FEMALE COMMISSIONER AND DIRECTOR, AND EARNINGS MANAGEMENT: STUDY ON MANUFACTURING COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

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ABSTRACT

Cognitive difference between man and woman result difference in decision-making style and affect earning management (EM) level undertaken by the firms. This study aims to determine the effect of female commissioners and directors on EM in manufacturing companies listed in Indonesian Stock Exchange (IDX) from 2011-2016. The study population consisted of 128 listed companies in IDX from 2011-2016. Samples are chosen by using purposive sampling method. Data used in this study is secondary data that is financial reports which collected from IDX website. Hypothesis analyzed using linear regression method with SPSS software. The result of this study showed that female commissioners and directors, as well as management compensation, had a negative and insignificant effect on EM on manufacturing companies listed on IDX from 2011-2016.

Keywords: Female Commissioners and Directors, Management Compensation, Earnings Management.

JEL Classification: J16, M12, M41, M52

INTRODUCTION

A financial statement is management accountability facility to the resources that have been entrusted to them (Lawal et al., 2018). Financial statement consists of statement of financial position, comprehensive income statement; statement of changes in equity, cash flow statement, and notes of the financial statement. The financial statement becomes the main sources of information for the owner of the company to acknowledge management performance. Profit is often used as an indicator of management performance. High-level achievement of profit is believed to be management successful performance. Besides, it is often for the management to be given incentives based on the achievement of profit.

The use of profit as an indicator of management performance and sometimes as a basis for incentives distributed to management provides a management motive for earning management (EM). EM is the choice of accounting policies by managers for specific purposes such as the choice of method of depreciation or measurement of income (Sunarto, 2009; Suprianto et al., 2017). Ronen & Yaari (2008) stated that EM may improve the transparency of financial if the manager uses flexibility method of choice to show better information of cash
flows in the future, EM may also reduce the transparency of financial statements if the choice of accounting method was used to hide the actual information causing misinterpretation.

There were multiple cases of EM is incurring losses for many parties. In Indonesia, there were some cases, and one of those was the case of EM at Kimia Farma, Ltd, in 2002. Kimia Farma, Ltd has done EM for Rp 32.6 billion by overstating their inventory and sale. Also, State-Owned Enterprises are not an exception to the EM case, and that was Indonesia Railways Company (IRC). In 2005, IRC has reported a profit of Rp 6.9 billion; in fact, they lose for Rp 63 billion. This condition achieved by the reserve losses those are too small, the gradual decline in the value of spare parts inventories through amortization that should have been recognized simultaneously in the year of impairment. In addition to Kimia Farma, Ltd and IRC in 2009 there was also EM case done by Katarina Utama, Ltd. Katarina Utama, Ltd manipulated their financial statement for initial public offering (IPO) in order for the company to have a larger asset than it should be. The recent EM case is conducted by one of the electronic companies from Japan, Toshiba. Toshiba has made EM by exceeding the USD 1.22 billion in profits since 2008. In an investigative report issued in July 2015, it is known that Toshiba practices unfair accounting practices that lead to more sophisticated earnings. Those cases above show that the practice of EM is an accounting issue that keeps happening. Research on EM generally focuses on the condition of financial statements such as distress, growth opportunity, and company size influenced on the practice of EM. However, as more and more female in the world occupy executive positions in research companies on EM begin to lead to differences in male and female capabilities to EM.

Literature of psychology and management have revealed that there are significant differences between male and female in leadership styles, communication skills, conservative, risk aversion and decision making (Fransisca & Hery, 2015). These differences have a significant impact on the quality of financial statements (Peni & Vähämä, 2010). Furthermore, these differences revealed by Lakhal et al. (2015) stated that female are more strict on examining decision made by the managing director, female considered as part of the attributes of good corporate governance and female tend to improve the quality of decisions of directors. Some of the countries in the world even have required minimum quota for female to occupy executive positions in the company. Norway provides a minimum 40% quota for female to be part of the board of directors. This minimum quota is applied by force and must be complied with by companies listed on the Norwegian stock exchange. Not only Norway, France has also applied minimum quota for female with approaching comply or explain. Other countries that have also implemented a minimum quota system for female in directors are Spain, Belgium, Netherlands, and Sweden. According to a survey conducted by Grant Thornton (2017) senior management positions in Indonesia occupied by female by 41%, the highest in South East Asia above the Philippines (40%) and Thailand (38%). This is achieved in the absence of minimum quota regulations for female to take up positions of directors in Indonesia. This suggests a change of mindset over top management positions and trust in female to occupy key positions in management in the hope of providing better corporate stewardship. As the number of female in the board of directors rises, the writer is interested in finding out the relationship by adding the number of female in the board of directors and providing key positions that are the chief directors (CEO) and finance directors (CFO), hereinafter referred to as directors, to female can provide a quality profit and avoid from EM. This research is the replication of the previous studies, but with differences in the proxy of female influence. The previous research included variable dummy for the position of CEO and CFO (Gavious et al., 2012; Arun et al., 2015;
Fransisca & Hery, 2015), but in this study, researchers included percentage the number of female on the commissioner to determine whether varieties of gender commissioners effect on EM. The commissioners was elected to be functioning as a board overseeing the management by the directors and the capacity of the commissioner to temporarily dismiss the members of the directors if there is a violation of company's laws and articles of association. The presence of female on the board of commissioners is expected to improve the quality of supervisory functions undertaken by the commissioners. The agency theory explains the relationship between management as an agent and the capital owner as for principal. The agency theory raises a dilemma for the agent who has a capability to make decisions that affect the benefits to be received by agent and principal. To reduce the dilemma felt by the agent, management and principal make an agreement to achieve the expected benefits. The agreement is expected to maximize the utility of principals and to serve agents to receive rewards (Sunarto, 2009).

<table>
<thead>
<tr>
<th>Company</th>
<th>Executive Compensation (in IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Astra Internasional</td>
<td>1.013 Billion</td>
</tr>
<tr>
<td>GudangGaram</td>
<td>115.4 Billion</td>
</tr>
<tr>
<td>Semen Indonesia</td>
<td>74.03 Billion</td>
</tr>
<tr>
<td>Unilever Indonesia</td>
<td>58.7 Billion</td>
</tr>
<tr>
<td>Indofood SuksesMakmur</td>
<td>55 Billion</td>
</tr>
<tr>
<td>Jamu&amp;FarmasiSidoMuncul</td>
<td>25.5 Billion</td>
</tr>
<tr>
<td>Tiga Pilar Sejahtera Food</td>
<td>21.17 Billion</td>
</tr>
<tr>
<td>KMI Wire and Cable</td>
<td>14.2 Billion</td>
</tr>
<tr>
<td>Indofarma</td>
<td>4.8 Billion</td>
</tr>
<tr>
<td>Ekadharma International</td>
<td>4.7 Billion</td>
</tr>
<tr>
<td>Siantar TOP</td>
<td>3.4 Billion</td>
</tr>
</tbody>
</table>

Source: Annual Financial Report

Table 1 shows the amount of compensation received by executives at the largest manufacturing company according to Forbes Indonesia Magazine. The high level of executive compensation is not a guarantee that the company will not make EM. Indofarma, Ltd from the Table 1, shows that the executive compensation given is 4.8 billion rupiah. The amount of executive compensation given does not make Indofarma, Ltd free from the case of EM. In 2001, Indofarma, Ltd conducted EM and board of directors in that period was subject to a fiscal penalty by Capital Market Supervisory Agency in 2004 of 500 million rupiah. EM in 2001 was achieved by overemphasizing the goods in the process so that cost of goods sold became less and increased profits. The compensation received by the directors is often associated with the profits earned by the company. Riahi-Belkaoui (2004) described there are three hypotheses in positive accounting theory that are:

1. The hypothesis of bonus plan.
2. Equity debt hypothesis.
3. The hypothesis of political costs.

The bonus plan hypothesis explains that managerial will tend to choose accounting methods that will make reported earnings higher so that the bonus or managerial compensation they receive will be higher as well. This concept explains that bonuses given to managers not only motivate them to work better but also to cheat. Research conducted by Hassen (2014) showed a negative influence between the compensation received by management against
discretionary accruals, while research conducted by Laux & Laux (2009); Shriives & Gao (2002) explained that management compensation does not affect EM. There is a research gap; therefore, the authors are interested to find further empirical evidence to determine the relationship between management compensation and EM.

The difference with previous research is that the authors change compensation data into interval data while previous studies of compensation data are converted into natural logarithm data. There are three independent variables in this study, the presence of female in the important functions of CEO or CFO, gender diversity commissioner, and compensation received by the board of directors. The dependent variable in this study is the EM proxied through accrual discretion measured by the modified Dechow method. The modified Dechow method is chosen because it has better explanatory power than other methods. The population in this research is the manufacturing company listed on the IDX during the period 2011 until 2016. The manufacturing company has selected for sample because it is the most competitive and relies heavily on the decisions of top management in the continuity of their business activities.

The Relationship between Female CEO and CFO on Earning Management

Fransisca & Hery (2015) explained that EM is influenced by the CFO because the CFO is the person who actually manages the entire financial process of the company that leads to the production and calculation of figures in the financial statements. Under Toshiba’s case the party most responsible for EM is the CEO therefore the CEO is included as a variable. Peni & Vähämaa (2010) explained that men and female differ in cognitive abilities, in decision making, and in conservatism that have influence in the preparation of financial statements.

\[ H1: \text{The presence of female as both the CEO and CFO has significant influence to earning management.} \]

Relationship of the Proportion of Female in Commissioner toward Earnings Management

The diversity of commissioners (the proportion of female at the board of commissioner’s position) will reduce the conflict of interest between managers and stakeholders. This diversity prevents some individuals or groups from dominating the decision-making process. Female commissioners are able to provide better supervision and able to align management interests and stakeholders (Lakhal et al., 2015). Srinidhi et al. (2011) concluded that companies in the United States that have a gender diversity in executive positions have better quality earnings and tend not to make EM.

\[ H2: \text{The more diverse gender that occupies the position of board of commissioner has significant influence to earning management.} \]

The Relationship between Executive Compensation on Earning Management

Riahi-Belkaoui (2004) described there are three hypotheses in positive accounting theory. The bonus plan hypothesis explained that managerial will tend to choose accounting methods that will make reported earnings higher so that the bonus or managerial compensation they receive will be higher as well. This concept explains that bonuses given to managers not only motivate them to work better but also to do fraud. Hassen (2014) explained that executive compensation negatively affects EM.
H3: Compensation has a negative effect on earnings management.

METHODS

The population in this study is all manufacturing companies listed in IDX in 2011-2016. Manufacturing companies are selected because manufacturing companies have the largest volume of investment amounts compared to other industries. The sample in this study was chosen by purposive sampling technique, the sample was chosen with criteria that are

1. The company has the annual financial report ending on December 31.
2. The company published the financial report during the observation period 2010-2015.
3. The company reported the required components in the study.

The mechanism of determining the number of samples is as follows:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Company Listed in IDX 2010</td>
<td>128</td>
</tr>
<tr>
<td>Delisting Company in Year 2010-2015</td>
<td>4</td>
</tr>
<tr>
<td>Incomplete Data</td>
<td>65</td>
</tr>
<tr>
<td>Total Sample</td>
<td>59</td>
</tr>
</tbody>
</table>

Dependent variable is EM. EM is the dummy variable of the accrual discretion, if the accrual discretion obtained is of negative given score 1 and if the accrual discretion obtained is positive given score 0. The negative accrual discretion signified the firm doing earnings reduction and positive value management signifies the company doing EM in the form of additional income (income increasing). EM became the focus of this research in form of income increasing because the main focus of the financial statements published by the company are investors who are usually vulnerable to be amazed by high corporate profits. The accrual discretion is calculated using the modified Dechow method developed by (McNichols, 2002).

\[
AC_{jt} = \alpha + \beta CF_{jt-1} + \beta CF_{jt} + \beta CF_{jt+1} + \beta \Delta SALES_{jt} + \beta PPE + E_{jt}
\]

Where \( AC \) is the total of accrual that calculated by: \( AC = \Delta Current \) Assets – \( \Delta Current \) Liabilities – Cash + \( \Delta Debt \) in Current Liabilities, Cash flow that calculated by: \( CF = Net \) Income – Total Accrual and Total Accrual calculated by: Total Accrual = \( AC – Depreciation \) and Amortization.

Residuals of the regression above by definition are the difference between the number of accrual predictions and the actual ones defined by Dechow as the accrual discretion. This proxy is also used by Peni & Vähämaa (2010) research.

The independent variables used in this study are the presence of female CEO or CFO, gender diversity on the board of commissioners, and compensation of directors. This variable is a dummy variable in which a female principal or female director of finance will be assigned a score 1 and if none of them will be given a score 0 (Gavious et al., 2012; Fransica & Hery, 2015; Lakhal et al., 2015; Arun et al., 2015). The gender diversity of the directors is proxies by the ratio of the number of female commissioners to the total members of the commissioners (Lakhal et al., 2015). The managerial compensation used is the total compensation received by the board of directors and commissioners.
Multiple regression analysis is done to know the relation between accrual total variable, operating cycle, debt level, and independence of commissioner toward EM. The regression equation used is as follows:

$$EM = \alpha - \beta_1FEX + \beta_2DIV + \beta_3COM + e$$

Where: \(\alpha\) = Constant, \(EM\) = Earning Management, \(FEX\) = Female CEO or CFO, \(DIV\) = Gender Diversity, \(COM\) = Executive Compensation, \(e\) = error, \(\beta_1\) = Regression Coefficient of Female CEO or CFO, \(\beta_2\) = Regression Coefficient of Gender Diversity, and \(\beta_3\) = Regression Coefficient of Managerial Compensation.

RESULTS AND DISCUSSION

The statistical descriptive of earnings management variable is known for the observation period of 2011-2016. This is explained as follows. The average DACC in 2011 was 142224.5, indicating that in 2011, the manufacturing companies averagely conducted earnings management in the form of income increasing of 14224.5. The average DACC in 2012 was -51204.05, indicating that the companies averagely decreased their income in that year. In 2013, the average DACC variable was 38893.63, indicating that the companies in the manufacturing sector conducted income increasing. The average DACC in 2014 was -318331. This indicates that the manufacturing companies averagely performed earnings management in the form of income decreasing. In 2015, the average DACC variable was 82972.1, indicating that the average manufacturing companies conducted income increasing. In 2016, the average value of the DACC variable was 34481.2, indicating that in that year; the observed companies also conducted income increasing.

Regarding the distribution of women as the President Directors or Finance Directors, it is known that in 2011-2014, there were 5 companies positioned women in that position. From 2015 until 2016, there were 6 companies positioned women as the President Directors or Finance Directors. Concerning the gender diversity in the composition of the company commissioners, the average value of gender commissary diversity from 2011 until 2016 was 0.083, 0.086, 0.093, 0.095, and 0.1068, respectively. The average compensation paid to the directors and commissioners from 2011 until 2016 was IDR 50,725,799,030, IDR 47,347,016,896, IDR 40,189,254,510, IDR 36,458,457,412, IDR 12,625,490,536, and IDR 9,626,894,986, respectively.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>8811120.172</td>
<td>3080983.620</td>
<td>-</td>
<td>2.860</td>
</tr>
<tr>
<td>Lag_FEX</td>
<td>-166867.539</td>
<td>659994.769</td>
<td>-0.014</td>
<td>-0.253</td>
</tr>
<tr>
<td>Lag_DIV</td>
<td>-129808.689</td>
<td>1386671.926</td>
<td>-0.005</td>
<td>-0.094</td>
</tr>
<tr>
<td>Lag_COMP</td>
<td>-432711.635</td>
<td>171063.251</td>
<td>-0.135</td>
<td>-2.530</td>
</tr>
</tbody>
</table>

Note: Dependent Variable: Lag_Y
Predictors: (Constant), Lag_COMP, Lag_FEX, Lag_DIV

Based on the Table 3 above get equation as follow:

$$Lag\_Y = 8811120.172 - 166867.539FEX - 129808.689DIV - 432711.635COMP$$
Hypothesis testing uses multiple linear regressions to test the effect of female commissioner and directors on earnings management. The initial hypothesized regression formula does not pass the classical assumption test, because there is an autocorrelation problem. Therefore, the data is transformed by Cochrane or cut method and the transformed data is re-organized. The results of hypothesis testing are presented in the following Table 3.

The constant value of 8811120.172 shows the magnitude of the DACC value in the absence of influence from the independent variables of the directors or female directors, gender diversity commissioner, and compensation of directors and commissioners. This shows that the company observed earn EM in the form of income increasing although the variables studied were not fulfilled.

The existence of the female CEO or CFO has a regression coefficient of -166867.539 which means that the presence of the female chief or finance director will reduce the amount of accrual discretion -166867.539. This shows the role of female able to reduce EM. Besides, the negative values attached to variable regression coefficients show that female are more conservative than male. Thus, the existence of a female ad CEO or CFO can overcome an overly aggressive accounting policy.

The gender diversity of the board of commissioners has a coefficient value -129808.689 which mean the existence of female on the board of commissioners will reduce the amount of accrual discretion -129808.689. This indicates that the greater proportion of female on the board of commissioners is able to reduce EM. Thus, the greater the proportion of female on the board of commissioners will be able to provide more supervision to the directors so as to prevent the accounting policies that distort the financial statements.

The amount of compensation given has a regression coefficient value of -432711.635 which means if the amount of compensation increases by 1 then the amount of accrual discretion will decrease by -432711.635. This shows that the amount of compensation can reduce EM. Thus, the compensation given has been in accordance with expectations of compensation that aligns the interests of processors and owners of the company.

To test the simultaneous significance of the independent variables to the dependent variable, f test is used by looking at the ANOVA table and comparing it with the alpha value. The sig value is presented in the following ANOVA table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regr.</td>
<td>103650478596162.000</td>
<td>3</td>
<td>34550159532053.990</td>
<td>2.138</td>
<td>0.095</td>
</tr>
<tr>
<td>Residual</td>
<td>5639676777445564.000</td>
<td>349</td>
<td>16159532313597.605</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5743327256041726.000</td>
<td>352</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the Table 4 is known that the significance of regression is 0.095. This value is greater than the alpha 5%, it can be concluded that there is no significant influence simultaneously the independent variable to the dependent variable. This happens because the research does not include control variables while previous studies include control variables. So, the possibility that gives a significant influence to the dependent variable is other variables that are not included such as market to book ratio, growth opportunities and other variables.

To test the effect of variables partially used t-test conducted by comparing the significance of each independent variable to t table. With the number of observations as many as 354 observations and the number of independent and dependent variables of 4 then the value of
The value of $t$ arithmetic for each variable is presented in Table 4. From the Table 3 obtained the value of each $t$ arithmetic for the variable Lag_FEX, Lag_DIV, Lag_COMP is equal to 0.958, 0.956, 0.990 value is less than $t$ table (1.6492) it can be concluded there is no influence partially significant between independent variables to the dependent variable. This can be due to the lack of sample size or the condition of the sample itself. In this study, sample companies that have female CEO or CFO and commissioners are few in five firms from 2011 to 2014 and six companies from 2015 to 2016 out of a total of 59 sample companies. This may also be due to the presence of other variables that influence the dependent variable not included in the regression equation.

Based on the results of tests that have been done there is a negative relationship but no significant effect on the presence of female CEO and CFO toward EM. It can be assumed that the existence of a woman in holding the position of president or director of finance reduces EM but is not significant. The negative value of the regression coefficient suggests that female as CEO or CFO tends to be more conservative than male. Gavious et al. (2012) explained that female have higher levels of judgment and anxiety than male, not only that female also tend to blame themselves for failure while male will show confidence to hide failure. Male are also required to perform their duties better than female. This condition cause male to act more aggressively than female. In relation to this study, female who occupy positions of CEO or CFO tend to take conservative measures than male are seen from the value of negative value regression coefficient due to psychological differences that female tend to blame themselves if there is a mistake, therefore, female who occupy the position of CEO or CFO prefer to be conservative as male are expected to work better than female will act more aggressively by making earnings income increasing. The insignificant result on the relationship between female's presences as CEO or CFO could be due to sample only five firms with female CEO or CFO of 59 samples. The number of female in the position of the managing director or the director of the slightest shows that there is still a glass ceiling phenomenon, an invisible barrier for some people or groups to occupy certain positions for female in manufacturing companies listed on the IDX period 2011-2015. The results of this study are consistent with research conducted by Peni & Vähämaa (2010); Gavious et al. (2012); Lakhal et al. (2015); Arun et al. (2015); Fransisca & Hery (2015) EM is measured by real EM on cash flow and production cost. This confirms that the role of female CEO or CFO cannot be underestimated and the stereotypes of female in important positions are irrelevant. The results of this study differ from those of Fransisca & Hery (2015) in measuring of EM is measured by real EM discretionary costs. The research results are different because in the Fransisca & Hery (2015) research using the real EM model which divides the EM into three components are cash flow, production cost and discretionary cost while in this study EM is measured by discretionary accruals.

The presence of female as a commissioner is expected to increase supervision (Lakhal et al., 2015). The test results show that the presence of female in commissioners has a negative but not significant impact on EM. Negative influence indicates that more female presence as a commissioner can reduce EM. Female have greater concern in interpersonal relationships and how to behave more equitably than male (Lakhal et al., 2015), not only are female participatory while male tend to be directive (Eagly & Johnson, 1990). Female on the board of commissioners are able to show a more just attitude than male so as to enforce more stringent regulations so as to enhance supervision over management. Not only that female are also more participative, so than just giving the command female will go directly in the supervision so that EM can be detected and reduced. The insignificant results may be due to the variable being the moderator of df sought in table t is 350 obtained $t$ table value of 1.6492. The value of $t$ arithmetic for each variable is presented in Table 4. From the Table 3 obtained the value of each $t$ arithmetic for the variable Lag_FEX, Lag_DIV, Lag_COMP is equal to 0.958, 0.956, 0.990 value is less than $t$ table (1.6492) it can be concluded there is no influence partially significant between independent variables to the dependent variable. This can be due to the lack of sample size or the condition of the sample itself. In this study, sample companies that have female CEO or CFO and commissioners are few in five firms from 2011 to 2014 and six companies from 2015 to 2016 out of a total of 59 sample companies. This may also be due to the presence of other variables that influence the dependent variable not included in the regression equation.

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the gender diversity of EM. The moderator variable may be a supervisory variable. This is because the presence of female in the board of commissioners will increase supervision and control over management which will ultimately reduce the opportunity to earn EM. This study is consistent with the research undertaken by Fransisca & Hery (2015) who conducted a study to determine the effect of proportion of the board of commissioners on EM as measured by real EM as measured through discretionary cost but not in line with real EM measured by cash flow and production costs.

The separation of management and ownership results in information asymmetry between management and owners (Widyaningsih et al., 2017). Further explained in the theory of management agencies having a dilemma when making decisions, whether to maximize their own interests or the interests of the owner, whether to increase profits so that implies a good performance and securing positions owned or displaying financial statements with what it has the quality of information better. One way, companies do to reduce the conflict is to give compensation. Compensation is expected to align the interests of the owners and management of the company. Based on the test results it is found that compensation has a negative but not significant effect on EM. This means that the compensation given to management is able to reduce the conflict of interest between owner and management. The results also suggest that the greater the compensation given the less EM show that the greater the compensation given by the directors will be more conservative.

This suggests that management provided with high compensation will tend to be less opportunistic as they avoid the risk of replacement of positions by shareholders (Hassen, 2014). The insignificant results indicate that the total compensation given is not a trigger for a higher motivation as proposed in Herzberg's motivation theory but compensation here is a hygiene factor that should be passed on so management does not reduce performance. The results of this study are consistent with research conducted by Hassen (2014), and contrary to research conducted by Laux & Laux (2009); Shrieves & Gao (2002). The study contradicts to Laux & Laux (2009) that this focuses on equity-based compensation while in this study using all compensation as a variable. The study did not distinguish between fixed and variables components of compensation so that in the study there was no difference in supervision and decision making as proposed by Laux & Laux (2009). Similarly, with research conducted by Shrieves & Gao (2002), they focused on providing options to management as a variable component of compensation resulting in different research results between them and the authors.

CONCLUSION

This study examines the effect of presence of female as CEO or CFO, the board of commissioners and the compensation provided for EM. The study used a manufacturing company listed on the IDX period 2011-2016 as a sample. Based on the research, it has been conducted by female as the main director or finance director, the existence of female in the board of commissioners and compensation has a negative but not significant influence either simultaneously or partially to EM as measured by accrual discretion. From the results of the study can be concluded that although the presence of female in high positions at the company does not give a significant effect on EM does not mean to justify the status quo about stereotypes of high office only for male. EM may not be significantly correlated with gender but may be directly applicable to the level of education of directors and commissioners and others.

This study has some limitations that require improvement and development in future study. Limitations of this study are:
1. The study does not include control variables that may affect EM.
2. The study of gender differences in earnings management uses only the presence of female as CEO or CFO and commissioners as a proxy.
3. Observation period is only for 6 years from 2011 to 2016.

Some suggestions that can be given through the results of this study are:
1. For stakeholders in giving positions do not see the stereotype of female because there are many factors that affect EM.
2. For further research it is advisable to include control variables such as leverage, market to book ratio, sales growth, ROA, firm age to increase explanatory power regression equation. Added another proxy could be able to measure the effect of female's existence on EM.

REFERENCES


