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Research Paper

EFFECT OF GOOD CORPORATE GOVERNANCE AND GENDER DIVERSITY ON EARNINGS MANAGEMENT IN INDONESIA

Santi Yopie[1*], Meliesa Chandrawati[2]

[12]Accounting, Business and Management, University Internasional Batam, Batam, Indonesia
* Corresponding Author: 2042049.meliesa@uib.edu

ABSTRACT

Purpose - This research activity aims to ascertain the significant impact of good corporate governance and gender diversity on earning management. This study will reduce any conflicts of interest that happened between agents and principals because of information asymmetry.
Research Method - In this study, sampling was done using a purposive sampling technique. The yearly financial report that is released on the www.idx.co.id website provides the source of the data used in this study.
Findings - The results of the research have demonstrated that the characteristics of independent commissioners have a negative effect on earnings management. Earnings management has no impact by the variables of board of commissioners size, institutional ownership, audit committee meeting, and gender diversity.
Implication - This implies that the presence of an independent board of commissioners may have control over the management of the company in order to reduce the implementation of earnings management practices. Since more and more independent parties are demanding financial reporting transparency, a company with a larger number of independent boards will have higher-quality monitoring provided by the board itself.

Keywords: Earnings Management, Good Corporate Governance, Financial Report Manipulation

JEL code: L60, G30

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INTRODUCTION

Financial reports are a measuring tool and means of communication that managers convey to users of accounting information (Meiryani et al., 2020). Investors frequently get their information from financial statements when it comes to learning about the financial health and performance of a corporation (Juita, 2021). Users may find this information valuable when making financial decisions concerning the company (Juita, 2021). One of the accounting records that offers details on the business's financial performance is the income statement, investors may assess the success of the company by using reported earnings as an indicator (Juita, 2021). On the other hand, financial statements usually be trusted to make sure that the data provided in them reflects the financial situation of the organization (Juita, 2021). But Mahami et al. (2020) revealed that financial reports can be manipulated by managers with various accounting treatments. According to the research results of Ali & Kamardin (2018), manager's actions like this have made earnings management one of the topics discussed in global business.

A company's earnings management practices are brought through conflicts of interest between agents and principals and the existence of information asymmetry between agents and principals (Asitalia & Trisnawati, 2017). The agent has boundless information but the principal's information is exceptionally constrained, hence giving the opportunity for management to act craftily or tend to pick up individual gain (Hapsari et al., 2022). Also earnings manipulation is one of the strategies used by business managers (Rahmawati & Putri, 2019). Earnings management, which is another term for control of profit, can be seen as an activity taken by a chief to limit the execution of bookkeeping standards in arrange to show deviated data to pursuers of money related explanations (Rahmawati & Putri, 2019). Earnings management is an organization issue that's regularly activated by a division of parts or contrasts in interface between shareholders and company administration (Pricilia & Susanto, 2017). Struggle of intrigued and data asymmetry are major issues in most organizations (Al-Absy et al., 2019). Both parties strive to prioritize their respective interests rather than the company's interests (Pricilia & Susanto, 2017). Opportunistic behavior and efficient contracting are both characteristics of managers that help earnings management obligations (Juita, 2021).

Since there have been numerous instances of financial reporting fraud, including Parmalat in Italy, Enron and WorldCom in the United States, Benford legislation in Taiwan, and Indofarma in Indonesia, it is more important than ever for corporate governance to be effective (Mardjono & Chen, 2020). The failure of formerly successful and well-known companies as a result of financial reporting fraud indicates the harmful consequences of EM (Githaiga et al., 2022). Through revenue management, corporate governance is one way to stop management from acting opportunistically (Juita, 2021). This research activity aims to ascertain the significant impact of good corporate governance and gender diversity on earning management. By investigating the earnings management in a company it will improving information from financial statements that will lead to the decision-making process of investors and other stakeholders. This study will reduce any conflicts of interest that happened between agents and principals because of information asymmetry. One of the essential components of financial effectiveness development is corporate administration, which incorporates numerous sorts of intuitive between administration, the board of commissioners, shareholders, and other partners (Juita, 2021). The goal of corporate governance, the system that supervises and regulates this business, is to maximize shareholders' long-term benefits (Juita, 2021).

From the news raised by Kompas.com, PT. Asuransi Jiwasraya detected fraud in the presentation of financial statements and failed to pay for the JS Savings Plan (insurance policy). According to the investigation's findings from 2018, there were irregularities that might have been caused by fraud when handling both savings and investment programs. It is a sign of fraud when shares are bought and sold at close intervals to avoid recording unrealized losses.

Then, according to detikcom news, PT. Tiga Pilar Sejahtera Food Tbk (AISA) altered its financial records in 2017 to raise the share price of the business. By inflating (overstating) the receivables of six merchants, the PT. Tiga Pilar financial statements of 2017 swere manipulated. The financial statements fail to fully reflect the disbursement of cash from time deposits and bank transfers, which violates several capital market supervisory regulations.

PT. Toshiba Corporation's management was complicit in a situation that involved overstating corporate earnings through accounting fraud utilizing Rp 1.22 billion in funds collected during an internal inquiry that were transferred to the company's finances. From those cases, one of the strategies used to monitor data asymmetry issues and restrain opportunistic behavior of management is the implementation of Good Corporate Governance (GCG) practices (Abdillah et al., 2016).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The study of creating agreements to encourage reasonable individuals to act within the interface of the principle when the principal's and agent's interests would otherwise clash is known as agency theory, which is a branch of game theory (Scott, 2015). In arrange to impact legally binding results that depend on detailed bookkeeping numbers or to change monetary explanations that will delude a few partners almost the company's basic financial execution, supervisors may engage in earnings management. As a result, companies that get involved in earnings manipulation are more likely to indicate agency problems than companies that don't (Setia-Atmaja et al., 2011).

According to Scott (2015), the two perspectives of positive accounting theory are an efficient perspective and an opportunistic viewpoint. When managers manage earnings for the benefit of shareholders, they may enjoy the advantages of earnings management. When it comes to the use of debt agreements and political expenses, this problem happens. An effective perspective arises when compensation agreements and internal control mechanisms, such as board oversight, not only restrain opportunistic managers but also encourage them to select proper accounting principles. The accounting principles selected can reduce contract costs and corporate capital expenses. Since administration prioritizes the interface of shareholders by optimizing business resources, effective corporate governance can lower agency costs.

Financial reporting provides the objective of regularly distributing data about a company's financial performance. Profit is an important variable in assessing an organization's performance. Profit is also a crucial component of the financial statements and a further disclosure that stakeholders use to determine how well management is performing its management responsibilities. Profit, for instance, is frequently used by stakeholders to measure management effectiveness, determine CEO compensation, evaluate the company's future prospects to decide how to allocate resources, and value the business. Incentives for earnings management are driven by the importance of earnings in compensation contracts and investors' assessments of corporate success (Xu et al., 2007).

The body of literature now available offers compelling evidence that managers manipulate accruals under GAAP by making accounting decisions and assumptions. (Dechow & Skinner, 2000; Healy & Wahlen, 1999). However, as profit is the result of accruals and operating cash flows, profits can be changed by altering accruals or operating cash flows. In actuality, accruals management and the manipulation of the underlying actual business operations are included in the field of earnings management study. As an illustration, the definition of earnings management is "purposeful interference in the external financial reporting process, with the objective of obtaining some personal profit. According to this description, earnings management can take a number of different shapes and can happen at any stage of the external disclosure process. This definition can be slightly extended to include management "real" profit, which is obtained through a time investment or a financial choice to alter reported results or a portion thereof.

According to (Healy & Wahlen, 1999), earnings management can occur when managers use judgments in financial reporting and in preparing transactions with the aim of changing financial statements that can mislead stakeholders about the underlying economic performance of the company, or with the aim of influencing the results of contracts that depend on reported accounting numbers. However, earnings management, unlike fraud, involves selecting accounting procedures and estimates in accordance with generally accepted accounting principles (GAAP). That is, every company that has earnings management will be manifested within the limits of manipulation of accepted accounting procedures (Rahman & Mohamed Ali, 2006).

Earnings management behavior in a company occurs due to conflicts of interest between agents and principals and the existence of information asymmetry between agents and principals. This is because many decisions taken by management are subjective to fulfill their own interests (Asitalia & Trisnawati, 2017). Therefore, the existence of an independent board of commissioners in a company is very important and necessary because this board will be objective in making decisions so as to reduce conflicts of interest between agents and principals (Mahadewi & Krisnadewi, 2017).

The agency theory explains the emergence of conflicts between principals and agents where agents get more information than principals, causing information asymmetry (Priantinah, 2008). With asymmetric information, management can do earnings management. To prevent earnings management within companies, the size of commissioner boards is necessary. The existence of an independent board of commissioners is also intended to avoid the possibility of information asymmetry and deviant management actions (Arifin & Destriana, 2016). Independent commissioners are the best solution to reduce the risk of manipulation by managers on the integrity of financial statements. This board will carry out better supervision and be free from various internal company interests (Dwidinda et al., 2017). The more the number of independent commissioners, the tighter the supervision of financial reports so that fraud and profit manipulation by company managers can be minimized and earnings management can be avoided (Handayani et al., 2016). This means that the greater the proportion of independent commissioners, the less or less likely earnings management practices will be. This is supported by research conducted by (Larastomo et al., 2016) which shows that the proportion of independent commissioners has a negative effect on earnings management. In line with research conducted by (Larastomo et al., 2016) and (Kartika & Zulfiati, 2020) which shows that the proportion of independent commissioners has a negative effect on earnings management.

Agustia, 2013; Indrawati & Yulianti (2010) showed that the number of independent commissioner members have no effect on earnings management to avoid earning losses. Nabila & Daljono (2013) showed that the proportion of independent commissioner positive effect on earnings management. The proportion of independent commissioners who are not able to reduce earnings management (Susanto & Pradipta, 2016). The existence of an independent commissioner in the company serves as a counterweight in the decision-making process in order to provide protection to minority shareholders and other parties related to the company (Guna & Herawaty, 2010). If the company has a lot of independent commissioners, the likelihood of earnings management will be smaller. This is because they do not side with management and capable of detecting earnings management. It is the same with (Gulzar & Zongjun, 2011), (Jao & Pagalung, 2011) and (Susanto & Pradipta, 2016) which showed that the independent commissioner negative affect earnings management.

H1 The proportion of independent commissioners has a negative effect on earnings management

Board size is another important characteristic that affects the quality of accounting information (Xie et al., 2003). Previous research provides evidence that larger boards are highly effective in reducing earnings management because such corporate boards usually allow them to benefit from the experience, knowledge, and skills of board members, thus supporting the resource dependence theory (Peasnell et al., 2005; Xie et al., 2003). Previous studies that have examined the relationship between board size and earnings management have yielded mixed results. Xie et al., (2003) concluded that larger boards are more effective in reducing earnings management practices.

Alareeni (2018), who used a sample of 20 listed firms in Bahrain and data for 2011–2015, reported a negative association between EM and board size implying that large board offer better oversight hence lowering the propensity of managers engaging in earnings manipulation. Ferris & Liao (2019) who used a sample of 51,147 firm-year observations drawn from 46 countries found no relationship between size of the board and EM.

H2 The proportion of the board of commissioners has no significant effect on earnings

According to Pricilia & Susanto (2017), institutional ownership has an important meaning in monitoring management because institutional ownership will encourage more optimal supervision. Such monitoring will certainly ensure prosperity for shareholders, the influence of institutional ownership as a supervisory agent is suppressed through their large investment in the capital market. A high level of institutional ownership will lead to greater supervisory efforts by institutional investors so that it can hinder the opportunistic behavior of managers (Pricilia & Susanto, 2017).

The research conducted by (Yopie & Erika, 2021) which shows that institutional ownership has a negative effect on earnings management. According to Juita (2021), who used sampled from manufacturing businesses during the period of 2017-2019 proved that institutional ownership has no effect on earnings management, this can be explained by the fact that institutional owners are more related to current income than to future income. Aryanti et al.'s (2017) research proved that institutional ownership has a minimal impact on choices in earnings management. Because institutional investors only function as temporary investors, which are mainly concerned with short-term profits, institutional ownership does not always increase effective management oversight, which has an influence on management (Aryanti et al., 2017). This result is in line with Purnama (2017), Pricilia & Susanto (2017), Hawari et al.'s research (2022).

H3 Institutional ownership has no effect on earnings management

Audit committee meetings are held regularly every year to ensure the process of financial reporting and disclosure of social responsibility functions properly (Soliman & Abd-Elsalam, 2014). The audit committee's primary role is to oversee to ensure and improve the quality of financial statements. Therefore, the audit committee with members with experience in accounting and finance will improve efficiency and ability to detect and prevent earnings management (Juhmani, 2017; Soliman & Abd-Elsalam, 2014).

Werner R. Murhadi (2009), who studied research uses all manufacture companies listed in Indonesia Stock Exchange 2005-2007, founded that the existence of audit committee doesn't have significant effect to EM practice. The audit committee have no effect to the earnings management because those who are in the audit committee position are appointed by the management, that makes if they don't agree with the management's decision, the company can remove them from their position. NGO & LE (2021) also found out that no evidence to show a significant relationship between audit committee meetings and earnings management. But however, audit committee independence and meetings can play an important role in monitoring the quality of financial statements and can reduce earnings management (NGO & LE, 2021).

H4 Audit committee meetings has no significant effect on earnings management

The issue of earnings quality involves monetary and ethical dilemmas, for which existing studies commonly consider gender to be a predicting factor (Krishnan & Parsons, 2008).Women and men have different capabilities because of differing socialization processes (Srinidhi et al., 2011). Betz et al. (2013) address differences between men and women regarding monetary and financial matters, and find that women emphasize assisting others, whereas men focus on making money and moving upwards in the organizational hierarchy. Most importantly, women are more ethical in their professional life and less likely than men to act in immoral ways for financial gain (Betz et al., 2013). In addition, Kaplan et al. (2009) suggest that women are more likely to report incidents of fraudulent financial reporting. Differences in gender characteristics have also been noted in decision-making and risk-taking behavior (Gull et al., 2018).

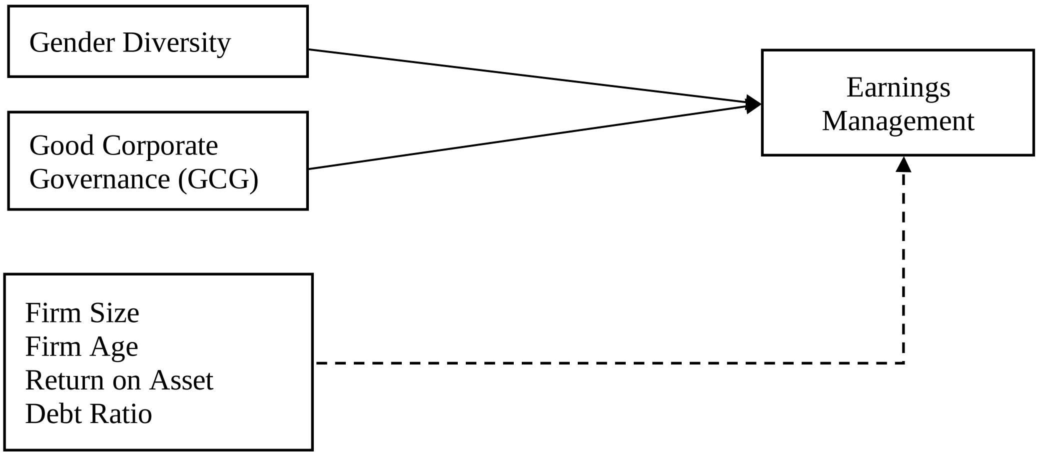
A gender diversity board represents a valuable set of resources for companies (Alves, 2023). Female directors could influence management tasks positively through their skills, competence, and knowledge (Ferreira, 2010; Hillman et al., 2007). These features allow women directors to bring new and valuable perspectives into board discussion and reduce groupthinking (Belaounia et al., 2020). Therefore, female directors can improve board effectiveness. In this sense, previous studies suggest that female directors are more likely: (a) to increase overall problemsolving capacity; (b) to establish interactions and external links with the environment; and (c) to increase the information provided by the board to managers (Carter et al., 2010).

Arioglu (2020), who studied non-financial companies listed on the Borsa Istanbul between 2009 and 2017, found no evidence of female directors' impact on EM. Abdullah & Ismail (2016), non-finance firms listed on Bursa Malaysia for four years, i.e., from 2008 until 2011, also found that the influence of women on boards and audit committees on EM was not significant.

H5 Gender diversity has no significant effect on earnings management

According to the description above, the research model in this research is described as follows:

Figure 1. Research Model



RESEARCH METHODOLOGY

This study uses data in the form of numbers to analyze the causal relationship between the independent variables. and the dependent variable. The data used is ratio and nominal scale. This research is categorized as a comparative causal research because it examines the causal relationship between the independent and dependent variables. This research is historical research because it uses data that has happened in the past" as a research object (Sugiyono, 2017).

The data used for generating the object was taken from the yearly financial reports of all businesses with a focus on manufacturing that are listed on the Indonesia Stock Exchange (IDX). Empirical data from the Indonesia Stock Exchange for the years 2018 through 2022 are the sample used in this study. The criteria for determining the sample in this study are companies listed as public companies on the Indonesia Stock Exchange for five consecutive years (2018-2022), company financial statements with a closing period of December 31 for five consecutive years (2018-2022), companies that disclose data regarding variables or data that shape them during 2018-2022 and companies that do not bear losses before tax for four consecutive years (2018-2022).

Following is an explanation of each variable's operational definition and measurement:

Table 1. Variable Measurement

No	Variable	Measurement
1	COMMSIZE	The number of commissioners on a company's board of directors
2	COMMIND	Divided by the total number of commissioners is the number of independent commissioners.
3	INSOWN	(Total share ownership / number of shares) x 100%
4	ACMT	Meeting frequency of the audit committee
5	DIV	Number of female commissioners / number of commissioners
6	FIRMSIZE	A log of total company assets
7	FIRMAGE	The duration since the company's establishment
8	ROA	EBIT / Total assets
9	DEBT RATIO	(Total company debt / total company assets) x 100%

Dependent Variable

Earning Management

DAC (unexpected portion) and non-DAC (expected portion) are distinguished when measuring earnings management. The expected part is influenced less by management practices and more by changes in the business's economic environment. The unexpected fraction is the product of discretionary manipulation by management. According to Jones' (1991) model, a high level of DAC is a sign that companies are actively managing their earnings. According to Klein (2006) and Jaggi et al. (2009), estimating the coefficient for DAC requires a minimum of 10 observations in each industry per year. To begin, perform a regression analysis using TAt as the dependent variable, REVit as the independent variable, and PPEit as the independent variable. Finding OLS estimates of α1, β1 and β2 is the goal here. To determine DAit, a measure of DAC, after obtaining the OLS estimate, NDAit will be calculated and subtracted from TAt, where TAt is the change in non-cash current assets minus changes in current liabilities; Ait-1 total assets for company i at year's end; REVit revenue for company i in year t minus revenue in year t-1; gross PPEit of fixed assets for company i at year's end; α1, β1, β2 OLS estimates of residues α1, β1, β2 and ε (Wan Mohammad & Wasiuzzaman, 2020).

$$TA_t/A_{it-1} = \propto_1 \left(\frac{1}{A_{it-1}}\right) + \beta_1 \left(\frac{\Delta REV_{it}}{A_{it-1}}\right) + \beta_2 \left(\frac{PPE_{it}}{A_{it-1}}\right) + \varepsilon$$

$$NDA_{it} = \alpha_1 \left(\frac{1}{A_{it-1}}\right) + \beta_1 \left[\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right] + \beta_2 \left(\frac{PPE_{it}}{A_{it-1}}\right)$$

$$DA_{it} = \frac{TA_{it}}{A_{it}} - NDA_{it}$$

Source : Wan Mohammad & Wasiuzzaman (2020)

Independent Variable

Good Corporate Governance

According to (Hapsari et al., 2022), A system known as "good corporate governance" regulates and manages businesses to add value for all parties involved. Good corporate governance is a system for managing an organization in a balanced manner between stakeholder needs, which means that processes, procedures and policies are carried out based on the principles of transparency and accountability (Hapsari et al., 2022).

The following details each variable's operational definition and measurement:

The Size of the Board of Commissioners

The number of board of commissioners members in a corporation is used to evaluate this variable. Indonesia separates the corporate board structure into two-tier system adopted from the European continental legal system. The supervisor is played by the board of commissioners, while the executive is played by the directors (including management). The performance of the directors is evaluated using the financial statements, which the board of commissioners considers in its evaluation. To provide accurate financial reports, the board of directors frequently manipulates the numbers in the financial statements (Nugroho & Eko, 2011). According to (Anderson et al., 2004), the number of commissioners on the board is crucial for regulating how the board of directors operates and minimizing agency conflicts.

Obigbemi et al., (2016), study demonstrates that the size of the board of commissioners can affect management profitability based on the varying educational and professional backgrounds of board members. If the board of commissioners is larger, an efficient supervision mechanism and encouraging openness can be put in place to lessen the information imbalance between the shareholders and the management (Buertey et al., 2020).

$$\mathrm{COMMSIZE} = \textit{the number of members of the board of commissioners in a company}$$

Source : Astari et al. (2020)

The Independent Board of Commissioners

The independent board of commissioners is the second aspect of good corporate governance that is frequently looked at in various studies. If the organization has a majority of independent commissioners who perform management oversight duties, corporate governance procedures are effective (Dechow et al., 1996; Velayutham, 2014). By including relevant data in the yearly report, the oversight function works to reduce opportunistic behavior and knowledge asymmetry.

$$\text{COMMIND} = \frac{number\ of\ independent\ commissioners}{number\ of\ commissioners}$$

Source : Kartika & Zulfiati (2020)

Institutional Ownership

The concept of institutional ownership refers to the ownership of stock in the corporation by organizations like insurance companies, banks, investment firms, and others (Yuli Fransiska & Nanang Purwanto, 2014). Institutional ownership has a detrimental impact on earnings management, according to Al-Zyoud (2012).

These findings suggest that institutional ownership is a good corporate governance tool for not overly manipulating profits. According to earlier study, Attig et al., (2012) provided an explanation of the function institutional investors play in an effective corporate governance mechanism to reduce concerns with agency and information asymmetry.

$$\text{INSOWN} = \frac{Number\ of\ share\ ownership}{Number\ of\ shares}\ X\ 100\%$$

Source : Astari et al. (2020)

Audit Committee Meetings

According to Ashari & Krismiaji (2020), Meetings provide a forum for discussing and resolving business-related issues. More meetings mean more opportunities to fix issues. Menon & Deahl Williams (1994), claim that the regularity of audit committee meetings is an indicator of the efficacy of the committee. According to agency theory, companies should only hold meetings frequently when the advantages exceed the expenses (Jensen & Meckling, 1976). The appropriate number of AC meetings, however, was not mentioned in earlier study. Meetings of the audit committee must occur at least four times annually in Indonesia (Krismiaji et al., 2016). Meeting frequently can enhance the quality of results, spot potential fraud, and boost business performance (Beasley et al., 2000).

$$ACMT = Frequency\ of\ audit\ committee\ meetings$$

Source : Agyei-Mensah & Yeboah (2019)

Gender Diversity

The asset reliance hypothesis claims that since differing chiefs have get to to wealthy and one of a kind data, gender contrasts in chance revolution and moral affectability upgrade the quality of information sheets provide to officials. In this regard, it is asserted that female directors tend to engage in unethical behaviors, such as profit-driven behavior and fraud, and are more socially and ethically responsible at work (Khazanchi, 1995; Krishnan & Parsons, 2008; Kyaw et al., 2015; Wahid, 2019). García Lara et al., (2017) and Gull et al., (2018) contend that female directors boost the efficiency with which corporations boards monitoring the quality of financial reporting processes and hence discourage aggressive accounting reporting. Their argument is based on the agency theory. In addition, according to feminist economics theory, women are typically more impartial in their moral assessments (Orazalin & Akhmetzhanov, 2019). This study expands on that line of inquiry by looking at how gender diversity on boards affects the standard of financial reporting. According to Orazalin & Akhmetzhanov (2019), businesses that employ more women executives tend to have lower profit administration and more prominent profit quality.

$$DIV = \frac{Number\ of\ female\ commissioners}{Number\ of\ board\ of\ commissioners}$$

Source : Manurung (2022)

Control Variable

Firm Size

The firm size variable can be computed using the natural logarithm of total assets. (Orazalin & Akhmetzhanov, 2019).

$$FIRMSIZE = Log\ total\ company\ assets$$

Source : Kartika & Zulfiati (2020)

Firm Age

The number of years since the company's founding can be used to calculate the variable age of the organization (Orazalin & Akhmetzhanov, 2019).

$$FIRMAGE = Number\ of\ years\ since\ the\ company\ was\ founded$$

Source : (Orazalin & Akhmetzhanov, 2019)

Return on Asset

Return on Assets is a tool to measure the level of company profitability as an effort to gain the ability to benefit from the total resources and assets contained in the company. Measurements use the following formula:

$$Return\ on\ Asset = \frac{\text{EBIT}}{\text{Total Asset}}$$

Source : Alhebri & Al-Duais (2020); Almashaqbeh et al. (2019); Ghaleb et al. (2020)

Debt Ratio

The percentage of the company's total debt divided by the total assets can be used to calculate the debt ratio variable (Astari et al., 2020).

$$\text{D}EBT\ RATIO = \frac{The\ amount\ of\ company\ debt}{Total\ company\ assets}\ X\ 100\%$$

Source : Astari et al. (2020)

RESULTS AND DISCUSSION

The subject of this article is "Effect of Good Corporate Governance and Gender Diversity on Earnings Management in Indonesia" and it focuses on all profitable manufacturing companies registered on the Indonesia Stock Exchange for the years 2018 through 2022. The sample for this study was chosen using a method known as purposive sampling, which involves choosing samples while taking into account a number of factors. In accordance with this method, there were 66 companies studied with a period of five years resulting in 330 data being studied.

Table 2. Sampling Criteria

Description	Total	
Companies registered on the IDX	825	Companies
Companies that do not fit the criteria	759	Companies
Companies used as research samples	66	Companies
Research Year	5	Year
Total research sample data	330	Data

Based on Table 2 above, it can be seen from the 825 companies, 759 company data were deleted and the remaining 66 sample companies data. Descriptive statistics, namely the process of converting observed data into tabular form to facilitate understanding. The results of statistical descriptive data that are converted into table form are as follows:

Table 3. Descriptive Statistics Test Results

Variable	Mean	Median	Min	Max	Standard Deviation
COMMSIZE	4.209	3.000	2.000	10.000	1.781
COMMIND	0.412	0.375	0.250	1.000	0.108
INSOWN	0.804	0.897	0.000	1.000	0.242

ACMT	6.533	5.000	2.000	38.000	4.661
DIV	0.290	0.333	0.100	0.667	0.118
FIRMSIZE	23.981	26.728	12.731	30.735	5.298
FIRMAGE	42.036	42.000	12.000	93.000	14.668
ROA	0.116	0.085	0.000	0.604	0.106
DEBT	0.385	0.397	0.000	0.845	0.185
EM	0.013	0.005	-0.359	1.475	0.115

Table 4. t Test Results

Relation	Sample Mean (M)	P Values	Results	Hypothesis
COMMIND -> EM	-0.097	0.029	Significant (-)	H1 Accepted
COMMSIZE -> EM	-0.044	0.251	Insignificant	H2 Accepted
INSOWN -> EM	-0.078	0.154	Insignificant	H3 Accepted
ACMT -> EM	0.043	0.125	Insignificant	H4 Accepted
DIV -> EM	0.051	0.165	Insignificant	H5 Accepted
FIRMSIZE -> EM	-0.007	0.416	Insignificant	-
FIRMAGE -> EM	-0.097	0.019	Significant (-)	-
ROA -> EM	0.106	0.048	Significant (+)	-
DEBT -> EM	0.181	0.038	Significant (+)	-

Notes : EM = Earnings management, COMMIND = The independent board of commissioners, COMMSIZE = The size of the board of commissioners, INSOWN = Institutional Ownership, ACMT = Audit Committee Meeting, DIV = Gender Diversity, FIRMSIZE = Firm Size, FIRMAGE= Firm Age, ROA = Return on Asset, DEBT = Debt Ratio

H1: The independent board of commissioners variable has significant negative effect on earnings management

The results of the f test show that the board of commissioners independent variable has significant negative effect on earnings management where the probability value is 0.029 which is smaller than 0.05. This result is in line with research from Salleh & Haat (2014) that proved the significant negative results between the independent committee board and earning management. This indicates that the independent board of commissioners has achieved its aim to reduce the opportunity for management to manage earnings (Salleh & Haat, 2014).

H2 : Variable size of the board of commissioners has insignificant negative effect on earnings management

The results of the f test show that the variable size of the board of commissioners has a insignificant negative effect on earnings management where the probability value is 0.251 which is greater than 0.05. According to research by Ferris & Liao (2019), there is no correlation between board size and EM using a sample of 51,147 firm-year observations from 46 countries. Apart from that, Visiana & Febianti (2022) stated that an effective way to monitor the management of the company is not dependent on the size of the board of commissioners. However, the effectiveness of supervision depends on communication, coordination and decision making.

H3: The institutional ownership variable has insignificant negative effect on earnings management

The results of the f test show that the institutional ownership variable has insignificant negative effect on earnings management where the probability value is 0. 154 which is greater than 0.05. The results aligned with Juita (2021)’s research, who used sampled from manufacturing businesses during the period of 2017-2019 proved that institutional owners are more correlated with present income than with future income, which helps to explain the claim that institutional ownership has no impact on earnings management..

H4: The audit committee meeting variable has insignificant positive effect on earnings management

The results of the f test show that the audit committee meeting variable has insignificant positive effect on earnings management where the probability value is 0.125 which is greater than 0.05. NGO & LE (2021) also found out that there is insufficient information to prove the substantial relationship between audit committee meetings and earnings management. Werner R. Murhadi (2009) who is also conducted a research that the existence of audit committee doesn't have significant effect to EM practice, because members of the audit committee are chosen by management, the company has the right to dismiss them if they disagree with a decision made by the management.

H5: The gender diversity variable has insignificant positive effect on earnings management

The results of the f test show that the gender diversity variable has insignificant positive effect on earnings management where the probability value is 0. 165 which is greater than 0.05. This results in line with the research from Arioglu (2020), who examined non-financial businesses listed on the Borsa Istanbul between 2009 and 2017 and discovered no evidence of the impact of female directors on EM. In line with the findings of Abdullah & Ismail (2016) who reported no substantial impact of women on boards and audit committees on EM.

Based on the results of testing the coefficient, it can be seen that the adjusted R-squared value is 0.025. From the test results, it shows that the independent variable can explain the dependent by 2.5%, the remaining 97.5% is explained by other variables that are not included in the model.

CONCLUSION AND SUGGESTION

This study aims to investigate the relationship between the dependent variable, earnings management, and the independent variables, institutional ownership, audit committee meetings, board size, independent board of commissioners, gender diversity, and control variables, firm size, firm age, return on asset, and debt ratios. The test results support the hypothesis that the size of the board of commissioners has a significant negative impact on the earnings management. This implies that the presence of an independent board of commissioners may have control over the management of the company in order to reduce the implementation of earnings management practices. A corporation with an independent board of commissioners is far better able to supervise and keep an eye on the performance of its management. Since numerous independent parties are requesting financial reporting transparency, a company's number of independent boards will increase along with the level of the monitoring this board performs. While gender diversity, institutional ownership, audit committee meetings, and an independent board of commissioners have insignificant impact on earnings management.

Some of the limitations of the research studied are that this study only uses data from manufacturing sector companies listed on the IDX, the year period of this study is 2018 to 2022, namely 5 years, the limitations are the short data year period which causes a lack of accuracy in research and independent variables that limited use and only able to explain the dependent variable of 2.5%.

Recommendations that need to be conveyed to future researchers are that the research sample can be expanded by adding various sectors, adding independent variables that can better explain earnings management and expanding the research year period so that the research data becomes more accurate.

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