Journal of Economics and Business Letters
E-ISSN 2686-6056
P-ISSN 2798-8651
https://doi.org/10.55942/jebl.v5i5.937

Volume 5
Issue 5
October Edition 2025

Gender diversity and chief executive officer tenure on earnings management

Ida Harahap

Universitas Tama Jagakarsa, JL. TB Simatupang No. 152, Tanjung Barat, Kecamatan Jagakarsa, Jakarta Selatan, DKI Jakarta, Indonesia
e-mail: idaharahap20@gmail.com

Received 17 July 2025
Revised 28 October 2025
Accepted 31 October 2025

ABSTRACT

This study proves research that proves that differences between men and women can impact decisions. Several researchers have stated that men are risk-takers, whereas women are associated with natural risks and do not want to take risks that increase company performance. Agency problems increase as CEO approach retirement. In the last year of their tenure, CEO take advantage of their personal information to improve company performance to get higher compensation in the last year or after leaving work (retirement). The results of the regression analysis support the hypothesis that the representation of female CEOs negatively influences earnings management. These results indicate that the representation of female CEOs strengthens the quality of the earnings information presented in a company's financial statements. The regression analysis of the study supports the second hypothesis, which states that CEO tenure has a negative effect on earnings management. This shows that CEOs with long tenures are less aggressive in reporting earnings than those with short tenures.

Keywords: Board Diversity, Gender, CEO, Tenure, Earnings Management.

1. INTRODUCTION

This study discusses the results of empirical research on the representation of female directors and the tenure of the CEO (CEO tenure) of earnings management in companies listed on the Indonesia Stock Exchange (BEI) for the fiscal year announced on December 31, 2014, to 2016. Company leaders in Indonesia are called directors, and CEOs in Indonesia are directors or directors (Adiasih and Kusuma, 2011). This research is motivated by the fact that gender diversity has become an issue in the specialized business world in developing countries (Julizaerma and Sori 2012). Relationships with women in top and strategic decision-making positions were revealed in the 2014 index gap, which reported that Indonesia ranked 108 out of 142, in the 2015 index gap, Indonesia rose to 114th out of 145, and in the 2016 index gap, Indonesia placed 107th out of 144 (World Economic Forum, 2014, 2015, 2016).

From the published rankings, companies in Indonesia still do not trust women to shoulder the responsibility of fluctuating rankings. In addition, this research is also supported by a survey of 5,500 companies in 36 countries published in the Annual Report on Women in Business by Grant Thornton, which states that women in executive positions in companies in Indonesia were 46% in 2017, which increased from 36% in 2016 (http: //marketplus.co.id/2017/04). This study proves research that proves that differences between men and women can impact decisions. Several researchers have stated that men are risk-takers, whereas women are associated with natural risks and do not want to take risks that increase company performance. Therefore, gender factors need to be included as one of the variables in this study because previous research shows that use is referred to factors such as independence, experience, CEO duality, and board size. The Fourth Factor motivating this study is that most of the results of different studies on leadership between women and women are expected of the research submitted in this study.

Based on the above conditions, researchers have observed differences in the variable representation of women on boards of directors. This is related to the consideration of women on the board of directors, causing conflict (Julizaerma and Sori 2012). This problem arises because of the cultural differences and social attitudes towards work between men and women. Women in managing organizations are questioned or questioned because they affect women who question emotions, are meticulous, and talkative. In addition, some parties think women are not interested in being involved in decision-making (Julizaerma and Sori 2012). Furthermore, women are also considered weak in competitive promotion or choose not to be involved in the imbalance between pressure and work-life related to work location. In addition, women's special expertise in business offers greater opportunities for higher career paths. (Gavious, Segev, and Yosef, 2012).

Gibbons and Murphy (1992) show that agency problems increase as the CEO approaches retirement. In the last year of their tenure, CEO take advantage of their personal information to improve company performance to get higher compensation in the last year or after leaving work (retirement). Previous research on CEO tenure has yielded mixed findings. Zhang (2009) found that earnings management decreased over time except the year before the CEO finished his tenure, while Ghosh and Moon (2005) argued that CEOs with longer tenure tended to use their managerial power to manipulate income. This problem is also affected by new CEOs, new CEOs lack trust in their abilities to manage the company. Therefore, during the CEO's tenure, the market and stakeholders expect the company led by the CEO to perform well and tend to rise annually. This impulse makes the CEO present the company's financial statements as best as possible to get market appreciation (Muniroh, 2016). Thus, it can be concluded that the new CEO made various efforts to convince market participants of his/her abilities. One way to do this is to forecast earnings to signal that they can predict the economic changes that underlie the company. Furthermore, the signals given by the new CEO include optimistic earnings forecasts that meet market expectations and ultimately show their ability to manage the company (Rhee et al., 2015).

The ability to show performance in managing a company is one of them by seeing accounting profit, as it is one of the benchmarks that are often used in assessing company performance. Accounting rules and financial reporting standards provide opportunities for company executives to manage their earnings (Peni and Vähämaa, 2010). Furthermore, accounting earnings and stock prices are often used to

assess the ability of company CEOs, who later determine the number of bonuses received by them (Autrey, Dikolli, and Newman, 2007).

In addition to being motivated by bonuses, the motivation of new CEOs to manage earnings is to retain the positions they receive by convincing the market of their abilities in managerial matters (Bornemann, Kick, Pfingsten, and Schertler, 2015). Ali et al. (2015) argue that CEOs tend to have the drive to manage earnings by increasing income (income-increasing) at the beginning of their tenure compared to the future. This is due to the market perception that experienced CEOs are more capable or superior to new CEOs (Ali et al., 2015), so the actions and motivation of CEOs when holding positions can affect the quality of the financial statements that they produce. This is in line with the results of a study conducted by Muniroh (2016), which found CEO differences in earnings management in the early and final years of the CEO's tenure.

2. LITERATURE REVIEW

2.1 Agency Theory

This study investigates the impact of female representation on directors and CEO tenure on earnings management. Therefore, the basic theory used is agency theory (The Agency Theory). Earnings management activities arise because of conflicts of interest (agency conflicts) between the principal and agent. This conflict of interest arises because the agent (company management) is the party authorized by the company's activities and is obliged to provide financial reports as a form of accountability to the principal. The agent tends to report something that maximizes its utility and ignores the principal's welfare. Agency conflict occurs not only between agents and principals but also between principal shareholders (investors) and principal bondholders/creditors (Jensen and Meckling, 1976). Agency theory explains and predicts the relationship between principals and agents. In this case, the agency relationship is a contract between one or more people (principals) who employ other people (agents) to provide a service and delegate decision-making authority to the agent (Jensen and Meckling, 1976). As an agent, the manager is responsible for maximizing the profits of the owners (principals), and in return, the agent will receive a fee according to the contract. This theory assumes that agents are motivated to maximize the contractual fees received to meet their economic and psychological needs.

According to agency theory, principals employ agents to carry out tasks in the interests of principals, including the delegation of decision-making authorizations from principals to agents (Anthony and Govindarajan, 2005). If the agent does not act in accordance with the principal's interests, this condition triggers agency conflict, thereby triggering agency costs. One obstacle that arises in the relationship between agents and principals is information asymmetry. Information asymmetry occurs when managers have access to information about the company, while outside parties, especially principals, do not have access to information (Rahmawati, 2006). As an agent, the manager is morally responsible for optimizing the profits that are due to the owners (principals), and in return, the agent will receive compensation according to the contract. Thus, there are two different interests in the company, namely, each party trying to achieve or maintain the desired level of prosperity, and these interests under certain conditions can be in the opposite direction; if management meets the interests of the principal, then his own interests cannot be achieved optimally, and vice versa (Ali, 2002).

2.2 Earnings Management

Scott (2000) states that "earnings management is the choice by a manager of accounting policies so as to achieve some specific objectives". Based on these statements, earnings management can be interpreted as the choice of accounting policies by managers for various specific purposes. Accounting policies are grouped into two categories: first, the choice of accounting policy itself, such as the straight-line and declining-balance depreciation methods or policies for measuring income. Second, discretionary accruals, such as provisions for credit losses, collateral costs, inventory value, time, and an extraordinary number of items. In addition, earnings management can be done in two ways: accrual earnings

management and real earnings management (Vernando, 2016). If real earnings management impacts the company's cash flow, accrual earnings management does not affect the company's cash flow (Cohen and Zarowin, 2010). In this study, the researcher focuses more on accrual earnings management that arises when the agent uses judgment in reporting his finances and restructuring transactions to change the financial statements to be incorrect or mislead (stakeholders) regarding the company's financial performance to influence the results (outcomes) contractual depends on the accounting figures reported (Healy and Wahlen, 1999; and Vernando, 2016).

Healy (1985) states that there are two approaches that can be used to detect management behavior to manage profits. First, management controls the types of accruals if they are broadly defined as revenue and expense items on the income statement that are not represented by cash flow. Second, changes in accounting policies are also considered. Furthermore, Healy (1985) states that discretionary accruals are used as proxies for total accruals. The assumption used is that non-discretionary accruals are relatively small compared to discretionary accruals, so that high total accruals contain high discretionary accruals. Total accruals can be calculated in two ways. First, the changes in each account in the balance sheet/statement of financial position that are subject to accruals are calculated. Second, the difference between net income and cash flow is calculated.

In accordance with agency theory, the motivation for accrual earnings management can be grouped into two categories: opportunistic and signaling (Beaver, 2002). Opportunistic motivation can be achieved by management through aggressive accounting policies that lead to overstated earnings (earnings aggressiveness) and earnings smoothing. Beaver (2002) states that earnings aggressiveness and earnings smoothing create earnings opacity. Through aggressive accounting policies, management generates profits that are higher than the actual profits. Earnings aggressiveness is the output of aggressive accounting policies and is the best way for management to manipulate earnings, especially by temporarily increasing profits (Penman, 2003). Kothari (2001) states that the impact of companies that carry out aggressive accounting is the current book value of assets and profits that are higher than the actual value. Therefore, the earnings report does not describe actual earnings because the earnings report leads to overstate earnings. Profits that lead to overstated earnings cause earnings to be unclear. This action was taken to maintain the stability of earnings reports from time to time in the hope that the company's performance would be seen as sustainable.

2.3 Hypothesis Development

The framework of this study is based on the impact of female representation on directors and CEO tenure on the opportunistic behavior of management in producing quality financial statements of the company. Agency theory states that there is a conflict of interest between agents and stakeholders. There are gaps in choosing accounting methods that can obscure profits in financial statements. This is because the CEO is responsible for the company's performance, as documented in the company's financial statements. Companies that are said to perform well can be seen from the stock prices that tend to rise and profit reports that do not lose and tend to increase every year (Adiasih & Kusuma, 2011). Therefore, in the tenure of the CEO, the market and stakeholders expect the company led by the CEO to perform well, and this encouragement tends to rise each year, making the CEO present the company's financial statements as best as possible to capture market appreciation (Muniroh, 2016). Scott (2000) company earnings and stock prices are two measures of management performance. Based on these two performance measurements, this era concerns the relationship between CEO compensation and earnings management (Muniroh 2016).

Einer and Soderqvist (2016) found a negative relationship between earnings management and women's representation in the board of directors. Xiong (2016) found that in companies led by women, older and better educated, they had low accrual earnings management and real earnings management. The presence of women in the top management team can improve the quality of corporate decision-making so that company management becomes better, as women trigger more intense discussions (Dezso and Ross, 2012). According to Hoffman and Maier (1961) and Wiersema and Bantel (1992), a more

heterogeneous team has differences in terms of viewpoints and knowledge, is more mature in providing solutions, and has many different perspectives from the angle of men and women to produce higher quality decisions, especially when decisions are made by top management and when completing the tasks of the management team (Van Knippenberg et al., 2004). Empirical evidence shows that women experience less conflict and have a more positive outlook than men (Ely, 1994, 1995). Adams and Ferreira (2004) and Huse and Solberg (2006) also found that female directors would supervise management more effectively than male directors, and this condition could act as a supervisory mechanism for managers so that agency costs incurred could be reduced (Francoeur et al., 2008; Adams and Ferreira, 2009; Carter et al., 2010).

3. METHOD

The first sample criterion was public companies listed on the Indonesia Stock Exchange from 2014 to 2016. This criterion is based on the updating of research data. The second criterion is that the company's financial statement information is complete and publicly available. The third criterion was that the data were not from the financial sector.

The sample size is the actual number of subjects chosen as a sample that presents population characteristics. According to Sekaran and Bougie (2010), the number of samples used in research is influenced by the following factors: 1. Research objectives; 2. The desired level of precision (confidence interval); 3. 4. Variability in the population itself. Time and cost constraints and 5. The size of the population itself. In this study, these factors were considered when determining the number of samples selected. The number of samples in this study was 387 companies that included three years of data, so that the overall number of observations was 1,161 company years. The number of samples is in accordance with the rule of tumb in determining the sample size proposed by Roscoe in Sekaran and Bougie (2010: 296).

The data used in this study in the form of company data that includes total company accruals, representation of women to the company's CEO, CEO tenure, total assets of the company and the ratio of debt to total assets. The data was obtained from several sources, namely (1) Indonesian Capital Market Directory (ICMD); (2) IDX website, and (3) website of each company.

The data in this study are secondary data. Therefore, data collection is done by quoting, sorting, and tabulating data directly from the three sources above. From this process, complete data is needed in this study in accordance with the purpose sampling method described above. The operational definition of variables is the definition of constructs in a form that can be measured, by reducing the level of abstraction through decomposition of its dimensions and elements (Sekaran and Bougie 2010). The variables used in the hypothesis testing include the dependent, independent, and control variables. The dependent variable is earnings management (EM). The independent variables are female CEO (GEN) and CEO tenure (TEN). The control variables are size and leverage.

Hypothesis testing is performed to prove whether the predictions made by researchers are proven. The mechanism to test each hypothesis is done by using regression analysis and testing the sign and significance of the GENit coefficient and the TENit coefficient to test whether there is a positive influence of the concentration of ownership and representation of women in the structure of directors on earnings management in the following regression models:

$$\mathbf{EM\ it = \alpha + \beta 1GEN\ it + B2TENit + \beta 2SIZE\ it + B3LEVit + \varepsilon it\ (2)}$$

Information:

EM it = earnings management which is measured by the company's discretion accrual i in year t,

GENit = Gender is measured using the dummy method, which is worth 1 if the CEO of a female company is 0, and vice versa.

TENit = CEO tenure is measured using the dummy method, which is worth 1 if the CEO has served for more than five years and is worth 0 if less than five years.

SIZEit = company size is measured using the company's asset log, and is a control variable

LEVit = leverage or the ratio between the amount of liabilities and the amount of company assets, and is a control variable, and

εit = error term.

Hypothesis 1 states that the representation of women in the board of directors negatively influences earnings management, and Hypothesis 2 states that the tenure of the CEO (CEO tenure) has a negative effect on earnings management. Hypotheses 1 and 2 were tested through one stage in the regression equation. This one-stage test is carried out with consideration of data conditions that only cover three years. Statistical testing for H1 and H2 can be stated as follows:

H1: β1 <0

H2: β2 <0

Hypothesis 1 tested the significance of the β1 coefficient, while hypothesis 2 tested the significance of the β2 coefficient at a significance level of 5%. If coefficients β1 and β2 are negative (<0) and statistically significantly smaller than 0.05, then there is empirical evidence supporting hypothesis 1 which states that the representation of women on the board of directors negatively affects earnings management and hypothesis 2 which states that the tenure of The CEO has a negative effect on earnings management.

4. RESULT AND DISCUSSION

In accordance with the sample selection criteria specified in the previous section, the sample selection procedure is briefly presented in Table 1.

Table 1. Sample Selection Procedure

	2014	2015	2016
Companies listed on the Indonesia Stock Exchange	489	513	529
Minus:			
- Data does not match the criteria (incomplete data)	21	40	56
- Financial services company	81	86	86
Selected company	387	387	387

Of all the companies on the Indonesia Stock Exchange from 2014 to 2016, some did not have data in accordance with the criteria of the author, in the form of annual reports (annual reports) that were still incomplete on certain accounts. Therefore, this group of companies was excluded from the sample. In addition, financial service industry companies were not included in the sample because the financial services industry is highly regulated. In addition, specific accounting practices in the financial industry make estimating discretionary (abnormal) accruals difficult (Chtourou et al. 2001). In total, the sample of this study consisted of 387 company observations and covered three years of observation periods for companies listed on the Indonesia Stock Exchange in the 2014-2016 period. The total sample data comprise 1161 firm (years). The distribution of industries in the selected sample is presented in Table 2.

Table 2. Industrial Distribution

Industry	Total	Percentage
Agriculture	63	5%
Basic Industry and Chemicals	181	16%
Consumer Goods Industry	87	7%
Infrastructure, Utilities, and Transportation	153	13%
Mining	106	9%
Miscellaneous Industry	107	9%
Property, Real Estate and Building Construction	158	14%
Trade, Services, and Investment	306	26%
Total	1161	100%

Table 2 shows that all types of industries, except for the financial industry, are represented in the selected sample. Samples selected for each industry with the most number are samples of Trade, Services, and Investment as many as 306 companies; followed by the Basic Industry and Chemicals industry of 181 companies; Property, Real Estate And Building Construction as many as 158 companies; Infrastructure, Utilities, and Transportation as many as 153 companies; Miscellaneous Industry as many as 107 companies; Mining as many as 106 companies; Consumer Goods Industry as many as 87 companies, and Agriculture (Agriculture) as many as 63 companies. From a sample of companies consisting of 1161 companies, researchers collected data that was used to measure the independent variables, namely the Female CEO and CEO tenure. Researchers also use leverage and firm size as control variables.

Based on the sampling process described, this study used data from 387 companies from 2014 to 2016. The total number of observations consisted of 1,161 companies. Table 4.3 shows the descriptive statistics of the sample data. As shown in Table 4.3, EM (earnings management) is the dependent variable that measures the reliability of financial statements. The smaller the EM rate, the better the quality of the information obtained from financial statements (Barua 2006). The average value (mean) in EM is 0.481 with a standard deviation of 1.476. This number is not large when associated with a maximum value of 36,974 and a minimum value of -15,738.

Gene is an independent variable from this study where this variable shows the representation of female CEOs, Mean GEN shows the amount of 0.078 with a standard deviation of 0.268, while TEN which is also an independent variable represents the tenure of the CEO of the company. has a mean value of 0.544 and a standard deviation of 0.498. The control variables include company size (SIZE) in the form of logged total assets. The descriptive statistics for each control variable are as follows: This variable plays a role in controlling the effect of company size on SIZE research results, with a minimum value of 3,884, a maximum of 8,418, a mean value of 6,387, a median value of 6,362, and a standard deviation of 0.697. The mean value is higher than the middle value, so the sample is more concentrated above the middle value. Leverage (LEV) is the final control variable used in this study. This figure compares the total debt with the total assets owned by the company. The higher the leverage rate, the higher the debt borne by the company. In this descriptive statistical analysis, leverage has a minimum value of 0 and a maximum of 8,490; the mean value of the sample company is 0.534 or 53.4%. This result shows that the total sample company liabilities are lower than the total assets, with a median value of 0.49 and a standard deviation of 0.511. See Table 3

Table 3. Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.
EM	0.481	0.402	36.974	-15.738	1.476
SIZE	6.387	6.362	8.418	3.884	0.697
LEV	0.534	0.490	8.490	0.000	0.511
GEN	0.078	0.000	1.000	0.000	0.268
TEN	0.544	1.000	1.000	0.000	0.498

The researcher conducted a multivariate regression analysis to examine whether the representation of women on the boards of directors and the tenure of the CEO (CEO tenure) affected earnings management in companies listed on the Indonesian stock exchange. The results of the regression analysis are shown in Table 3. The hypotheses and models used to test the relevance hypothesis are as follows.
Hypotheses 1 and 2:
H1: The existence of a female CEO in the board of directors structure negatively affects earnings management.
H2: CEO tenure negatively affects earnings management.
Model:

$$EM_{it} = \alpha + \beta 1GEN_{it} + B2TEN_{it} + \beta 2SIZE_{it} + B3LEV_{it} + \varepsilon_{it} \quad (2)$$

Table 4 shows the results of the regression analysis of the research model using the ordinary least square (OLS) method, namely the analysis used to test hypothesis 1 and hypothesis 2. From the table, it can be seen that the coefficient of determination (Adj. R2) is 0.587 or 58.7%. These results indicate that the independent variables presented in this study, the representation of female CEO and CEO tenure, can explain the dependent variable, namely corporate earnings management, by 58.7%. This shows that the characteristics and experience of management greatly affect the quality of information in financial statements. The remaining 41.3% is explained by other variables not considered in the research model. In Table 4, it can also be seen that the Prob (F-statistic) value is 0,000 or ϱ <0.05. This means that the independent variables, the representation of female CEO and CEO tenure, significantly influence the dependent variable, which is the company's earnings management.

Table 4. Regression Analysis

$$EM_{it} = \alpha + \beta_1 GEN_{it} + B_2 TEN_{it} + \beta_2 SIZE_{it} + B_3 LEV_{it} + \varepsilon_{it} \quad (2)$$

Variable	Coefficient		t-Statistic	Sig
Intercept	-0.471	***	-25.384	0.000
GEN	-0.263	***	-17.612	0.000
TEN	-0.048	***	-7.337	0.000
SIZE	0.151	***	37.085	0.000
LEV	0.033	***	5.415	0.000
Adjusted R-squared	0.587			
F-statistic	413.847	***		

Variable Definition:
EM it = earnings management which is measured by the company's discretion accrual i in year t,
GENit = Gender is measured using the dummy method, which is worth 1 if the CEO of a female company is 0, and vice versa.
TENit = CEO tenure is measured using the dummy method, which is worth 1 if the CEO has served for more than five years and is worth 0 if less than five years.
SIZEit = company size is measured using the company's asset log, and is a control variable
LEVit = leverage or the ratio between the amount of liabilities and the amount of company assets, and is a control variable in this study.

The regression coefficient from the independent variable X (representation of female CEOs and CEO tenure) on the dependent variable Y (earnings management) is simultaneously tested using the F test (Fisher text). According to Hypothesis 1, the researcher believes that earnings management is adversely affected by the presence of female CEOs in the board of directors. At a significance level of 5%, Hypothesis 1 examined the importance of β1. Hypothesis 1 is supported by empirical data if β1 is statistically substantially less than 0.05. Table 5 displays the regression results for testing Hypothesis 1. The coefficient β1 has a negative value (-0.263) and is significant at the 1% level or with a significance of ϱ <0.05. The predetermined criteria in the research method state that if β1 is statistically significantly less than 0.05 and sign β1 is negative, then there is empirical evidence that accepts hypothesis 1. The results of the study show that β1 = -0.263 and significant at the α = 0 level, 05, then there is empirical evidence to accept hypothesis 1. This means that the representation of women on boards of directors has a negative effect on earnings management (EM). Thus, Hypothesis 1, which states that the representation of women on boards has a negative effect on earnings management, is supported by empirical data.

In Hypothesis 2, the researcher suspects that the tenure of the CEO has a negative effect on earnings management. Hypothesis 2 tests the significance of the β2 coefficient at the 5% significance level. If β2 is statistically significantly smaller than 0.05, there is empirical evidence supporting hypothesis 2. The regression results for testing Hypothesis 2 are presented in Table 4.5. shows that the coefficient β2 has a negative value (-0.048) and is significant at the 1% level or with a significance of ϱ <0.05. The

predetermined criteria in the research method state that if β2 is statistically significantly smaller than 0.05 and the sign β2 is negative, then there is empirical evidence that accepts hypothesis 2. The results of the study show that β2 = -0.048 and significant at the α = 0 level, 05, then there is empirical evidence to accept hypothesis 2. This implies that the tenure of the CEO (CEO tenure) has a negative effect on earnings management (EM). Thus, Hypothesis 2, which states that CEO tenure has a negative effect on earnings management, is supported by empirical data. This study uses two control variables: Lev and Size. The results of the regression analysis show that Size and LEV are positive, 0.151 and 0.033, respectively, and are significant at the 1% level. These results imply that company size (Size) and leverage positively affect earnings management. The larger the company, the greater the tendency to manage earnings. Likewise, the higher the ratio of corporate debt to assets, the greater the earnings management. This result is rational because the larger the company, the greater the taxes paid by the company. On the other hand, the higher the leverage, the greater the tendency for profit management. This is quite rational because the higher the leverage, the closer the company is to a breach of debt contract; therefore, the manager will choose an accounting method that can reduce the possibility of the company experiencing a breach of contract.

The t-test was used to test the regression coefficient partially from the independent variable X (representation of female CEO and CEO tenure) on the dependent variable Y (earnings management of the company). The regression coefficient is a number that shows the amount of influence of each independent variable on the dependent variable. The magnitude of the effect of each of these variables can be explained as follows: (1) The female CEO representation variable has a regression coefficient of -0.263, a calculated value of -17.612, and a significance value of 0.000, which means that female CEO representation has an inverse relationship with earnings management. Therefore, it can be concluded that the representation of female CEO suppresses earnings management by -0.263 with a significant effect; (2) The CEO tenure variable has a regression coefficient of -0.048, a calculated value of -7,337, and a significance value of 0,000, which means that the length of time the CEO has worked has an inverse relationship with earnings management. Therefore, it can be concluded that the CEO tenure representatives reduce the occurrence of earnings management by -0,048 with a significant influence; (3) The company size control variable (Size) has a regression coefficient of 0.151, a calculated value of 37.085, and a significance value of 0.000, which means that the size of the company will cause an increase in the ratio of earnings management to 0.151 assuming that other variables are considered constant; (4) The leverage control variable (Lev) has a regression coefficient of 0.033, a calculated value of 5,415, and a significance value of 0,000, which means that the size of the company's debt ratio will cause an increase in the ratio of earnings management to 0.033 assuming that other variables are considered constant.

The results of the above analysis are summarized in Table 5. This shows that, based on the observational data used in this study, the representation of women in the structure of directors and CEO tenure negatively affects earnings management. Thus, the two research hypotheses, H1 and H2, are accepted and supported by the research data.

Table 5. Hypothesis

Variables		Coefficients		*t-Statistic*		Conclusion
s						
H_1 – GEN		-0.263	***	-25.384		H_1 Accepted
H_2 - TEN		-0.048	***	-7.337		H_2 Accepted

This study aims to obtain empirical evidence on the influence of female CEO representation and CEO tenure on earnings management. Partial hypothesis testing to determine the effect of independent variables on the dependent variable as follows: (1) Hypothesis testing of female CEO representation variables on earnings management with a confidence level of 95% (= 0.05) obtained a probability value of t is 0,000 <0.05 which means significant, then H1 is supported by research. This means that the female CEO representation variable has a significant negative effect on earnings management. (2) Hypothesis testing variable tenure CEO/CEO tenure on earnings management with a 95% confidence level (= 0.05) obtained a probability value of t is 0,000 <0.05 which means significant, then H1 is supported by research. This means that the tenure variable of the CEO has a significant negative effect on earnings management.

The results of the above hypothesis 1 test strengthen the claim that the representation of women in the structure of directors can improve the quality of financial statements. This also proves that in the high-level decision-making process (executive level), women's voices gain a place or are taken into account, at least in the context of choosing accounting methods for reporting corporate profits. Thus, this result indicates that GEN, which is a proxy for women's representation on the council, is negatively related to EM. This means that when GEN (Female CEO) increases, EM (earnings management) decreases. H1 states that women's representation on the board has a negative effect on earnings management, so that the characteristics of women who are more conservative in reporting company finances are correct, so that the quality of earnings in the financial statements is more reliable, and this is supported by empirical data. These results are consistent and confirm previous research conducted by Wati (2016), who found that the sex of the CEO, CFO, and company size had a negative and significant effect on earnings management. Liu, Wei, and Xie (2016) who found that female CFOs were less involved in earnings management, Einer and Soderqvist (2016) found a negative relationship between earnings management and women's representation on the board of directors, Enofe, Iyafekhe, and Eniola (2017) found that the gender of women on the board of directors is negatively related to earnings management, Kyaw, Olugbode, and Petracci (2015) find that gender diversity on the board reduces earnings management in companies compared to the same gender, and Xiong (2016) found that companies with women's leadership having absolute discretionary accruals and lower real earnings management. According to Gavious, Segev, and Yosef (2012), female directors can improve the quality of function, efficiency, and decision makers, where in their research they found that women were less likely to take risks and in practice they would avoid risks in managing earnings compared to men. This is because male directors want to be considered successful in leading companies. Thus strengthening the suspicion that there are differences in motivation in positions in management between women and men. (Gavious, Segev, and Yosef, 2012) found that women see work as self-development this is different from men where they are more focused on promotion and bonus compensation where it is part of the motivation to do earnings management.

Hypothesis 2 test results attached in tables 4.5 and 4.6 show the results of statistical analysis that supports the research hypothesis, and there is empirical evidence that accepts hypothesis two. Therefore, this result shows that TEN which is the proxy of CEO position has a negative effect on earnings management (EM). Therefore, the CEO's tenure is long enough, reducing the practice of earnings management (EM) within the company. so it can be concluded that H2 stating that CEO tenure has a negative effect on earnings management can be supported by empirical data. These results are consistent and confirm the research conducted by Liu and Sun (2010) who found that there was a negative relationship between the proportion of long-term directors with earnings quality, and Kim and Yang (2014) who found that the absolute value of discretionary accruals decreased during the tenure of the director increased. Zhang (2009) found that CEOs with long tenure were less aggressive in reporting earnings than CEOs who had a short tenure. Vernando (2016) found that the CEO at the beginning of his tenure would tend to be aggressive in using accrual earnings management by reducing discretionary expenses to increase profits, aiming at the CEO showing his best performance. This is because market participants do not fully believe in the capabilities of the new CEO Gibbons and Murphy (1992). Another motivation that encourages new CEOs to manage earnings is a career that wants to be maintained (Bornemann et al., 2015).

Other research that supports the hypothesis of Adhyatma (2014) found that in the year before and after the CEO turnover event is routine and non-routine there is earnings management conducted by the CEO. Adhyatma (2014) in his research also found that in the non-routine CEO turnover year, the new CEO took on earnings management by reducing earnings using discretionary accruals and abnormal production costs. Stenberg and Klavenes (2016) find empirical evidence that new CEOs perform earnings management by lowering profits in the first year to adjust discretionary accruals. Several researcher also prove that the phenomenon of earnings management is related to CEO turnover present to a higher level and earlier than in the long term during the CEO's tenure. Previous research found that CEOs generally seemed to be more involved in earnings management after being employed, while in the long run CEO involvement in earnings management was reduced.

For control variables, the analysis shows that firm size (SIZE) has a positive effect on earnings management. This means that the larger the company, the more managers are involved in earnings management. Leverage also has a positive effect on earnings management. This means, the high level of leverage, also affects the high director involved in earnings management.

5. CONCLUSION

The results of the regression analysis support the hypothesis that the representation of female CEOs negatively influences earnings management. These results indicate that the representation of female CEOs strengthens the quality of earnings information presented in the company's financial statements, by suppressing the occurrence of earnings management which makes earnings information blurred.

The longer CEO tenure has a negative effect on earnings management. The results of the regression analysis of the study support the second hypothesis which states the CEO tenure has a negative effect on earnings management. This shows that CEOs with long tenures are less aggressive in reporting earnings than those with short tenures.

The results of the robustness test conducted by interacting the two independent variables, then the interaction variable is seen as the main variable, namely female members of the board of directors and have a term of service of more than five years. Robustness test results are negatively significant on earnings management. Thus it can be concluded that the research results are valid, because the analysis results for all samples are consistent with the analysis results for each sub-sample.

The results of the analysis show that the influence of control variables namely leverage and firm size has positive and significant effect on earnings management. This shows that the higher the debt ratio and the size of the company, the higher the level of earnings management that might be done by the company.

Ethical Approval
Not Applicable

Informed Consent Statement
Not Applicable

Disclosure Statement
The Authors declare that they have no conflict of interest

Data Availability Statement
The data presented in this study are available upon request from the corresponding author for privacy.

Funding
This study did not receive any external funding.

Notes on Contributors

Ida Harahap
Ida Harahap is affiliated with Universitas Tama Jagakarsa

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