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DOES PRESIDENTIAL ELECTION MATTERS? EARNINGS MANAGEMENT STUDY IN INDONESIA

Abstract:

This study explores the relationship between earnings management and presidential elections in Indonesia. Previous studies have indicated a negative impact of general elections on earnings management in State-Owned Enterprises (SOE). This study aims to investigate the effects of presidential elections on earnings management in Indonesia, particularly within the context of SOE. An analysis was conducted using a sample of 63 Indonesian listed companies, including 21 SOE, over a 5-year period to examine the influence of presidential elections in pre-election years, election years, and post-election years. Our empirical findings reveal that presidential elections negatively affect real earnings management in both SOE and non-SOE in Indonesia. We also find that the practice of earnings management was substantially higher before the election period compared to the period following the election. The finding suggests a significant rise in pressure resulting from political events, such as the presidential election. These results serve as a reference for future research and contribute to anticipating earnings management practices in upcoming political events, especially presidential elections.

Keywords:

Earnings Management, Election, Stated Owned Enterprises, political pressure

JEL Classification: G14, M00, M41