2022. This research contributes to the existing body of literary works by focusing on a niche area that has not been extensively explored by prior researchers. The outcomes reveal that RPTs exert a significant favorable influence on earnings management, indicating that a higher volume of related party transactions inside of a businesses defined by special connections correlates by increased earnings management procedures. This attitude is often aimed at valuableing controlling or majority stockholders while disadvantaging smaller group stockholders.

The second key outcome of this research reveals that ownership concentration exhibits a significant favorable influence on the connection among related party transactions (RPTs) and earnings management. This suggests that the presence of ownership concentration will strengthen the relationship between RPTs and earnings management, leading to agency conflicts between principals and agents, especially between majority and smaller group shareholders.

B. SUGGESTION

Suggestions that can be given to further research are:

1. Can add independent variables and other dick variables to find out how they influence *earnings management.*
2. Can consider sub-businesses by different types of businesses and first look at more specific characteristics so that theyare relevant to other variables.

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