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**Research Paper**

# CAN THE EXISTENCE OF WOMEN IN CORPORATE GOVERNANCE MINIMIZE EARNINGS MANAGEMENT PRACTICES?

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**ABSTRACT**

**Purpose -** Currently, gender equality in the company is an interesting thing to discuss, especially the composition of women as part of corporate governance to minimize earnings management. This study was taken to study effect of gender in corporate governance mechanisms on earnings management.

**Research Method -** The discretionary accrual is used to study the effect among gender and earnings management. Multiple regression analysis was used and 119 manufacturing companies in the Indonesian Stock Exchange became research sample from 2018 until 2020.

**Findings -** Based on the results of the research, women on governance mechanisms have not been able to reduce earnings management actions. This result shows that role of women in company has not been able to fully run because the dominance of men in the company is much stronger, than the supervision of women's governance.

**Implication -** Women who have good supervision and strong ethics of regulations are expected to reduce manipulation in financial statements if women are given equality in decision making, duties and responsibilities in governance so that companies can consider the position of women as supervisors and executors of operations in the company.

Keywords: Women, Corporate Governance, Earning Management, Accrual.

JEL code: G34, M41

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## INTRODUCTION

Information in a financial report is often manipulated by company management to increase the quality of performance of a company's management. This misleading information will cause investors to lose direction and will reduce investor confidence in management. Management as a manager, must be accountable for the financial information in financial statements, also must provide transparent information. Management practices earnings management in the income statement, financial position to beautify the report amid the company's poor condition.

This manipulation practice is certainly detrimental to investors because the information received does not match reality. The Enron case is an earnings management case that has had a considerable impact on world financial accounting. The practice of good corporate governance and driven by ethics and applicable regulations can reduce irregularities committed by management. Better corporate governance mechanism, the better the supervision of management so that it can minimize the manipulation.

A case that occurred in 2020 where Tiga Pilar Sejahtera Food Corp. Manipulated its financial statements for the 2019 period, where Tiga Pilar Sejahtera Food corporation publish net profit of Rp 1.13 trillion compared to the financial statements of Tiga Pilar Sejahtera Food Corp for the 2018 period which suffered a loss of Rp 123.43 billion. The annual financial statements presented by AISA last year had experienced a restatement. The IDX also said that, based on AISA's audited financial statements, AISA's net income decreased by 4.4% to Rp 1.51 trillion from Rp 1.58 trillion in 2018.

Cost of goods sold decreased to Rp 1.06 trillion from Rp 1.12 trillion. The increase in net profit owned by AISA in its financial statements contained other income of Rp 1.9 trillion, from previously AISA obtained other income of Rp 18.11 billion, thus making the company's profit jumped to Rp 1.49 trillion from an operating loss of Rp 9.25 billion. This case caused losses for stakeholders, especially investor, because information presented by the company caused investors to make wrong decisions and the company's stock price fell after this case was known.

Earnings management can be minimized by implementing good governance in companies. The application of corporate governance can run with the existence of ethical encouragement that comes from the self-awareness of business actors to carry out business practices that are oriented towards business sustainability. The governance mechanism consists of various mechanisms, ranging from internal mechanisms to external mechanisms.

There are three stakeholders who can influence the validity of a financial statements that are issued by the company, namely the audit committee, the board of directors, and the board of commissioners. Parties who take part in ensuring the reliability of all financial statements are expected to improve management mechanisms to produce good earnings quality, so that companies can increase investor confidence which has a influence on economic development in the country. This is in accordance with agency theory, which states that the role of governance in bridging investors with company management. The presence of commissioners, directors and audit committees is expected to reduce manipulation and provide reliable information for users of financial statements.

The board and audit committee of companies in Indonesia are mostly men and the composition of women is still very small. This is because Indonesian culture still considers that men are more able to lead the company well. However, in some ways women have advantages in a good level of supervision compared to men (Hala, 2019) and women have a more conservative nature and have high ethics as audit committee members (Florencea & Susanto, 2019). Better supervision and high ethics owned by women make it possible if women are in the high ranks of the company can reduce manipulation by management.

Setiawan (2018) states that women tend to be stricter in supervising so that the existence of women in top level management can minimize opportunities for earnings management. Women have a more ethical nature and are not too much to take risks when the company is faced with a problem, so investors hope that the existence of women in the audit committee and companies board can lead the company to reduce opportunities for earnings management practices (Novilia & Nugroho, 2016).

This research is a replication of Arioglu (2020) by taking one independent variable, namely the female board of commissioners, and dependent variable, namely earnings management, using discretionary accruals as a measurement. This study also adds the independent variables of women audit committee, female board of directors, company size, profitability, and leverage. The difference between this research and research conducted by Arioglu (2020) is seen in the conditions of corporate culture in Turkey, which of course has a corporate society that is distinct from that in Indonesia. Differences can also be seen in Arioglu's research year (2020) which used data from 2009 to 2017, while in this study the data used was from 2018 to 2020.

Issue about gender in companies still became interesting topic in Indonesia related to corporate governance especially related to corporate governance. Men in corporate governance still more capable in leading companies than women (Setiawan et al., 2020). The research of gender and earnings management have been widely conducted, but the results are inconsistent. This is what makes earnings management increase due to incompetence and knowledge of finance. This is the motivation for this research. This research was done to test whether earnings management practices can be reduced by the presence of women in corporate governance and the research problem in this study is whether the gender composition in corporate governance can reduce earnings management in companies.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Agency Theory

Agency relationship explain a relationship that arises when a principal employs an agent to carry out their obligations to each other (Jensen & Meckling, 1976). Agency theory assumes that one party to another will prioritize personal interests. So that if there is no good relationship among the agent and the principal, some conflict will arise, but if the agent and the principal establish a good relationship, it will create cooperation that benefits each other. Novilia and Nugroho (2016) state that in order to fulfil the principal's obligations. It is not uncommon for managers in companies to do earnings management by increasing profits in the financial statements. due to information asymmetry between the agent and the principal, making it easier for the agent to manipulate earnings in the financial statements.

Conflicts of interest cause companies to incur agency costs. This agency cost is a cost that must be incurred by the principal due to conflict in interests among the agent and the principal. Agency costs consist of three costs, there are bonding costs, monitoring costs, and residual losses. Monitoring costs are costs that the principal paid to control and limit deviant behavior potentially committed by the agent, so that the agent can run the company in conformance with the principal's wishes and objectives. Bonding cost is the cost incurred by the principal to provide assurance that the agent will not do some action that can harm the principal or the principal will get compensation if the agent is proven to take actions that harm the principal. Meanwhile, residual loss is the loss suffered by the principal due to a decision dispute between the agent and the principal. (Jensen & Meckling, 1976).

The relationship among earnings management and agency theory lies in the company's way of preventing manipulation by management. The agency cost incurred by the principal is corporate governance. Corporate governance consists of directors and supervisors of directors, namely commissioners and audit committees.

**Earnings Management**

An act taken by company managers to increase the amount of company profits, with the aim of gaining personal gain is earnings management. This earnings management was also described as a tool to beautify financial reports by manipulating the amount of profit (Arifin & Destriana, 2016). Companies take earnings management actions to make investors lose direction in investing and lose confidence in the company. This is due to non-transparent and unreliable information. Earnings management practices are carried out using judgment on the components of financial statements and transactions used to manipulate financial reports (Jooste, 2011). For example, recognizing revenue that should be recognized in the next period, reducing expense recognition and others.

Earnings management is an act that causes information asymmetry/information gap between management and investors and harms those who use financial statements. Earnings management is divisible into 2, namely opportunistic earnings management and efficient earnings management. Opportunistic earnings management is an earnings management activity undertaken to increase management utility in dealing with political costs, compensation contracts and debt contracts. Efficient earnings management is earnings management that is done by management because stakeholders provide management flexibility in protecting themselves from unexpected events that occur because of actions that increase the profits of the parties involved in company contracts (Kusmayadi, 2018).

Earnings management can be an accounting policy choice or action by manager that affects the value of income to achieve certain goals in reporting earnings (Scott 2012). The pattern of earnings management can be in the form of the following actions:

- Taking a bath
  This pattern occurred during the period of reorganization or restructuring of the reported losses in large quantities. This action is being taken with the hope of increasing profits in the future.
- Income minimization
  This pattern is carried out when the company is in high profitability so that if it is estimated that the next period's profit will drastically decrease, it can be resolved by taking profit from the previous years.
- Income maximization
  The pattern of income maximization is generally conducted by companies who approach debt covenant violations. This action is taken in the period when profits decline with the aim of reporting high profits. It also aims for a bigger bonus.
- Income smoothing
  Generally, investors prefer stable earnings value. To get investor’s trust on their investment to the company, the company doing the income smoothing to avoid fluctuations in earnings that are too large or significant.

**Corporate Governance**

Well-executed corporate governance principles will be able to create and increase stakeholder trust in the company (KNKG, 2006). Implementation of corporate governance can increase good economic growth, as well as create healthy business competition between companies. There are 5 principles in corporate governance, namely: Transparency. Companies must provide relevant information and provide easy access to information and easily understood by stakeholders. Accountability, the company's performance must provide reasonable and transparent accountability so that the company's objectives can be achieved by prioritizing stakeholder's interest. Responsibility, the company must obey the laws and carry out activities as a form of responsibility to social life and protect the environment for the sustainability of the company's business. Independence, the company should be run independently, and each important part of the company should not influence and interfere with each other. Fairness and equality, companies must balance the shareholder's interest with other stakeholders.

**Women Board of Commissioner and Earnings Management**

The board commissioners have the authority to monitor the implementation of company regulations and provide input and direction to the company's board of directors. The board of commissioners also has a higher position when compared to the board of directors, but the board of commissioners still has limited access (Nugroho & Eko, 2011). Diversification in the board of commissioners can have an impact on the policies and decisions that will be chosen by the company due to variation in character among women and men (Putri & Erinos, 2019).

Women commissioners tend to be meticulous and conservative in avoiding risk and have good ethical standards so that they can have a negative effect on the relationship between women commissioners and earnings management (Novilia & Nugroho, 2016). The women board of commissioners has good supervision compared to the male board of commissioners, this is because the female board of commissioners applies better moral ethics, so that the opportunity for earnings management in the company is reduced (Belaounia et al., 2020).

Arioglu (2020) and Helmy (2020) state that women on the board of commissioners have a positive effect on earnings management. This is because the placement of women is based on family ties rather than the integrity of the woman, so that earnings management actions will increase. Research by Zalata et al. (2022), Zalata et al. (2019), Luo et al. (2017), Harakeh et al. (2019), Setiawan (2018), El-Dyasty and Elamer (2022), Sholihin (2015) and Hala (2019), Adams and Ferreira (2009), Widagdo et al. (2023) states that with women in the company's board of commissioners will reduce earnings management practices. Countries that apply gender equality, women get good education, financial experience so that supervision of managers is better and can improve the quality of corporate profits (Belaounia et al., 2020).

The results of Suciani and Purnama (2019), Sofian et al. (2020) state that women on the board of commissioners have no influence on earnings management. This is because the number of women on the board of commissioners is still small, making it difficult to get a role in supervision. Based on agency theory, the role of women in corporate governance should reduce earnings management practices in the company. Thus, the hypothesis is:

$H_1$: Women commissioners negatively effect on earnings management.

**Women Board of Director and Earnings Management**

The board of directors has the authority and responsibility for all company matters, so that the board of directors represents investors to manage the company (Wirawan & Novialy, 2012). The board of directors' responsibilities include making decisions and running the business to achieve the company's objectives (Nastiti & Susanto, 2022). Women have a more ethical nature and are not too much to take risks when the company is faced with a problem, so investors hope that having women on the board of directors can lead the company to reduce opportunities for earnings management practices (Novilia & Nugroho, 2016).

At least 1 woman on the board of directors in the company has will not take risks that could undermine shareholder confidence. The small number of women directors in the company will lead to an increase in earnings manipulation by management because the majority of male directors prefer to take risks and to meet shareholder expectations, earnings management is carried out. Joecks et al. (2013) stated that at least companies have 30% of the board of directors is the number of women composition on the board of directors of the company and tends to improve the performance and value of the company. According to Setiawan *et al.* (2020) and Sofian *et al.* (2020), the presence of women on the board of directors improves the company's earnings management practices. This is because it is necessary to deliver the outcomes expected by investors and having more women on the board of directors help investors realize their desired profit. According to Suciani and Purnama (2019), women tend to have high anxiety, which makes them always take responsibility for failure, therefore their presence on the board of directors has no impact on the occurrence of earnings management practices in companies.

Women directors tend to avoid risk, so they will be more careful in the measurement and recognition of company profits and assets. women have higher ethics than men in the selection of accounting policies so that the use of earnings management to get rewards from shareholders will be minimized (Khlif & Achek, 2017).The results of research by Sugiharto and Rudiawarni (2017), Helmy (2020), Gavious *et al.* (2012), Lonkani, (2019), El-Dyasty and Elamer (2022), Widagdo et al. (2023) shows that the role of women on the board of directors will minimize the earnings management actions. Based on agency theory, the role of women in corporate governance should reduce earnings management practices in the company. Thus the hypothesis is:

$H_2$: Women board of directors negatively effect on earnings management.

**Women Audit Committee and Earnings Management**

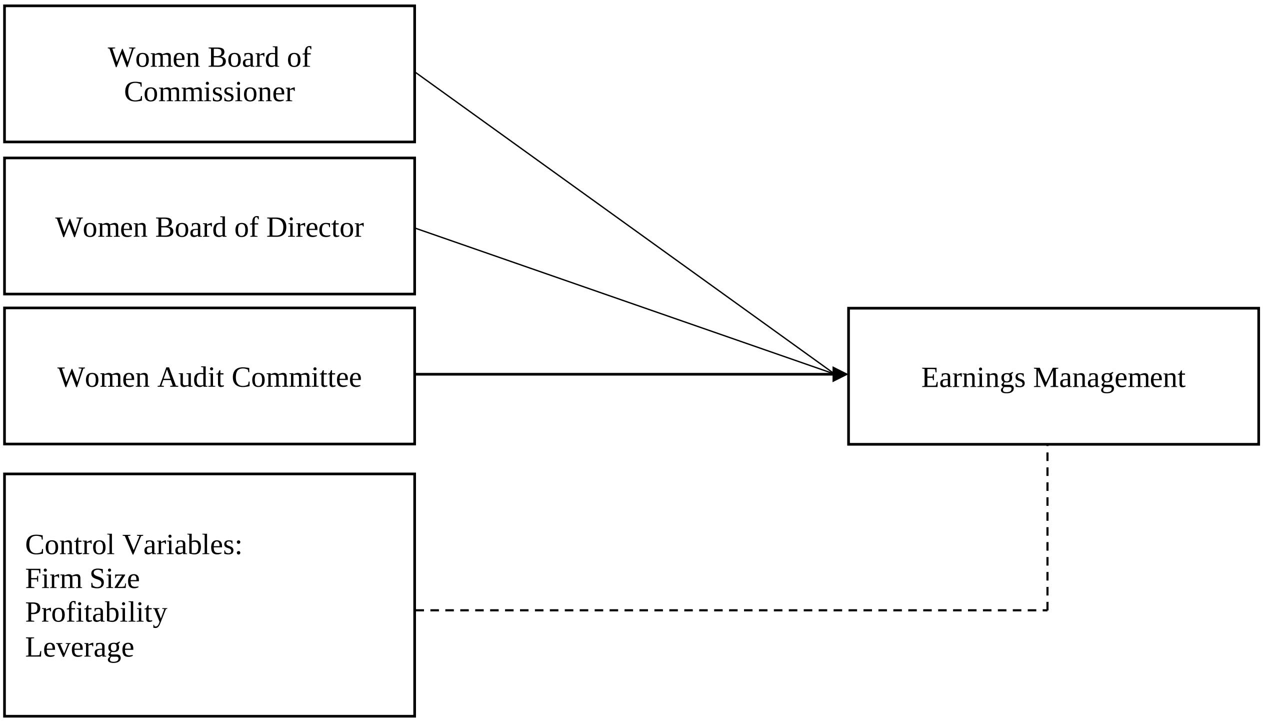
Audit committee are a party that assists the commissioners in carrying out its duties, namely supervision so that management cannot manipulate financial information. Florencea and Susanto (2019), Qi dan Tian, (2012)state that female audit committees have a more conservative nature and have high ethics as audit committee members. High supervision will be applied by the women audit committee so that earnings management actions in the company will be lower. According to Tang and Suwarsini (2021) women on the audit committee will increase earnings management in the company. This is due to the slow handling in manipulation behavior by management. Novilia and Nugroho (2016), Sofian et al. (2020) state that the nature of women tends to be more careful and risk-averse so that they lack responsibility as an audit committee to prevent earnings management practices.

The existence of women on the audit committee are in charge to monitoring management so that earnings management actions will be reduced (Srinidhi et al., 2011). The role of women in audit committee improves governance and supervisory functions of management (Thiruvadi & Huang, 2011). Sudarman and Hidayat (2019), Sholihin (2015), Setiawan (2018), Hala (2019), Ammer et al. (2017), Niskanen et al. (2011), Ittonen et al. (2013), Nekhili et al. (2022) state that proportion female in audit committee can minimize earnings manipulation practices by management. Based on agency theory, the role of women in corporate governance should reduce earnings management practices in the company. Thus the hypothesis is:

$H_3$: Women audit committee has a negatively effect on earnings management.

From the development of the hypothesis above, the research framework is as follows.

**Figure 1.** Research framework




## RESEARCH METHODOLOGY

This study uses manufacturing companies listed on the Indonesia Stock Exchange for 3 years, namely 2018 to 2020. 119 companies were selected as research samples obtained using purposive sampling method. The following is a table for selecting the research sample:

**Table 1.** Descriptive statistic results

| No | Criteria | Total Companies |
|---|---|---|
| 1 | Manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020 consistently. | 160 |
| 2 | Manufacturing companies that do not report financial reporting ended December 31 consistently. | (10) |
| 3 | Manufacturing companies that are inconsistent in using the Rupiah from the 2018 until 2020. | (28) |
| 4 | Companies that do not have complete information regarding research. | (3) |
| Total Companies | | 119 |
| Period | | 3 |
| Total Sample | | 357 |

Source: Data Collection Results (2020)

There are 160 companies engaged in manufacturing that are listed on the Indonesia Stock Exchange during the research year consistently. During the 2018-2020 period there were 10 companies that did not release their financial statements as of December 31 on an ongoing basis, so they had to be excluded from the sample. There were 28 companies that did not become the research sample because they did not use the Rupiah currency consecutively from

2018-2020. There were 3 companies where complete information about the data needed in the study was not found, so they were excluded from the sample. Based on the sample selection procedure carried out according to the criteria previously described, 119 companies were taken as a sample and the total data needed to conduct the research was 357 companies. Data was obtained through the Indonesia Stock Exchange website and to test the hypothesis used multiple regression. The research model is as follows:

EM = a + b1 WBOC + b2 FS + b3 ROA + b4 LEV + e…….(1)
EM = a + b1 WBOD + b2 FS + b3 ROA + b4 LEV + e…….(2)
EM = a + b1 WAC + b2 FS + b3 ROA + b4 LEV + e…….(3)
EM = a + b1 WBOC + b2 WBOD + b3 WAC + b4 FS + b5 ROA + b6 LEV + e……. (4)

Description:

| | |
|---|---|
| EM | = Earnings Management |
| WBOC | = Women Commissioners |
| WBOD | = Women Directors |
| WAC | = Women Audit Committee |
| FS | = Firm Size |
| ROA | = Profitability |
| LEV | = Leverage |
| a | = Constant |
| b | = Coefficient |

This study uses the Jones modified discretionary accruals measurement develop by Dechow *et al.*, (1995) to assess accruals earnings management with model as follow:

$$TA_{CC} = NI\text{-}OCF \text{…….(5)}$$

| | |
|---|---|
| $TA_{CC}$ | = Total accruals |
| NI | = Net Income for the year |
| OCF | = Cash Flow from Operation for company I in year T |

$$\frac{TA_{cc}}{TA_{it-1}} = \alpha_1\left(\frac{1}{TA_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \epsilon_{it} \text{ …….(6)}$$

| | |
|---|---|
| TACC | = Total Accruals |
| α1-α3 | = Regression Parameters |
| TAit-1 | = Previous year Total Asset |
| △REVit | = Difference in Revenue |
| △RECit | = Difference in Net Receivables |
| PPEit | = Gross Property, Plant and Equipment |
| e | = error |

$$\text{NDTACC} = \alpha_1\left(\frac{1}{TA_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \epsilon_{it} \text{ …….(7)}$$

| | |
|---|---|
| NDA | = Non-Discretionary Accruals |
| α1-α3 | = Regression Parameters |
| TAit-1 | = Previous Total Asset |
| △REVit | = Difference in Revenue |

△RECit = Difference in Net Receivables
PPEit = Gross Property, Plant and Equipment
e = error

$$DACC = TACC – NDTACC \quad \ldots\ldots(8)$$

DACC = Discretionary Accruals
TACC = Total Accruals
NDTACC = Non-Discretionary Accruals

The women board of directors, women board of commissioners and women audit committee in this study are measured using dummies. Value 1 is given if there are women in the ranks of commissioners, directors, and audit committees. A value of 0 is given if there are no women in the ranks of directors, commissioners, audit committees. This study uses 3 control variables, namely firm size is measured by the natural logarithm of total assets of the year. Return on assets was measurement of profitability with formula net income after tax divided total assets and leverage measured by the ratio between total liabilities and total assets.

## RESULTS AND DISCUSSION

The descriptive statistics result for each variable and the result of hypothesis testing are presented in the table below.

**Table 2.** Descriptive statistic results

| Variables | N | Minimum | Maximum | Mean | Std Deviation |
|---|---|---|---|---|---|
| EM | 357 | -,380840 | 1,201650 | -0,00156521 | 0,122917413 |
| WBOC | 357 | 0 | 1 | 0,36 | 0,48 |
| WBOD | 357 | 0 | 1 | 0,45 | 0,498 |
| WAC | 357 | 0 | 1 | 0,45 | 0,498 |
| UP | 357 | 25,310177 | 33,494533 | 28,42068155 | 1,548447967 |
| ROA | 357 | -1,049839 | 0,920997 | 0,04062442 | 0,129344603 |
| LEV | 357 | 0,003453 | 4,054441 | 0,49420463 | 0,421992236 |

Source: Output Statistic (2020)

**Table 3.** Frequency of women board of commissioners

| Descriptions | Dummy | Total | Percentage |
|---|---|---|---|
| All men on board commissioners | 0 | 229 | 64,1% |
| At least one woman on the board of commissioners | 1 | 128 | 35,9% |

Source: Output Statistic (2020)

Variable of female board of commissioners (WBOC) in which, as many as 357 data were generated, there were 229 data or 64.1% of companies that did not have a female board of commissioners and there were 128 data or 35.9% of companies that had a female board of commissioners.

**Table 4.** Frequency of women board of directors

| Descriptions | Dummy | Total | Percentage |
|---|---|---|---|
| All men on the board of director | 0 | 197 | 55,2% |
| At least one woman on the board of director | 1 | 160 | 44,8% |

Source: Output Statistic (2020)

Variable female board of directors (WBOD) where as many as 357 data are generated, there are 197 data or 55.2% of companies that do not have a female board of directors and there are 160 data or 44.8% of companies have a female board of directors.

**Table 5.** Frequency of women audit committee

| Descriptions | Dummy | Total | Percentage |
|---|---|---|---|
| All men on audit committee | 0 | 197 | 55,2% |
| At least one women on the audit committee | 1 | 160 | 44,8% |

Source: Output Statistic (2020)

Variable female audit committee (WAC) where as many as 357 data were generated there were 197 data or 55.2% of companies that did not have female audit committees and there were 160 data or 44.8% of companies had female audit committees. The descriptive table above shows that the number of women in the ranks of corporate governance, namely commissioners, directors and audit committees is not as many as the number of men in the ranks of corporate governance sampled, but half of the samples used have women in the ranks of commissioners, directors, and audit committees. This shows that women can compete with men in terms of running the company and overseeing the company.

**Table 6.** Hypothesis testing result

| Variabel | Model 1 | | Model 2 | | Model 3 | | Model 4 | |
|---|---|---|---|---|---|---|---|---|
| | B | Sig. | B | Sig. | B | Sig. | B | Sig. |
| (Constant) | 0.1931 | 0.0539 | 0.1860 | 0.0631 | 0.1912 | 0.0579 | 0.1863 | 0.0663 |
| WBOC | 0.0001 | 0.9859 | - | - | - | - | -0.0014 | 0.9162 |
| WBOD | - | - | 0.0125 | 0.2426 | - | - | 0.0134 | 0.2463 |
| WAC | - | - | - | - | 0.0017 | 0.8694 | 0.0001 | 0.9762 |
| FZ | -0,0082 | 0.0194* | -0.5860 | 0.0000* | -0.0082 | 0.0199* | -0.0081 | 0.0212* |
| ROA | 0.5872 | 0.0000* | 0.0082 | 0.0193* | 0.5871 | 0.0000* | 0.5861 | 0.0000* |
| LEV | 0.0317 | 0,0145* | 0.0333 | 0.0104* | 0.0129 | 0.0142* | 0.0334 | 0.0112* |

Note: *Significant at 1%,5% and 10%
Source: Output Statistic (2020)

Model 1 shows that the female board of commissioner has a coefficient value of 0.0001 and has a sig. value of 0.9859 which is greater than the alpha value. This shows that H1 is rejected, which means that the female board of commissioners has no effect on earnings management. Without the role of women on the board of commissioners, managers will continue to do earnings management to meet the expectations of shareholders. This result is not in accordance with Belaounia et al. (2020), Harakeh et al. (2019), Zalata et al. (2022), Zalata et al. (2019), Luo et al. (2017), Setiawan (2018), Sholihin (2015), and Hala (2019) which states that the role of women in supervision is very good and can minimize earnings management. This result in accordance to of Suciani and Purnama (2019), Sofian et al. (2020) which states that the role of women on the board of commissioners does not affect earnings management. The number of women on the board of commissioners in the company is still small than men, making it difficult to get a role in supervision so women cannot minimize earnings management practices.

Model 2 shows that the female board of director has a coefficient value of 0.0125 and a significant value of 0.2426 which is greater than the alpha value. This shows that H2 is rejected, which means that the female board of directors has no effect on earnings management. The role of women in the board of directors is still lacking because men still majority in the board of directors. The results of this research do not support the results Khlif and Achek

(2017), Sugiharto and Rudiawarni (2017), Helmy (2020), Gavious et al. (2012), Lonkani (2019) which states that women tend to be more careful in choosing accounting policies that will not harm holders and themselves. According to Suciani and Purnama (2019), women tend to have high anxiety, which makes them always take responsibility for failure, therefore their presence on the board of directors has no impact on the occurrence of earnings management practices in companies.

Model 3 shows that the women audit committee has a coefficient value of 0.0017 and a significant value of 0.8694 which is greater than the alpha value. This shows that H3 is rejected, which means that in the audit committee that at least 1 woman as member have no effect on earnings management. The good supervisory ability of the role of women is not able to reduce earnings management due to the lack of women's role in the company. this result is not in correspondences with Thiruvadi and Huang, (2011), Sudarman and Hidayat (2019), Sholihin (2015), Setiawan (2018), Hala (2019), Ammer et al. (2017) which states that the role of the female audit committee is able to reduce earnings management with high supervision and ethics compared to men. Novilia and Nugroho (2016), Sofian et al. (2020) state that the nature of women tends to be more careful and risk-averse so that they lack responsibility as an audit committee to prevent earnings management practices.

Overall, the existence of women on the audit committee, board of directors and board of commissioners cannot reduce earnings management practises. This is because the presence of women on the board and audit committee is still very small. The percentage of companies that have women on the board and audit committee is below 50%, the rest are still controlled by men. The lack of women as member on the board and audit committee makes it difficult to suppress management behavior to perform earnings management. The better nature of supervision and ethics possessed by women cannot be fully applied due to the male-dominated composition. Developed countries have considered gender equality in corporate governance, while Indonesia still adheres to the culture that men are more dominant than women, so the results of this study show the role of women who cannot minimize earnings management.

Firm size negatively affects earnings management. The larger the size of a company, the smaller the opportunity for earnings management to occur in the company. If a company has a large size, the company will become a public concern if it takes earnings management actions. They will be more careful because the company holds a responsibility that can be trusted when presenting financial reports.

Profitability positively affects earnings management. Profitability is achieved by the company when it gets bigger, the higher the chance for earnings management actions to occur. Company management has a desire to make the company's performance look good to get additional compensation from the company. Therefore, to be able to achieve this goal, the management performs earnings management.

Leverage positively affects earnings management. Companies which have a high level of leverage will also increase the chances of earnings management taking place in the company. Companies that have a high level of debt compared to their assets will create opportunities for earnings management actions because companies are threatened with not being able to fulfill their responsibilities for the debt they earn.

To see further results, in this study independent sample t-test was carried out on earnings management if there a different if in the company has at least one woman as member of the board of commissioners, board of directors and audit committee. The results of the independent sample t-test can be seen in the table below.

**Table 7.** Independent sample t-test result

| Descriptipns | Woman Commissioner | Women Director | Women Audit Committee |
|---|---|---|---|
| Mann-Whitney U | 14531.5 | 14629 | 14814 |
| Wilcoxon W | 22787.5 | 34132 | 27694 |
| Z | -0.133 | -1.166 | -0.976 |
| Asymp. Sig (2-tailed) | 0.894 | 0.243 | 0.329 |

Source: Output Statistic (2020)

The table above shows that there is no significant distinction on earnings management carried out by company management with the presence of women on commissioners or not. This is shown by the significant value of 0.894 which exceeds alpha, so it can be concluded that with or without the role of women in commissioners, they are unable to minimize the company's earnings management actions. There is no difference between earnings management carried out by company management with the presence of women on directors or not. This is shown by the significant value of 0.243 which exceeds alpha, so it can be concluded that with or without the role of women in directors, the directors will continue to carry out earnings management actions through selecting accounting policies that benefit the company and themselves.

Table above shows that there is no difference on earnings management carried out by company management with the presence of women on audit committee or not. This is shown by the significant value of 0.329 which exceeds alpha, so it can be concluded that with or without the role of women in audit committee, they are unable to minimize the company's earnings management actions. The conclusion from the results of the independent t test shows that there is no distinction in earnings management that done by management in the company. This shows the lack of the role of women in companies, women are still considered to have no role in companies even though in developed countries gender equality can minimize earnings management actions.

## CONCLUSION AND SUGGESTION

This study objective to test whether gender composition in corporate governance can decrease earnings management done by management. The governance mechanisms used in the study related to the presence of women are the audit committee, board of commissioners, and the board of directors. The results showed that the presence of women in corporate governance could not minimize earnings management behavior. The lack of women's role in corporate governance makes supervision even less, so that the company's earnings management actions cannot be minimized. This study provides an overview for regulators regarding the lack of women's participation in corporate governance. Women who have good supervision and strong ethics of regulations are expected to reduce acts of manipulation in financial statements if women are given equality in decision making duties and responsibilities in governance. This study also provides literature contributions regarding the importance of the role and recognition of women in future research related to corporate governance and earnings management. The limitation of this study is that the corporate governance mechanisms related to women used in the study still do not represent the role of women in corporate governance. The companies sampled are only manufacturing companies, which makes the results of this study cannot be generalized in general.

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