Females in Corporate Board Diversity and Its Impact on Earnings Quality

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Abstract: *Earnings quality is formed on corporate governance. The company's internal governance mechanism consists of the president director, the finance director, the board of directors, commissioners, and the audit committee. However, there is still a lack of studies exploring the relationship between female in-board diversity and earnings quality, especially in Indonesia. This is because Indonesia has a unique corporate governance system, even though it follows a corporate governance system on the European continent, namely the two-tier boards. This study aims to determine the influence of female president directors, female finance directors, female board of directors, female board of commissioners, and female audit committees on earnings quality. The sample of this study is manufacturing companies listed on the Indonesia Stock Exchange. Samples were selected using the purposive sampling method, and 70 companies were selected as research samples, with a total data collection of 350 data from the research period of 2018-2022. Data analysis in this research uses multiple linear regression. The results of this study indicate that the presence of a female president director, a female finance director, and a female board of commissioner negatively affects earnings quality. On the other hand, the presence of a female board of directors has a positive effect on earnings quality. The female audit committee does not affect earnings quality. The author can conclude that the female gender still does not play an important role in the company's management to increase earnings quality because females' behavior is more callous and not more assertive than males'.*

Keywords: *Female Audit Committee; Female Board of Commissioners; Female Finance Director; Female President Director; Earnings Quality*

1. Introduction

Discrimination against women occurs in various parts of the world. It is known as a problem that is very influential in multiple aspects, such as social, political, cultural, economic, and civil aspects. In the labor market, discrimination with gender inequalities still exists concerning women being treated differently from men and women being sorted into different jobs with lower earnings and fewer promotion prospects (Birkelund et al., 2021). Even the ranks of the labor profession to the top management professionals have a unique issue of leadership-specific biases and stereotypes regarding discrimination against the existence of women; where men are not satisfied with having women as leaders because the negative perceptions of female leaders who do not conform with good expectations and disadvantages to handle certain situations (Bruckmuller et al., 2014; Galsanjigmed & Sekiguchi, 2023).

The rise of women's emancipation has begun to change the view of women as leaders to lead management positions. One of the manufacturing companies selling makeup under the Revlon brand has so far been led by a male leader and only started handing over the position of Chief Executive Officer (CEO) to women in 2018 (Saeed et al., 2023). North America and Europe have recorded the number of female directors increasing by four percent each year and has been reaching 29 percent in 2022 (Yun, 2022). In addition, the presence of women remains under-represented at the top management level, as evidenced in Fortune 500 magazine that there were 52 female Chief Executive Officers who led 52 companies from the 500 largest U.S public companies listed in the Fortune 500 ranks with an 18% increase from 44 in 2022. This number of female Chief Executive Officers has increased to 2,5 times in the last six-year period from 2017-2022 (Hinchliffe, 2023).

According to the agency theory, earnings are considered the capital market indicator to test whether the firm engaged in value-adding activities during a certain period (Waweru & Riro, 2013). Earnings quality is the quality of earnings information available to the public that can show the extent to which earnings can influence decision-making and be used by investors to assess the company. Earnings quality can reflect sustainable earnings in the future, which are determined by the presence of accrual and cash components that can reflect the company's actual financial performance (Djamaluddin, 2008; Irawati, 2012). Earnings quality has three main characteristics such as being able to accurately reflect the company's current operating performance, providing good indicators of the company's performance in the future, and being a good measure in assessing the company's performance (Warianto & Rusiti, 2014).

Gender is the nature and behavior attached to men and women that are socially and culturally shaped. According to Sociology and Anthropology, gender is the behavior or division of roles between females and males that formed in certain societies and at certain times. Gender diversity is the presence of females and males in an organization used in a social context to explain the characteristics between females and males, both feminine and masculine, in society (Watson et al., 2002). Gender diversity is an inherent trait of men and women who are socially and culturally constructed (Fakih, 2006). Changes in characteristics and qualities that occur from time to time and from place to place are called the concept of gender (Hutajulu, 2015). Gender acts as one of the expectations that determine how females or males should think, act, and feel, clarifying gender roles with androgynous roles (Sandtrock, 2003). The concept of androgyny is a gender-free education concept that assumes that boys and girls have the same potential to be masculine and feminine (Hasan & Maulana, 2014). In this study, gender diversity includes female president directors, female financial directors, female board of directors, female commissioners, and female audit committees.

The board of directors is a company's organ that is authorized and responsible for managing the operations of the related company, which is certainly under the company's goals (Nathania, 2014). Many companies are very concerned about the ability of the board of directors, which is important because the board of directors is tasked with motivating and supervising all activities and decisions made by the Chief Executive Officer (CEO). In the board of directors, a leader is often referred to as the president director (Adiasih & Kusuma, 2011). The female gender can be more likely to hold top positions in industries with higher levels of management turnover, which affects the quality of earnings (Handry et al., 2015). Firms with female directors show better reporting discipline by managers. Gender diversity in top management is associated with higher income quality (Gavious et al., 2012). The female president director on the board of directors is one factor that increases the reporting discipline of a company and investor confidence in financial statements (Srinidhi et al., 2011).

The finance director is a position with the main responsibility for managing financial risk in a company. The finance director is responsible for recording, planning, and financial reporting for higher management parties (Novilia & Nugroho, 2016). Profit is an important element in agency contracts. Low earnings quality will eliminate the effectiveness and efficiency of agency contracts, which impact high agency costs that affect the improvement of earnings quality (Amin, 2016). Companies with female financial president directors in top management will have higher earnings quality (Gavious et al., 2012). The independent directors are outside directors instead of insiders, managers, or employees of the firm directors or dependent non-executive directors. Independent directors have personal and professional relationships with the firm other than board membership, which is the proportion of independent non-executive directors (Azeez et al., 2019).

Indonesia's public companies have been adopting a management system that has been used by European companies, namely the two-tier board system. A two-tier board is a system that distinguishes the roles of supervisors and managers (Hadi & Mangoting, 2014). In practice, Indonesia's public companies have adopted a supervisory board with a board of directors appointed by the board of commissioners and must be accountable at the General Meeting of Shareholders (Pudjiastuti & Mardiyah, 2007). The board of commissioners is a group of people elected or appointed by the shareholders to oversee the activities of a company. The duties of the board of commissioners are to supervise the running of the business and provide advice to the directors. Therefore, it will indirectly affect the quality of earnings (Maula & Rakhman, 2018). In addition, the presence of females on the board of commissioners greatly affects the quality of earnings because females, compared to males, can accurately control the running of the business and provide more advice to directors in directing the policies related to financial reporting (Fitriana & Sugiri, 2018).

The Indonesian Audit Committee Association states that the audit committee is a committee that works professionally and independently, assisted by the board of commissioners (Setiawan et al., 2020). The audit committee had to help and strengthen the function of the board of commissioners in carrying out the supervisory role or financial reporting process, risk management and audit, and implementation of corporate governance (Novilia & Nugroho, 2016). The audit committee also serves as a mediator in the event of a difference of opinion between management and the auditor regarding the interpretation and application of generally accepted accounting principles to achieve a final balance so that the report is more accurate. In addition, the presence of females on the audit committee can affect earnings quality because females have more creativity and transparency in completing their duties and are careful with what they do (Handry et al., 2015).

Research shows that gender diversity has a significant positive effect on earnings quality (Hoang et al., 2017), while other research shows that gender diversity doesn't affect earnings quality (Hashim et al., 2019). Research results show that female president directors positively affect earnings quality (Srinidhi et al., 2020). Other research shows that the presence of a female board of commissioners does not affect earnings quality, such as Soebyakto et al. (2018). Some study results show that female audit committees influence earnings quality (Handry et al., 2015; Olum et al., 2019; Amar & Sayadi, 2022). There was research conducted to prove the female board of directors impact on earnings quality (Handry et al., 2015), while the different results of studies that show a female board of directors doesn't influence earnings quality (Soebyakto et al., 2018; Olum et al., 2019). However, the opposite effect shows that female commissioners affect earnings quality (Fitriana & Sugiri, 2018). Companies with female president directors and female financial directors in top management will have higher earnings quality (Gavious et al., 2012).

This study replicates the research by Hendry et al. (2015) with differences in research, namely, the research period is more recent, from 2018-2022, and the use of earnings quality proxies with the modified Jones model, namely discretionary accruals. The motivation for doing this research is due to the inconsistency of previous studies and the lack of research on gender diversity in earnings quality. The purpose of this study was to analyze the effect of the presence of a female president director, female finance director, female board of directors, female board of commissioners, and female audit committee on the earnings quality of manufacturing companies listed on the Indonesia Stock Exchange in 2018-2022. Therefore, the authors decided to conduct further research related to the implications of the presence of females in the company's management on earnings quality to do this research to prove the effect of each female category in board diversity on earnings quality in manufacturing companies listed on the Indonesia Stock Exchange.

2. Literature Review

2.1 Agency Theory

Agency theory is a relationship pattern between the principal and the agent (Eisenhardt, 1989; Ahmad & Septriani, 2008). In agency theory, agency relationships arise when one or more people (principals) hire another person (agent) to provide a service and then delegate decision-making authority to the agent to provide a service and then delegate authority in decision-making. The main purpose of agency theory is to explain how the parties to a contractual relationship can design contracts whose goal is to minimize costs due to asymmetric information and conditions of uncertainty (Jensen & Meckling, 1976). Agency theory emphasizes the existence of market and institutional mechanisms that can complement contracts to overcome problems that arise in contractual relationships (Ahmad & Septriani, 2008). The company can prepare contracts to become a set of reciprocal agreements between the company's owners, employees, suppliers, and various participants related to the company

(Alchian & Demsetz, 1972; Nuswandari, 2009). Profit is an important element in agency contracts. Low earnings quality will eliminate the effectiveness and efficiency of agency contracts, which impact high agency costs (Amin, 2016).

2.2 Earnings Quality

Earnings quality is the quality of earnings information available to the public that can show the extent to which earnings can influence decision-making and be used by investors to assess companies. Earnings quality can reflect the continuation of future earnings that are determined by accrual components and cash and can reflect the company's real finances (Bandi, 2009). Earnings quality is earnings that reflect the company's actual financial performance (Irawati, 2012). Earnings quality should have three characteristics such as to be able to reflect the company's current operating performance accurately, be able to provide good indicators of the company's performance in the future, and be a good measurement in assessing the company's performance (Warianto & Rusiti, 2014). Income consists of cash flows and accruals, where cash objectively cannot be manipulated by managers even though money is very evaluative and regular. Therefore, cash is very easy to manage to reduce the quality of earnings (Alipour et al., 2014).

2.3 Gender Diversity

Gender diversity is an inherent trait of men and women who are socially and culturally constructed (Fakih, 2006). Changes in characteristics and qualities that occur from time to time and from place to place are called the concept of gender (Hutajulu, 2015). Gender roles are expectations that determine how women or men should think, act, and feel (Santrock, 2003). A clarification of gender roles should be based on androgynous roles (Megawangi, 1999). The concept of androgyny is the concept of gender-free education, which assumes that males and females have the same potential to be masculine and feminine, so it needs to be done equally (Hasan & Maulana, 2014). As such, board diversity refers to the diversification within the board (Hashim et al., 2019). Diversification is also being used to describe the group of people who are different types of people in terms of different cultures, different races, different backgrounds, etc (Ararat et al., 2010).

2.4 Female President Director

The board of directors is a company organ that is authorized and responsible for managing the operations of the related company, which is certainly following the company's goals (Nathania, 2014). In the board of directors, the director's leader is often referred to as the president director (Adiasih & Kusuma, 2011). The law regulating the presidential director of Indonesia is listed in Law No. 40 of 2007 concerning Limited Liability Companies, especially in Chapter IV, which governs directors' functions, powers, and responsibilities (Erawan et al., 2013). The number of female presidential directors is increasing, although it is still far from reflective of the percentage of women in the general workforce (Ho et al., 2015)

2.5 Female Finance Director

The finance director is a position with the main responsibility for managing financial risk in a company. This official is also responsible for recording, planning, and financial reporting for higher management parties (Novilia & Nugroho, 2016). The finance director is one of the company's positions to be responsible for managing corporate financial risk. The finance director was also responsible for planning, recording, and financial reporting for higher management. For some industry sectors, the finance director is also responsible for conducting data analysis (Fransiska & Hery, 2015). Female finance directors should have financial expertise and sufficient monitoring incentives to understand the consequences of their financial reporting decisions (Zalata et al., 2022).

2.6 Female Board of Directors

The board of directors is a company organ that is authorized and responsible for managing the operations of related companies, which certainly follow the company's goals (Adiasih & Kusuma, 2011; Nathania, 2014). The company pays attention to the board of directors' ability, which is important because the board of directors is tasked with motivating and supervising all activities and decisions made by the Chief

Executive Officer (CEO) (Hanani & Aryani, 2011). In addition, the role of females in management positions is increasingly evident in the company, especially because of the ability of the female gender to be a company leader (Adam & Ferreira, 2009).

2.7 Female Board of Commissioners

The board of commissioners is authorized to oversee the work of the board of directors and controls a board of directors to be charged with running the company's operations (Pudjiastuti & Mardiyah, 2007). Indonesian companies have adopted the system that has been used by European companies, which was a two-tier board system that distinguished the roles of supervisors and managers (Hadi & Mangoting, 2014). In practice, in Indonesia's public companies, the board system has different characteristics from implementing a two-tier board (Arifai et al., 2018). It is usually called a supervisory board, which is elected and must be accountable at the General Meeting of Shareholders (Otoritas Jasa Keuangan, 2014). The presence of females on the board of commissioners can make the financial reporting decisions be considered carefully (Putri & Erinos, 2019).

2.8 Female Audit Committee

The audit committee, composed of experienced professionals with expertise in accounting, finance, and governance, operates independently but collaborates closely with the board of commissioners. The committee's primary focus is to ensure the accuracy, transparency, and completeness of financial statements by scrutinizing the financial data, internal controls, and risk management processes. Additionally, they work to streamline and improve the effectiveness of both internal and external audit procedures through continuous evaluation and enhancement of audit methodologies.(Effendi, 2016; Rawi & Muchlish, 2022). The audit committee must help and strengthen the function of the board of commissioners in carrying out the supervisory role or financial reporting process, risk management, audit, and implementation of corporate governance (Novilia & Nugroho, 2016). The public companies must have an audit committee of at least three members led by an independent commissioner. The rest of the audit committee members are external members who have educational backgrounds and skills in accounting and finance subjects and experiences (Angruningrum & Wirakusuma, 2013).

3. Hypothesis Development

3.1 The Impact of the Presence of a Female President Director on Earnings Quality

Characteristics in social grouping reflect the extent to which goals and subjective differences exist between group members compared to a male board of directors. Gender diversity will increase transparency at the board level (Srinidhi et al., 2011). Manager performance demands gender diversity on the board of directors (Adams & Ferreira, 2009). Companies with female president directors in top management will have higher earnings quality (Gavious et al., 2012). The female president director on the board of directors is one factor that increases the reporting discipline of a company and investor confidence in financial statements (Srinidhi et al., 2020).

H1: The female presidential director positively affects earnings quality.

3.2 The Impact of the Presence of a Female Finance Director on Earnings Quality

Profit is an important element in agency contracts. Low earnings quality will eliminate the effectiveness and efficiency of agency contracts, which impact high agency costs (Amin, 2016). Female directors can improve earnings quality (Emadi & Mansour, 2015). Companies with female finance directors in top management will have higher earnings quality (Gavious et al., 2012).

H2: The female finance director positively affects earnings quality.

3.3 The Impact of the Presence of Female Board of Directors on Earnings Quality

The way females think and act in earning income can help improve earnings management. First, females are more likely to hold top positions in industries with higher levels of management turnover, which can affect good earnings quality (Handry et al., 2015). Second, in some companies, earnings are of higher quality in companies with a higher proportion of female finance directors in the board of directors' structure (Panzer & Muller, 2015). Third, some literature said that the structural attributes of the board of directors are related to gender diversity and earnings quality (Hoang, 2017).

H3: The female board of directors positively affects earnings quality.

3.4 The Impact of the Presence of Female Board of Commissioners on Earnings Quality

The female board of commissioners is a group of people who are elected or appointed by the shareholders to oversee the activities of a company. The duties of the board of commissioners are to supervise the running of the business and provide advice to the directors, which will indirectly affect the quality of earnings (Maula & Rakhman, 2018). The number of females in top management affects earnings quality (Krishnan & Parsons, 2008). The presence of the female board of commissioners is very influential because women are more responsible for supervising the operation of the business and providing advice to directors (Putri & Erinos, 2019). This task will indirectly affect the quality of earnings reported by the company because the board of commissioners can direct the policies and actions of the directors related to financial reporting (Handry et al., 2015).

H4: The female commissioner positively affects earnings quality.

3.5 The Impact of the Presence of Female Audit Committee on Earnings Quality

A large number of audit committees can carry out monitoring functions in every company's operational activities and improve the quality of financial reporting (Trisnayanti et al., 2022). The audit committee should be comprised of nonexecutive directors by applying a critical view to the company’s financial reporting process and challenging management assertions (Alsayani et al., 2023). The audit committee with high accountability and the presence of women affects the quality of earnings because women have creativity and transparency in completing their duties and are careful with what they have done (Olum et al., 2019). The fifth hypothesis was formed as follows.

H5 = Female audit committee has a positive effect on earnings quality.

4. Research Methods

This research is quantitative, concrete, observable, and measurable. The sampling method used in this research is purposive sampling, which selects samples based on certain criteria. The population in this study was 173 manufacturing companies during the observation period from 2018 to 2022. The procedure to select the samples by purposive sampling is based on the following criteria.

1. Manufacturing companies were listed consecutively on the Indonesia Stock Exchange (IDX) for five years from 2018 to 2022.
2. The company publishes financial statements and annual reports ending December 31 and has been audited by an independent auditor for the 2018–2022 period.
3. The company uses the rupiah currency in the attachment to the financial statements for the 2018–2022 period.
4. The company publishes the complete information required following the data needs used in this study.

The dependent variable in this study is earnings quality. In contrast, the independent variable is gender diversity, which includes female president directors, female finance directors, female board of directors, female board of commissioners, and female audit committee. Earnings quality in this study uses a measurement scale, namely the ratio. Therefore, the equation used by Francis et al. (2004) in Sumiadji & Subiyantoro (2019) to measure earnings quality can be formulated as follows.

$$TA_{jt} / \text{Total Asset}_{jt} = \beta_0 + \beta_1 (CFO_{jt-1} / \text{Total Asset}_{jt}) + \beta_2 (CFO_{jt} / \text{Total Asset}_{jt}) + \beta_3 (CFO_{jt+1} / \text{Total Asset}_{jt}) + \beta_4 (\Delta \text{Sales} / \text{Total Asset}_{jt}) + \beta_5 (\text{Fixed Asset} / \text{Total Asset}_{jt}) + \beta_6 (BVE_{jt-1} / MVE_{jt}) + \varepsilon_{jt}$$

Where:

TA_{jt} = Net income of sample company j in year t (-) cash flow operation of sample company j in year t
Total Asset_{jt} = Total Assets for sample company j at the end of the year t - 1
CFO_{jt-1} = Cash flow operation of sample company j in year t - 1
CFO_{jt} = Cash flow operation of sample company j in year t
CFO_{jt+1} = Cash flow operation of sample company j in year t + 1
Sales = Change in sales of sample company j

Fixed Asset = Fixed assets in sample company j year t
BVE = Number of outstanding shares in sample company j year t + 1 (*) Nominal value of shares in sample company j year t + 1
MVE = Number of outstanding shares in sample company j year t (*) Closing price in sample company j year t

The president director is divided into male and female. This research measured the existence of female presidents and directors using a dummy variable. The measurement scale of the female presidential director in this study used a nominal scale. Yuliana (2011) measured female presidential directors using a dummy variable with scores of 0 and 1. The score states a score of 1 if the company's president director is female and 0 if the company president director is male.

The female finance director in this study used a nominal measurement scale. Therefore, the female finance director is measured by a dummy variable with scores of 0 and 1 by Novilia & Nugroho (2016). The dummy score measurement of the female finance director states that 1 will be given to the female finance director, and 0 will be given to the male finance director.

The female board of directors in this study used a ratio measurement scale. The female board of directors is measured based on the number of females on the board of directors divided by the total members of the company's board of directors and multiplied by one hundred percent to get the result as a percentage. The measurement equation for the female board of directors in Astuti (2017) is formulated as follows:

The proportion of the female board of directors = number of women on the board of directors/members of the board of directors

The female board of commissioners in this study used a ratio measurement scale. The step taken to calculate the proportion of female Board of Commissioners is to calculate the number of women on the Board of Commissioners divided by the total number of members of the Board of Commissioners. The calculation of the board of commissioners formulated in Maula & Rakhman (2018) is as follows:

The proportion of female board of Commissioners = number of female members in the board of Commissioners/total members of the Board of Commissioners

The proportion of female audit committee members can be measured by dividing the number of female members by the total number of members of the company's audit committee. According to Maula & Rakhman (2018), the female audit committee calculation is formulated as follows:

The proportion of female audit committee = number of female members on audit committee / total audit committee members

The data analysis technique used in this research was multiple linear regression. The classical assumption tests used in this research are normality, multicollinearity, heteroscedasticity, and auto-correlation tests. For hypothesis tests, we use multiple regression analysis to predict the coefficient determination test and partial significance test. The following equation shows the hypothesis testing to prove the effect of gender diversity on earnings quality:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Y = Earnings Quality;
α = constant;
β = regression coefficient;
X_1 = Female President Director;
X_2 = Finance Director;
X_3 = Female Board of Directors;
X_4 = Female Board of Commissioners;
X_5 = Female Audit Committee
e = error

5. Results and Discussion

5.1 Data Description

A total population of 173 manufacturing companies that were listed during the period 2018 to 2022 did not all pass the purposive sampling criteria set by the author. 36 manufacturing companies were not listed consecutively on the Indonesia Stock Exchange (IDX) for the 2018 to 2022 period. 27 companies did not issue financial reports and annual reports for the yearly period ending December 31 and were audited by an independent auditor in the observation period from 2018 until 2022. 17 companies did not use the rupiah currency in the attachment to the financial statements during the observation period. 23 companies published the complete data required following this research. In the end, from the selection of samples based on certain criteria, 70 companies with a total of 350 data became the sample of research data that had passed all the sampling criteria based on purposive sampling criteria used in this study.

5.2 Statistic Descriptive

The following from Table 1 are the results of descriptive statistical tests based on the minimum, maximum, average, and standard deviation values in the results of this study. Based on the Table 1 result, the earnings quality has a minimum negative of 0.47 and a maximum of 0.36 with an average value of 0.0615 and a standard deviation of 0.09203. The female presidential director has a minimum number of 0, a maximum number of 1, an average value of 0.1042, and a standard deviation of 0.16843. The female board of commissioners has a minimum number of 0.24974 and a maximum number of 1, with an average value of 0.1082 and a standard deviation of 0.21313. The female audit committee has a minimum number of 0 and a maximum number of 0.67, with an average value of 0.2129 and a standard deviation of 0.24974. It can be concluded that the existence of female president directors, female board of commissioners, and female audit committees is very weak compared to the proportion of male president directors, male board of commissioners, and male audit committees, which makes their role affect earnings quality become relatively low.

Table 1. Descriptive Statistics Results

Variables	Min	Max	Avg.	St.Dev
Female president directors	0	1	0.1042	0.16843
Female board of commissioners	0.24974	1	0.1082	0.21313
Female audit committee	0	0.67	0.2129	0.24974
Earnings Quality	0.47	0.36	0.615	0.09203

Based on the results of Table 2, 325 research data have male president directors, and the rest of the 25 research data are female president directors. This means that 92.9% of the presidential director positions are still dominated by men, and the remaining 7.1% is occupied by females in manufacturing companies listed on the Indonesia Stock Exchange (IDX). There are 287 research data on finance directors who are dominated by men, with a composition of 81.9%, and 63 research data have female finance directors, with a composition of 18.9% in manufacturing companies listed on the Indonesia Stock Exchange (IDX).

Table 2. Frequency Distribution Results

Variables	Frequency	Percent
Male's president directors	325	92.9
Female president directors	25	7.1
Male's finance directors	287	81.9
Female's finance directors	63	18.1

5.3 Classic Assumption Test

Based on the normality test with the Kolmogorov Smirnov (KS), the result shows a sig. number of 0.000. Because the sig. The number is less than 0.05 as the test criteria number, the independent and dependent variables are declared not to pass the normality test. The author uses square root transformation as a data transformation technique to systematically convert the data into the least square root and retest the normality test again. After the implementation of the Square Root transformation (SQRT), the sig. number of 0.200 appears. This result means it is greater than the normality test criteria number of 0.05 so that the data used in this study is free from the normality problem.

Based on the multicollinearity test, all tolerance numbers are above 0.10, and the VIF value is <10, so all variances related to gender diversity in this study are free from multicollinearity problems. A heteroscedasticity test was carried out using the Spearman test by correlating the absolute residual value to the variance of female president directors, female financial directors, female board of directors, female board of commissioners, and female audit committee. In this study, the regression significance of the independent variables all showed numbers above 0.05, so it was stated that the variance related to gender diversity in this study was free from heteroscedasticity.

The autocorrelation was tested according to Durbin-Watson numbers. If the DW number indicates a number between -2 and +2, it can be noted that the gender diversity variance does not have an autocorrelation problem. Based on the results of the Durbin-Watson (DW) test above, it can be seen that the number that appears is 0.835, which means it is certainly between numbers -2 and 2. Therefore, the regression model in this research has been free from autocorrelation problems.

5.4 Coefficient of Determination Test (Adj R2)

The coefficient of determination also shows the level of accuracy of the regression line. Based on the table above, a value of 0.092 appears. The value of this determination coefficient is 9.2 %, which indicates the weak variation of female president directors, female finance directors, female board of directors, female board of commissioners, and female audit committees, explaining the earnings quality variance. The remaining 90.8% need to be defined by other factors exposed to other variables. This low percentage has been shown to be 9.2% due to the small proportion of women in top management (president director, finance director, board of directors, board of commissioners, and audit committee).

5.5 Hypothesis Test Result

The partial test was used to determine the ability of each independent variable individually (partial) to explain the behavior of the dependent variable. The test is carried out using a significance level of 0.05 (α = 5%). The significance level of a female presidential director is 0.001, which is smaller than 0.05. It means that H_1 is accepted, so the female president director affects earnings quality. The significance level of the female finance director is 0.014, which is smaller than 0.05, and the t coefficient indicates a value of -2.496, so it is stated that H_2 is accepted but is the opposite because female finance directors have a negative effect on earnings quality. The female board of directors was detected to have a significant number of 0.000 and a coefficient of 3.926. It states that H_3 is accepted, which means that the female board of directors positively affects earnings quality. The female commissioner was declared to have a negative impact on earnings quality because the significant number of 0.013 is smaller than the significance value of 0.05 and the t coefficient of -2.517 so H_4 is accepted but contradicts the earnings quality. Finally, the female audit committee reached a significant number of 0.155. It was greater than the significance value of 0.05, so H_5 was rejected, meaning that the female audit committee did not affect earnings quality.

Table 3. Hypothesis Test Results

Variables	B	Sig.
(Constant)	0,251	0,000
Female president directors	-0,175	0,001
Female finance directors	-0,102	0,014
Female board of directors	0,277	0,000
Female board of commissioners	-0,106	0,013
Female audit committee	-0,047	0,155

6. Discussion

The female president director has a negative effect on earnings quality. These results support the research of Gavious et al. (2012), which states that companies with female president directors in top management will have higher earnings quality. These results do not support the research of Hili and Affes (2012), who states that there is a relationship between female president directors and earnings quality, and Srinidhi et al. (2020), who states that there is a negative association between female president directors and earnings quality. The lower proportion of female president directors worsens the company's earnings quality because the more organized and conscientious nature of women can help companies earn more and more profits so that they are of higher quality. The results are not in line with agency theory because agency theory supports that there is a reciprocal relationship between the existence of gender diversity in the ranks of top management and the scope of the company to improve earnings quality.

The female finance director has a negative effect on earnings quality. These results support the research result of Gavious et al. (2012) and do not support the research result of Emadi & Mansour (2015) and Nasution & Jonnergard (2017). Finance directors, who are still said to be few, do not produce good quality earnings because the thoroughness possessed by women can help the company in managing the company's finances so that it can be better organized, which can keep the company's profit quality improving. The results of this study are not in line with agency theory because the competence of female financial directors in managing finances requires cooperation from certain parties so that it can have a positive effect on earnings quality.

The female board of directors has a positive effect on earnings quality. The results of this study are in line with the research of Handry et al. (2015). The results of this research do not support the research results of Soebyakto et al. (2018) and Olum et al. (2019). The presence of female directors on the board of directors dealing differently with the same conditions or problems in the company compared to male directors because female directors tend to be more careful and more risk-averse than male directors. The existence of female directors who are likely to hold top positions in industries can produce higher levels of risk management and affect the quality of earnings. This result is in line with agency theory because the presence of female directors on the board of directors will help improve the quality of management cooperation, which will increase earnings quality.

The female board of commissioners is stated to have a negative effect on earnings quality. The results of this study are not in line with the research of Handry et al. (2015) and Soebyakto et al. (2018). The board of commissioners is the core of corporate governance and is tasked with ensuring the implementation of corporate strategy, supervising management in managing the company, and requiring accountability. These results indicate that the characteristics of women themselves are much more emotional than men, and women are considered to prioritize feelings compared to men, who have more rational characteristics and rely more on logic in making decisions (Santrok, 2003). The results of this study are not in line with agency theory because the presence of women on the board of commissioners will help improve earnings quality. After all, if female supervisors are much more organized, the supervisory system will be much better.

The female audit committee does not affect earnings quality. The results of this study are not in line with the research of Handry et al. (2015), Olum et al. (2019), and Amar & Sayadi (2022). This study aligns with Gavious et al. (2012) and Hoang et al. (2017). The audit committee serves as the mediator if there is a difference of opinion between management and the auditor regarding the interpretation and application of generally accepted accounting principles to achieve a final balance so that the report is more accurate. The existence of female members is said to have more high ethics in making decisions to produce a good quality of earnings. The results of this study are not in line with agency theory, which states that the presence of women on audit committees will make decisions more ethically and wisely, so the more precise decisions are made, the better the earnings quality of a company will be.

7. Conclusion, Limitations, and Suggestions

The conclusions obtained from the results of this study are as follows. The female finance director has a negative effect on earnings quality. The female board of directors positively affects earnings quality. The female board of commissioners is declared to have a negative effect on earnings quality. The female audit committee does not affect earnings quality. Companies should apply more gender diversity and no longer discriminate against female leaders because women who have a weak image have a thorough and neutral attitude and breed, which can improve the profit quality of the company. Cooperation between men and women can be well composed so that it is balanced in company decision-making.

The researcher is aware of the limitations of this study. Researchers only used

70 manufacturing companies from all manufacturing companies listed on the Indonesia Stock with limited research period to five years. The next researcher is expected to update the wider time for more than five years and collect the research data from all manufacturing companies that listed in Indonesia Stock Exchange. Further researchers can use primary data to prove the effect of the president director, board of commissioners, and female audit committee to apply it in establishing the effect of gender diversity, especially in the ranks of top management on earnings quality in one or more companies.

This study only uses five independent variables, such as female president director, female financial director, female board of directors, female board of commissioners, and female audit committee, even though many other factors can be used to prove the effect of gender diversity on earnings quality. Further researchers can add additional variables that improve the earnings quality, such as the remuneration committee and independent commissioner. In addition, this study uses an accrual earnings quality measurement model that is still widely used by other researchers. Further researchers can examine the test with another measurement, such as the real earnings quality measurement model. There are still not many researchers who use this calculation method to become a reference that helps other researchers get more concrete results.

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