

ABSTRACT

This study aims to examine the influence of Blockholders on earnings management with Religiosity as a moderating variable. This research is an alternative effort to solve agency problems, namely conflicts of interest between shareholders and management or majority and minority shareholders. The presence of large shareholders or Blockholders is expected to reduce conflicts between shareholders and management. However, empirically, two perspectives have emerged, namely alignment and entrenchment. The alignment perspective states that Blockholders are an effective control to reduce earnings management behavior, while the entrenchment perspective states that Blockholders act opportunistically and encourage earnings management behavior. Companies in Indonesia generally have the character of concentrated shares and are mostly owned by families. These characters typically lead to conflicts between majority and minority shareholders. Based on these characteristics, this study wants to prove that: first, Blockholders tend to be involved in earnings management; second, the Religiosity variable is expected to be able to mitigate Blockholders involvement in earnings management.

The population of this study were companies listed on the Indonesia Stock Exchange from 2015 to 2021. The sample selection method was purposive sampling and obtained a sample of 329 companies or 2,303 observational data. The extreme data outliers are 65, so the observation data used is 2,238. Testing the hypothesis uses multiple linear regression and multi-group regression with the Eviews 12 program application.

This study provides empirical evidence that: first, Blockholders have a significant positive effect on earnings management; second, controlling Blockholders have a significant positive effect on earnings management; third, Religiosity can mitigate the positive influence of Blockholders on earnings management; fourth, Religiosity can mitigate the positive influence of controlling Blockholders on earnings management. This result aligns with the entrenchment perspective that Blockholders are involved in earnings management. It will be a loss to minority shareholders, so agency problems arise between the majority and minority shareholders. The implementation of Religiosity values has empirically proven that Religiosity can mitigate the influence of Blockholders on earnings management. Thus, the conflict between the majority and minority shareholders has decreased.

Keywords: *Blockholders, Controlling, Religiosity, Earnings management, Entrenchment, Alignment*