

THE EFFECT OF THE BOARDS DIRECTORS AND WOMEN AUDIT COMMITTEE ON EARNINGS MANAGEMENT

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Abstract: This research was conducted with the aim of examining the effect of the size of the board of directors, presence of female board of directors, female affiliate board of directors, audit committee, and female audit committee on earnings management in companies listed on the Indonesia Stock Exchange. This study uses a quantitative method by analyzing 324 companies listed on the IDX in 2015 – 2019 as a sample through purposive sampling-based sample selection. The test is done by panel data regression test with SPSS 25 and EViews 9 applications. The test was conducted using the multiple regression panel data method with a random effect model. The results of this study indicate that the size of the board of directors, female directors, female independent directors, and female affiliate directors have no significant effect on earnings management. However, the audit committee has a significant negative effect on earnings management, while female audit committee members have a significant positive effect on earnings management.

Abstrak: Penelitian ini dilakukan dengan tujuan untuk menguji pengaruh ukuran direksi, keberadaan dewan direksi perempuan, dewan direksi perempuan yang terafiliasi, ukuran komite audit, dan komite audit perempuan terhadap manajemen laba pada perusahaan yang terdaftar di Bursa Efek Indonesia. Pengujian dilakukan dengan uji regresi data panel dengan program SPSS dan Eviews. Penelitian menggunakan metode kuantitatif dengan menganalisa 324 perusahaan yang terdaftar di IDX pada tahun 2015 – 2019 sebagai sampel, dimana sampel dipilih berdasarkan *purposive sampling*. Pengujian dilakukan dengan menggunakan metode data panel regresi berganda dengan model *random effect*. Hasil penelitian ini menunjukkan ukuran direksi, direktur perempuan, direktur independen perempuan, dan direktur perempuan terafiliasi tidak berpengaruh signifikan terhadap manajemen laba. Sedangkan ukuran komite audit berpengaruh signifikan negatif terhadap manajemen laba, namun anggota komite audit perempuan berpengaruh signifikan positif terhadap manajemen laba.

INTRODUCTION

Public companies need to submit financial reports as a form of accountability and transparency to the public. Financial statements must include several types of reports that reflect a company during a certain period, one of which is an income statement (Karina & Sufiana, 2020). Information from the income statement can be a benchmark that can reflect the company's performance during a certain period (Razak & Helmy, 2020). This can be encouraging the management to manipulate the company's financial statements so that there is an increase of the company's value from investor's point of view, this practice is also known as earnings management (Hala, 2019).

Indonesia has recorded several cases of earnings management, both in state-owned companies or private companies. The most actual case occurred in a state-owned company, PT Garuda Indonesia Tbk. At the beginning of 2019, the financial statements of PT Garuda Indonesia Tbk posted a net profit of US\$809 thousand, whereas in the third quarter of 2018, the company still suffered a loss of a US\$114 million. Meanwhile, on the private side, it happened to PT Tiga Pilar Sejahtera Food Tbk. The company's financial statements in the third quarter of 2019 recorded a net profit of Rp1.13 trillion, even though in December 2018, the company still suffered a loss of Rp123.43 billion.

Earnings management cases often occur because of an information that had been manipulated and misused by management for internal gain (Harakeh et al., 2019). To overcome the problem of earnings management, it is necessary to have good corporate governance. One of them is the existence of board diversity (Fatimah, 2019). The board diversities attribute taken in this study is gender diversity. Until now, the issue of gender equality has always been controversial. However, the widespread of women emancipation proved that women can also be a part of top management of a company (Muhammad & Pribadi, 2020). In Indonesia, there are several women who are trusted as top management, such as: Nicke Widyawati (Director of PLN), Atiek Nur Wahyuni (CEO of Trans Media Corp), Putri Kuswisnuwardhani (CEO of Mustika Ratu), and most recently Adinda Bakrie (Director of PT Energi Mega Persada).

The women presence on the company's board of directors, both affiliated directors and independent director has an effect on the company's performance (Suciani & Purnama, 2019). Female directors will provide different perspectives and opinions due to differences in the socialization process (Tamara, 2019). Women directors will also prevent or reduce motivation to

carry out earnings management, because women tend to be more careful and avoid risk in decisions making. (Setyaningrum et al., 2019).

The presence of women is also found in the audit committee. An audit committee is a supervisory part of the company formed by the Board of Commissioners. The audit committee has an important role, such as supervising, monitoring, and advising management to prepare their financial statements (Zalata et al., 2018). The function of the audit committee is to guarantee the accuracy of the financial reporting process and evaluate the company's internal performance in order to prevent fraudulent practices such as earnings management (Arioglu, 2020).

This study is a development of the research that had been done by Arioglu (2020) on the affiliation and characteristics of a female committee on earnings management in Turkey. The difference from previous research is that researchers do not use dummy variables and increase the control variables, such as: firm size, leverage, and audit quality. Another difference is the object of research and the time span of this study, the researchers used a sample of companies listed on the IDX during the 2015-2019 period.

LITERATURE REVIEW

Earnings Management (Discretionary Accruals)

Earnings or profit management is a type of managerial self-serving behaviour which refers to the reported distortion of the company's financial performance (Fan et al., 2019). According to Schipper (1989) in Self (2018:6), earnings management is the disclosure of external financial statements with intentional intervention with the aim of making a profit. Giroux (2004) cited by Franceschetti (2018:17) defines earnings management as the use of discretionary methods and accounting operations to adjust earnings as desired.

Generally speaking, earnings management is the behavior of managers manipulating their income (Karen & Oktavia, 2019), reporting financial statements that are not true (Arioglu, 2020), managing information for personal gain (Kurniawansyah, 2018), or changing income either increasing or decreasing it without affecting the company's performance in the future (Hala, 2019). Earnings management can also be regarded as an accounting game. Attempts to hide and alter information by playing with numerical measures for components of financial statements are made when recording and compiling information (Fatimah, 2019).

Earnings management usually occurs because of the preparation of financial statements using the accrual method (Muhammad & Pribadi, 2020). The accrual method is consist of two methods, namely: discretionary accrual and non-discretionary accrual. The definition of these two methods is the accrual component that can be controlled by the manager's decision for the former and the exact opposite for the latter. Therefore, managers usually tend to use the discretionary accrual method. One of the methods used to calculate discretionary accruals is The Modified Jones Model (Self, 2018:24).

The Effect of Boards of Directors on Discretionary Accruals

Warsono (2010) in (Taco & Ilat, 2016) stated that the board of directors is an element of the company that has the main function of paying attention responsibly to the implementation of corporate governance in order to achieve company goals. The board is responsible for overseeing the CEO's performance, for overseeing operational activities, and protecting shareholder wealth invested in the company (Tamara, 2019; (Harakeh et al., 2019). The more members on the company's board, the less likely the practice of earnings management occurs. Because the larger the board size can cause different perspective that can monitor the company's financial statement (Karina & Sufiana, 2020).

The results of research by Karina & Sufiana (2020) state that board size has an insignificant effect on earnings or profit management. Meanwhile, Taco & Ilat (2016) and Tamara (2019) stated that board size had a significant negative effect on discretionary accruals.

H₀₁: board members will have a negative and significant effect on discretionary accruals.

Influence of Female Presence on Board Members Ratio on Discretionary Accruals

The female board member ratio is the ratio of female directors divided by overall board members. The greater the ratio of female directors, that might influence and have a significant impact on earnings management practices. Because female directors can give a different perspective to their function and efficiency, company performance, and quality of income because women can provide different point of views and opinions in board meetings (Tamara, 2019). Female directors are more sensitive to ethics and stricter observers rather than men with regard to decision-making (Zalata et al., 2018).

The research that had been done by Harakeh et al. (2019), Zalata (2018), Alquhaif et al. (Alquhaif et al., 2017), and Arioglu (2020) stated that this ratio has a negative impact on earnings management. While research that had been done by Tamara (2019) stated that female directors have no impact on discretionary accruals.

H₀₂: female board director's ratio will have a negative and significant impact on discretionary accruals.

The Impact of Independent Female Directors on Discretionary Accruals

The female independent director's ratio is calculated by the number of female independent directors divided by total of board of directors in the company. Independent directors can be recognized as a board of directors who are not affiliated with the board of directors, the board of commissioners, or with the company's shareholder, and do not have compulsion, business relationships or other forms of relationships that can reduce their independence in prioritizing the interests of the company (Supriatna & Ermond, 2019).

The greater the ratio of female independent directors on the company, the greater the chance that this ratio will have a negative effect on earnings management because independent directors can oversee executive performance, reduce the divergence between shareholders and management, and prioritize the interests of the company (Supriatna & Ermond, 2019).

The results of research by Arioglu (2020) have a result that said the presence of female independent directors had no impact on earnings management, while Karen & Oktavia (2019) stated that the results had positive impact on earnings management.

H₀₃: independent female directors will have a negative impact on discretionary accruals.

Influence of Affiliated Female Presence on Board Members on Profits Management

This ratio can be calculated by the number of affiliated female directors divided by the total of board members. Based on the Capital Market Law article 1 paragraph 1a, affiliation is a family connection due to marriage and descent, either on an equal or vertical level. The definition of an affiliated female director is the female directors on the board of directors who have family relationships, either directly or indirectly with the board of commissioners, board of directors or management (Gottardo & Moisello, 2019:60). The existence of affiliated directors will have a positive impact on profit management due to agency conflicts (Gottardo & Moisello, 2019:60).

The results of research by Arioglu (Arioglu, 2020) and Gottardo & Moisello (2019) show that there is an insignificant impact between affiliated female directors and earnings management.

H₀₄: affiliated female directors will have a positive impact on profit management

The Impact of Audit Committee on Profits Management

The definition of audit committee is the total of audit committee members the company has. This committee is tasked with independent supervision of financial reports, evaluating the performance of a company's auditing process (including the external auditors), and ensuring the company's internal control system (Karina & Sufiana, 2020; Giovani, 2019). While doing their jobs, the audit committee must perform its role independently (Karen & Oktavia, 2019). The more members that an audit committee has, this might be reducing earning's management practices, because they will oversee and monitor the financial reporting process.

The results of previous studies by Miko & Kamardin (2015), Zalata et al. (2018), Melania & Dewi, (2019), and Arioglu (2020) stated that audit committee have a significant and negative impact towards earnings management. While the results of research by Karina & Sufiana (2020), Giovani (2019), and the research that had been done by Taco & Ilat (2016) resulted that there's no significant relationship between these two.

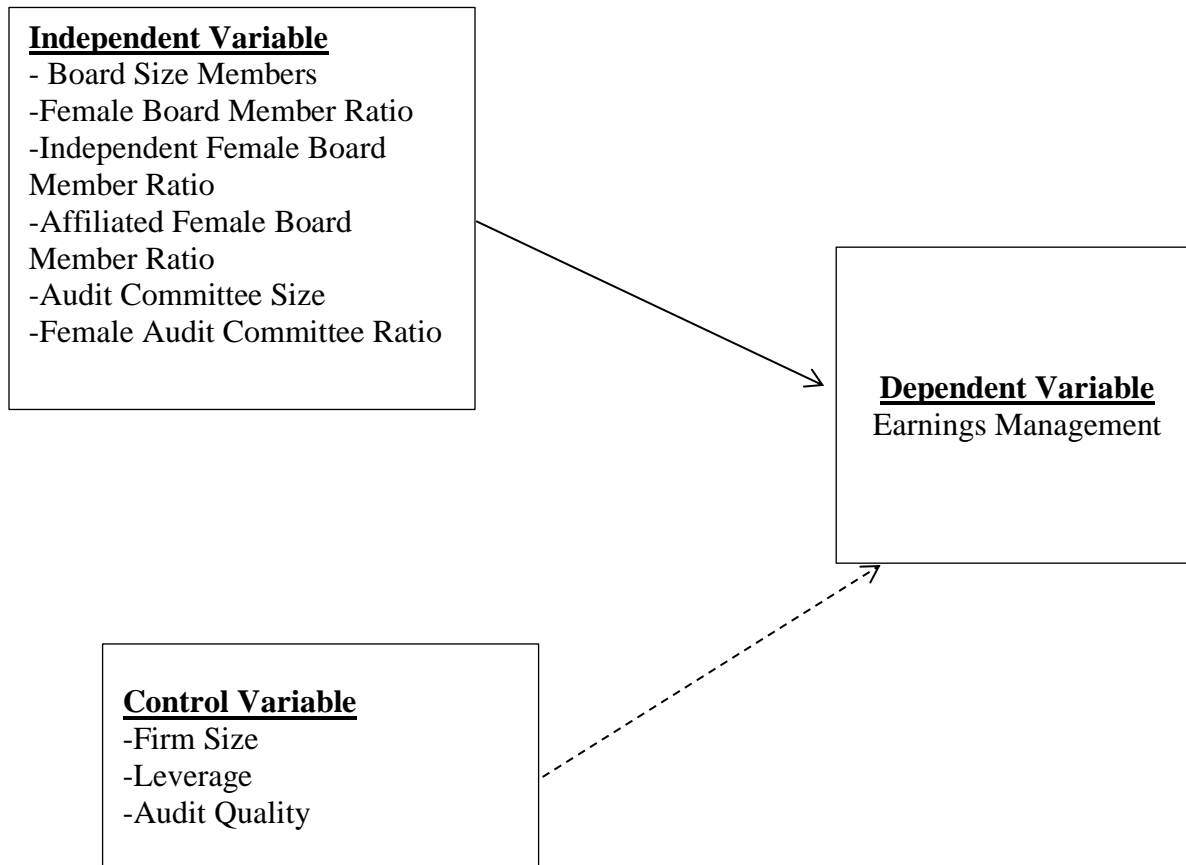
H₀₅: audit committee will have a negative impact on profit management.

The Effect Women Presence in Audit Committee on Managing the Company's Earnings

This ratio can be calculated by the number of female committees divided by the total of audit committee. The greater this ratio, the more likely that earnings management would not occurs. This is because women increase the effectiveness of supervision on the audit committee (Zalata et al., 2018). If there is a woman in the audit committee, this might implicate an increase in income, a decrease in accruals and an increase in the frequency of audit committee meetings resulting in better financial reports (Jalan et al., 2020).

The research that had been done by Jalan et al. (2020), Zalata et al. (2018), and Arioglu (2020) resulted a significant negative relationship to earnings management, while Tamara (2019) and Karen & Oktavia (2019) stated that women audit committee have no significant relationship to earnings management.

H₀₆: women audit committee ratio will have a negative effect on earnings management.



Gambar 1. Conceptual Framework

METHOD

This research is using a quantitative method and use purposive sampling technique. The criteria of the samples in this study are: (1) Listed Companies on Indonesia Stock Exchange; (2) Companies that have complete financial statements in the 2015-2019 range; 3) non-financial companies.

The source of the data in this research is taken from company's annual financial statements. These data are obtained from the IDX official website (www.idx.co.id). The number of companies that meet these criteria are 324 companies with a 5 years period resulting in 1620 observational data available to be tested.

Earnings Management

The dependent variable of this research is earnings or profit management. The model most often used to measure discretionary accruals is The Modified Jones Model (Dechow et al., 1995). This model separates the discretionary and non-discretionary components of total accruals and

discretionary accruals so that it can be used to project income quality (Self, 2018:24). The calculation of discretionary accruals uses the formula:

These are the steps in determining the value of DA and NDA:

1. Calculating The Total Accruals:

$$TCA_{it} = NI_{it} - CFO_{it}$$

Explanation:

TCA_{it} = the total accruals of the company i on t years

NI_{it} = net profit of the company i on t years

CFO_{it} = operational cash flow of the company i on t years

2. Calculating the coefficient value of α_1 , α_2 dan α_3 , from this formula:

$$\frac{TCA_{it}}{A_{it-1}} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 [(\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}] + \alpha_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \epsilon_{it}$$

Explanation:

TCA_{it} = the total accruals of the company i on t years

A_{it-1} = total assets of the company i on the t-1 years

ΔREV_{it} = sales of the company on the t years minus sales of the company on the t-1 years

ΔREC_{it} = accounts receivable of the company on t years minus accounts receivable of the company on the t-1 years

PPE_{it} = gross asset value on the t years

ϵ_{it} = residuals

α_1 , α_2 dan α_3 are the coefficient values of the regression results obtained using the SPSS application which will be retested to determine the value of NDA or non-discretionary accruals.

3. Determined the NDA value (non discretionary accruals):

$$NDA_{it} = \alpha_1 \left(\frac{1}{A_{it-1}} \right) + \alpha_2 [(\Delta REV_{it} - \Delta REC_{it}) / A_{it-1}] + \alpha_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \epsilon_{it}$$

Explanation:

NDA_{it} = total of non discretionary accruals of the company i on t years

ΔREV_{it} = sales of the company on the t years minus sales of the company on the t-1 years

ΔREC_{it} = accounts receivable of the company on t years minus accounts receivable of the company on the t-1 years

PPE_{it} = gross asset value on the t years

ϵ_{it} = Residuals

4. Determined the DA value (discretionary accruals):

$$DA_{it} = \left(\frac{TCA_{it}}{A_{it-1}} \right) - NDA_{it}$$

Explanation:

DA_{it} = total of discretionary value of the company i on t years

TCA_{it} = total accrual of the company i on t years

A_{it-1} = total assets of the company i on the t-1 years

NDA_{it} = total of non discretionary accruals of the company i on t years

Independent and Control Variables

The measurement of independent variables and control variables can be seen in Table 1.

Table. 1 Measurement of Independent and Control Variables

Independent Variables	Measurement
Board Size (BS)	Total of Board Members
Female Board Member Ratio (FBR)	Total of Female Board Members / Total Board Members
Independent Female Board Member Ratio (FIBR)	Total of Independent Female Board Member Ratio / Total Board Members
Affiliated Female Board Member Ratio (FABR)	Affiliated Females Board Member Ratio / Total Board Members
Audit Committee Size (AC)	Total of Audit Committee
Female Audit Committee Ratio (FACR)	Total of Female Audit Committee / Total Audit Committee
Control Variables	
Firm Size (FS)	Ln (Total Aset)
Leverage (L)	Total Liabilities/Total Assets
Audit Quality (AQ)	1 if the audit services is included in BIG 4 criteria, 0 if otherwise

RESULT AND DISCUSSION

Descriptive Statistics

Table 2 Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Board Size	2	16	4,918	1,917
Female Board Member Ratio	0,00	0,75	0,125	0,163
Independent Female Board Member Ratio	0,00	0,50	0,019	0,063
Affiliated Female Board Member Ratio	0,00	0,43	0,035	0,090
Audit Committee	3	4	3,065	0,247
Female Audit Committee Ratio	0,00	0,67	0,148	0,202
Firm Size	10,670	14,546	12,553	0,700
Leverage	0,005	2,183	0,484	0,259
Audit Quality	0	1	0,448	0,497
DACC	-0,2329	0,2699	0,0233	0,0769

After the Descriptive Statistical Test in this research, several conclusions can be drawn. Total of the 1,620, observation's data, 139 data were outliers, so that the remaining 1,481, observations data were tested. Each company that has been included in the research criteria has at least 2 members of the Board of Directors and a maximum of 16 people. Each company (on average) has about 4 to 5 members in their boards. A conclusion can be drawn, the minimum members needed in the company so that operational activities run smoothly is quite large.

The variable ratio of female director has a minimum value of 0, a maximum of 0.75, and 0.125 on average. A conclusion can be drawn, that there are companies that do not have female directors at all, but there are also companies where 75% of the directors are women. Based on the average score, about 12.5% of the sample companies have female directors.

The variable independent female board member ratio has a minimum value of 0, a maximum of 0.50, and 0.019 on average. A conclusion can be drawn, that the number of female independent directors in a company ranges from none at all to half of the total directors. Based on the average value, it can be interpreted that there is only a 1.9% possibility of female presence on a company's independent board on these samples in this research.

Affiliated female board member ratio has a minimum value of 0 and a maximum value of 0.43. A conclusion can be drawn, that there is a maximum possibility of 43% of the female directors having a sibling relationship (affiliated) with other members. An average value of 0.035

indicates 3.5% of the sample companies that have affiliated female directors. The audit committee itself has a minimum value of 3, a maximum value of 4 and an average value of 3.065. A conclusion can be drawn, that each sample company has a minimum of 3 audit committee members and a maximum of 4 people. An average value of 3.065, which means that each company that can be sampled in this study has an average of 3 audit committees in carrying out their operational activities.

The variable female audit committee ratio has an average value of 0.148, minimum value of 0.00 and 0.67 at maximum. A conclusion can be drawn, in this study, there are 14.8% female members on the audit committee on these samples. The maximum ratio value of 0.67 means that 67% of the audit committee members are female. The minimum value of firm size is 10.670 and 14.546 on the maximum. This variable itself has an average value of 14.546, so it can be concluded that on average the companies that are used as observations still have a fairly large number of assets. The minimum value for leverage is 0.005 and 2.183 on maximum. An average value of 0.484, which means that on average the companies that are used as observations use debt as the main funding on carrying out their operational activities. The average of audit quality is 0.448, which means, 44% of companies used as observational data use the services of a Public Accountant that is included in the Big 4 category. The dependent variable, earnings management (DACC) has -0.2329 on the minimum, 0.2699 on maximum and also have 0.0233 on average. It can be concluded that the average level of earnings management practice is 0.0233 in the sample companies.

Path Analysis

Chow Test

The purpose of this test is to compare the Pooled Least Square model and the Fixed Effect Model. The Chow test results can be seen from the value probability of the Chi-Square cross-section. The PLS model will be the chosen model if the Chi-Square \rightarrow cross-section value exceeds 0.05. If the result value is less than 0.05 then it must be continued to the next test, the Hausman test.

Table 3 Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.810	(3,161,155)	0.0000
Cross-section Chi-square	844.567	316	0.0000

Source: Secondary data processed, 2021

Based on the test result of table 4.4 above, the Chi-Square cross-section value is less than 0.05 so it is necessary to proceed to the next test, namely the Hausman test.

Hausman Test

The purpose of this test is to see further the research model that is suitable for this research by comparing the Fixed Effect Model with the Random Effect Model. If the Hausman test results show a random cross-section probability value of less than 0.05, the Fixed model can be the best model for this study.

Table 4 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.725	9	0.1754

Source: Secondary data processed, 2021

The probability value indicates of Cross-Section Random is more than 0.05 then the next test must be carried out, namely the Lagrange test.

Lagrange Test

The purpose of this test is, to compare which model is the best between Pooled Least Square and Random Effect Model. The results of the Lagrange can be seen from the Breusch-Pagan probability value is less than 5%, Random Effect Model can be the best model for this research.

Table 5 Lagrange Test

Test Hypothesis	Weighted Statistics		
	Cross-section	Time	Both
Breusch-Pagan	185.7356	12.904	198.64
	0.0000	-0.0003	0.0000

Source: Secondary data processed, 2021

Based on the table above, probability value indicates of Breusch-Pagan shown is less than 5%, so it can be concluded that the Random Effect Model is the best model in this study.

Hypothesis Analysis

F Test

F test was conducted to determine whether all of the independent variables in this study had an effect on the dependent variable simultaneously. The results are in this table.

Table 6 F Test

Weighted Statistics	
F-statistic	3.467792
Prob(F-statistic)	0.000301

Source: Secondary data processed, 2021

If we viewed the result from the significance value of the F test above, it can be concluded that all the independent variables in this study have an effect on the dependent variable of this study simultaneously.

t Test

T-test was conducted to determine the impact of each independent variables on the dependent variable individually. If the probability value of the independent variable is less than 0.05, it can be concluded that the variable has a significant effect on the dependent variable. The results of this test can be seen in table 4.7 below:

Table 7 t Test

Dependent Variable: DACC

Method: Panel EGLS (Cross-section random effects)

Date: 07/10/21 Time: 17:42

Sample: 2015 2019

Periods included: 5

Cross-sections included: 317

Total panel (unbalanced) observations: 1481

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
Board Size	-0.0014	0.0016	-0.8941	0.3714	Non-significant
Female Director Ratio	-0.0150	0.0172	-0.8690	0.3850	Non-significant
Independent Female Board Member Ratio	-0.0464	0.0397	-1.1698	0.2423	Non-significant
Affiliated Female Board Member Ratio	0.0218	0.0139	1.5695	0.1168	Non-significant
Committee Audit	-0.0201	0.0087	-2.3077	0.0212	Negative Significant
Female Audit Committee Ratio	0.0771	0.0323	2.3844	0.0172	Positive Significant
Firm size	0.0100	0.0048	2.0916	0.0366	Positive Significant
Leverage	-0.0363	0.0096	-3.7765	0.0002	Negative Significant
Audit Quality	-0.0080	0.0057	-1.4080	0.1594	Non-Significant
Constant	-0.0153	0.0605	-0.2529	0.8003	

Source: Secondary data processed, 2021

Independent variable board size has an insignificant effect on earnings management and a negative relationship can be seen. A conclusion can be drawn, that the more the members of directors in a company, there might be a chance the practice of earnings management will not occur. This result of this study is in accordance with Karina & Sufiana (2020). They concluded that the size of the board of directors has no significant effect on earnings management.

Independent variable female on board ratio has no significant effect and has a negative relationship. This can be concluded, that presence of a female on board of directors cannot prevent earnings management practices in the company. This test result is comparable with the research that had been done by Tamara (2019) which concluded that female directors have no effect on earnings management.

Independent variable female on board ratio has a negative and insignificant relationship. It can be concluded that if there are independent female directors in a company, it does not affect earnings management in the company. This result of this study is in line with research that had been done by Arioglu (2020). Researcher concluded that, the presence of female on independent board of the company has an insignificant effect on profits management.

Affiliated female board member has an accordance relationship with earnings management but in an insignificant way. This result says that if there is a female presence on the board of directors and she is affiliated, it does not affect the company's earnings management practices. This test result is comparable with the research that had been done by Arioglu (2020) and Gottardo & Moisello (2019). They concluded that, there is no significant impact if there is a female who affiliated with other board members on profit management practices.

Independent variable audit committee has a significant effect on earnings management but has a negative relationship. It can be concluded that if this committee do their jobs and fulfil their requirement, they can reduce the company's earnings management practices, this is because the audit committee job description is to supervise and prevent actions that lead to earnings manipulation. This result of this study is in line with the research that had been done by Miko & Kamardin (2015), Zalata et al. (2018), Melania & Dewi, (2019), and Arioglu (2020). They concluded that audit committee can prevent this type of practice.

Female presence in audit committee has significant impact with earnings management practices. This means that if there is a woman presence in a company's audit committee, it can be encouraging the practice of manipulating the company's financial statements. This is because women tend to be slow in taking action against behaviour that leads to earnings management. But this is different from the research that had been done by Jalan et al. (2020), Zalata et al. (2018), and Arioglu (2020) which actually say otherwise.

Control variable measured by firm size indicates that this variable has positive and significant relationship with earnings management practices. This can be concluded, that the larger the size of a company (if measured by the firm's total assets) the better earnings management practices that can be carried out by the company. This is due to the larger the size of a company, the company has a tendency to maintain the positivity of its financial statements to increase shareholder confidence. The control variable measured by leverage has a negative and significant relationship with profit management practices. A conclusion can be drawn, if the amount of debt compared to the number of assets owned by the company is greater, the more difficult it will be to implement these practices. The control variable measured by audit quality indicates that this variable has a negative and insignificant relationship with profit management practices. This means that if the company uses external audit services that are not in the Big 4 category, it has no effect on earnings management.

Goodness to Fit Model

Goodness to fit model is conducted to see whether the unbound variables in this study can explain earnings management. The results of the compatibility test can be seen in the following table:

Table 8 Adjusted R-squared result

Weighted Statistics			
R-squared	0.020776	Mean dependent var	0.013808
Adjusted R-squared	0.014785	S.D. dependent var	0.06531
S.E. of regression	0.064801	Sum squared resid	6.177
F-statistic	3.467792	Durbin-Watson stat	1.97679
Prob(F-statistic)	0.000301		

Source: Secondary data processed, 2021

If we viewed this result from the adjusted R-squared value, a conclusion can be drawn that the effect of independent variables in this study on earnings management can only be explained by 1.48% while the remaining 98.52% is explained by other factors, such as return on assets, return on equity and net operating cash flow.

CONCLUSSION

Researcher aims to determine the impact of the size of the board of directors, audit committee, affiliated female directors, independent female directors, presence of a female on boards, and female audit committee on earnings management. This study uses control variables such as firm size, leverage and audit quality.

Researcher concluded that that the independent variable size of directors, female directors, female independent directors, affiliated female directors and audit quality control variables have no significant effect on firm's profits management. While the unbound variable such as size of the audit committee and leverage control variables have a significant negative effect on earnings management. Independent variables of female audit committee members and firm size control variables have a significant positive impact on earnings management.

Recommendation

Recommendations that can be applied to be considered in further research, namely: the following researchers should take research samples only from certain sectors, such as manufacturing companies. Thus, there is no volatility in the research data. The following researchers can add several other dependent variables related to earnings management such as: return on assets, return on equity, net operating cash flow and other independent variables.

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