THE IMPACT OF BOARD OF DIRECTOR CHARACTERISTICS ON EARNING MANAGEMENT IN THE REAL ESTATE COMPANIES LISTED UNITED ARAB EMIRATES

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ABSTRACT

This study examined how the boards' characteristics impact earnings management among the UAE market's Real Estate companies. The Board Characteristics such as (Board Size, Board Gender Diversity, Board Meeting, and Board Independence). This study applied a quantitative research approach, secondary data, a sample of 6 Real Estate companies selected from 12 real estate companies listed in the Abu Dhabi Exchange market and Dubai Financial Market in UAE for 2018 and 2019. This study's findings indicated that Board Independence and Board Size had no impact on reducing earnings management. In contrast, Board Gender diversity has an insignificant effect on reducing earnings management. Finally, Board Meeting has a significant impact on the reduction of earnings management.

Keywords: Earning Management, Board Size, Board Gender Diversity, Board Meeting, Board Independence.

INTRODUCTION

Boards consist of directors of voted or selected individuals who act as counselors to a particular organization. Each company has guidelines for board members to act upon, which is also under the state organization, either profitable or non-profitable. It may consist of at least 3 or 30 members (Grunert, 2020). Moreover, Earnings Management refers to earnings from company profits; investors and analysts take earnings as a solid ground for determining a specific stock's appeal (Staff, 2020).

The United Arab Emirates (UAE) government has adopted policies to diversify the economy; to decrease oil industry dependence. That is because it's unhealthy to depend on one sector only for the future economy's performance. One of the critical selected sectors to indicate the economy's diversification is the real estate and construction sector (Al-Mohana & Hatemi-J, 2016). The real estate sector in the United Arab Emirates achieved remarkable performance and reached 7th place globally, which is an improvement in the UAE's ranks compared to the 10th place in 2018. Furthermore, this improvement presents by the most extensive business cities in the UAE, Dubai. In the Emirates of Dubai, the real estate sector connected with most of the other sectors in the economy, the real estate sector represents one of the outputs of different economic sectors and inputs to almost all other economic sectors (Dubai Land, 2019). The UAE real estate
markets have one of the most outstanding features in which the market prices have more stability during a recession than other markets in other countries (Joghee, Alzoub, & Dubey, 2020).

We chose the real estate sector because it's the most critical non-oil sector and has driven the UAE's economic development and growth. Besides, it has a significant contribution to the growth of Gross Domestic Product (GDP) by contributing 23% for the country's GDP (Mehta, 2014).

Emaar Properties is one of the most well-known global companies in the United Arab Emirates. Founded in 1997, where the headquarters located in Dubai, it's a based public joint-stock company that listed in Dubai Financial Market. What made Emaar's work quite distinctive in the region is the extraordinary outcome and vast-growth in a short period. The company holds a strong position in the regional and global markets in terms of value. Emaar's most distinctive and known mega-project is Burj Khalifa - the world's tallest building (Companies history, 2020).

As they set grounds on their strategy, they aim to be one of the world’s most valuable, innovative, and admired companies. Their goal is to be an unstoppable company that creates enormous value for our shareholders, stakeholders, and the economy (Properties Emaar, 2020).

**LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

The Board defined as a group of individuals that combine their capabilities and competencies, representing the social capital pool for their corporation collectively. They are known for practicing different functions such as firing and hiring management, decreasing agency costs by monitoring management, and giving the corporation a strategic direction. Also, the Boards responsibility is protecting the interest of shareholders while maintaining managerial accountability and professionalism for excellent corporate performance. To improve all stakeholders’ wealth and values, the Board should make sure that the corporation is acting on opportunities. Moreover, in this research, we will discuss the impact of Board Characteristics on Earnings Management. There are multiple researches discussing this approach. However, this research focuses on the UAE as there has been a significant need to control the impact of Board characteristics on earning management on firms' financial performances. In contrast, this study investigates the impact of Board characteristics on earning management in the UAE's real estate firms (Hosam Alden Riyadh Al Azeez, 2019).

**Earning Management**

Healy & Wahlen, 1999 define earnings management as “Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers”. Moreover, Blom (2009) define earnings management as the management's intervention in preparing financial reports with the aim of obtaining a benefit for the company or a personal benefit. Also, earnings management was defined as When the management takes specific steps within the GAAP constraints to get the desired reported earnings level (Schipper,1989).

Earning management leads to non-real or misrepresentation information in the companies' financial statements, which reduces the report's quality, affects the investors' decisions, and distorts the company performance view.
Motivation of Earning Management

Base on the positive accounting theory (Nurdiniah & Herlina, 2015)

1. Motivation Bonus: In the bonus plan, the company owner promises the management to get a bonus if they reach a specific target earning or profit; this will motivate managers to perform earning management to achieve the target to get the promised bonus.

2. Motivation Debt Contracts: Having a high debt value in the company and low earning will lead to an increase in the total liability and decrease the total capital that will lead to high leverage that is strictly related to the absence of a debt agreement. To prevent violations of the debt contract, companies will conduct aggressive earnings management to increasing the earnings, which will avoid breaching the debt limit.

3. Motivation Political Cost: The larger the company size, the higher the political cost. This leads the large companies to perform earning management and use accounting procedures, which lower their profits to reduce the political cost like a tax.

Approaches to Measuring Accruals

A high majority of researcher has been using the accruals as a proxy for earnings management. In concerns to measuring the accruals, there are two approaches:

1. The balance sheet approach: used to decide how dependent the company is on accruals to show their profits. Also, calculated by subtracting the difference between net operating assets at the begging and the end of the period compared to the average net operating assets. (Gallup, 2017).

2. Cash flow statement approach: calculated from the difference between the change in receivables and change in revenue in the current year and change in property, plant, and equipment (PPE) in the current year. (Hosam Alden Riyadh Al Azeez, 2019).

Types of Accrual

There are two types of accruals:

1. Discretionary: allow managers to indicate their private information about future cash flows to improve the content information of earnings. Also, used opportunistically, therefore distort information in earning. (Farshadfar & Monem, 2011).

2. Non-discretionary: an important asset or expense that has yet to be fulfilled and recorded in the accounting system, for example, the salary of next month.

Playing with discretionary accruals get the managers included in earnings management. Multiple models for calculating discretionary accruals have been applied by many researchers like Healy Model in 1985, Jones Model in 1990, and Modified Jones model in 1995. However, the most widely and latest model was the Modified Cross-Sectional Jones Model in 1990.

The Impact of Board Size on Earnings Management

Board size indicates that the total number of board members includes the CEO and the chairman of the board of directors who are appointed for each accounting year. So we will use the number of director's sits a proxy for this variable (Hosam Alden Riyadh Al Azeez, 2019). According to Article 95 of law no. 8 of 1984 concerning the Commercial Companies Law, the number of members of the board of directors should is minimum of 3 and maximum of 12.
directors, and their term of service is 3 years not more. Also, it is permissible for more than one term to elect a director.

According to Hosam Alden Riyadh Al Azeez (2019), the static test between board size and profit management indicates insignificance. And for board members, it is more complicated to monitor and control management when the number of board members is greater. Furthermore, the board's size has no impact on limiting the management of earning because the less efficiently the board is monitored, the greater the board size. However, In Nigeria, Hussaini Bala et al., (2015), use a sample of listed firms' food and beverages in Nigeria between 2009 to 2014 and found that board size has a significant negative effect on earnings management, so this means that larger boards are better at reducing earnings management. Moreover, improving the quality of earnings is better by using larger board sizes. Moreover, according to Kankanamage (2016), the board of directors' size has a significant positive relationship with earnings management, and he found that all the characteristics of the board greatly influence the earnings management of the corporates. Also, a company with a small board size, a majority of independent non-executives, and sound financial experience are able to restrict the earnings management of corporate managers with quality financial reporting. Based on that the first hypothesis will be:

**H1: Board size has a significant impact on the reduction of earnings management.**

**The Impact of Board Gender Diversity on Earnings Management**

The Board of Directors' gender diversity measure by the percentage of females in the Board to the Board's total size. Gender diversity is having the presence of females on the Board. It's generally known that female members on the Board are more independent than male board members (Hosam Alden Riyadh Al Azeez, 2019). In November 2011, to raise the female presentation on board directors in public and private organizations in the UAE, the Council of Ministers issued legislation that launched women on Boards of Directors (Securities and Commodities Authority, n.d).

In Pakistan, Ramsha Umer (2020) used a sample of 100 listed firms in Pakistan between 2013 to 2018. A female presence in the corporate Board has a negative relationship with earnings management. Female directors in the Board reduce issues of earnings manipulative a practice, which decreases default risk chances, therefore ensures transparent and effective managerial decisions. Furthermore, female CEOs decrease agency conflicts and the manager's opportunistic behaviors. Moreover, According to Hosam Alden Riyadh Al Azeez (2019), the higher gender diversity in the Board leads to more excellent system monitoring and better control of the management and Board. Gender diversity has a significant impact on decreasing earnings management. Furthermore, female directors intend to decrease conflicts between managers and Board and recover the firm’s performance by reducing earning management opportunistic. Besides, having more female directors in the Board increases the innovation and creativity in the firm. However, according to Arun (2015), having several females on the Board in low-debt companies has a significant positive effect on earnings management. Whereas, in high-debt companies, female directors on the Board have no impact on earnings management. Furthermore, firms with a high number of female directors in a low-debt group expect to be more conservative than firms with a low number of female directors on the Board. Based on that the second hypothesis will be:

**H2: Gender diversity has a significant impact on the reduction of earnings management.**
The Impact of Board Meeting on Earnings Management

A Board meeting is a meeting of the Board of Directors to discuss the company issues. It's measured by the total number of meeting done by the majority of board members in each financial year. According to article 156 of the Federal Law No. 2 of 2015 on commercial companies in UAE, BOD members should meet at least four times annually by the chairman's invitation.

In Sri Lanka, Kankanamage et al., (2016), use a sample of 160 listed firms in Sri Lanka between 2012 to 2015 found that the more board meetings will lead to better control of the managers' practices in the earnings management. Also, board meetings have a significant negative relationship with the earnings management of the companies. Moreover, According to Bala & Kumai (2015), having a board meeting more than four times in the financial year will not result in more effective monitoring for the firms that revealed a negative but not significant relationship between board meetings and earnings management. Based on that the third hypothesis will be:

\[ H_3: \text{Board Meeting has a significant impact on the reduction of earnings management.} \]

The Impact of Board Independence on Earnings Management

Independent members are the non-executive directors, where they only affiliation with the company by their directorship. They don’t have directly involved in the company activities-board independence measured by calculating the percentage of the independent directors to the total board size (Hosam Alden Riyadh Al Azeez, 2019). According to article 95 of the Corporate Governance Law for Joint Stock Companies in UAE, at least one-third of board members should be non-executive and independent.

In the USA, Anglin et al., (2013) study, a sample of 153 real-estate firms, found that firms with an independent board led to a constrained and low earnings management level. Moreover, according to Hosam Alden Riyadh Al Azeez (2019), Board independence has a significant impact on the reduction of earnings management, as the board independence play an essential role in disciplining and monitoring the managers' practices in earning and ensuring that managers put an objective which aligned with the shareholder's interests. Wherever, In Nigeria, Bala & Kumai (2015) use a sample of listed firms’ food and beverages in Nigeria between 2009 to 2014 found that board independence positively correlated with earnings management, which means that board independence does not serve as an instrument to reduce the earnings manipulation by managers. The fourth hypothesis will be:

\[ H_4: \text{Board independence has a significant impact on the reduction of earnings management.} \]
earnings management. Third, the researcher's previous study has shown that Board meetings negatively impact earnings management.

Moreover, more meetings with Board members lead to efficient control and monitoring of the firm's managers. Fourth, previous studies show that Board financial expertise has a significant negative impact on earnings management. Also, Board financial expertise improves the quality of the company’s financial reporting.

Furthermore, earnings management leads firms to misrepresent information in financial statements. It affects investors’ decisions, distorts the performance view of a firm, and lowers the quality of reports. Under positive accounting theory, there are three primary motivations for managers to perform earning management: motivation bonus, motivation debt contracts, and motivation political costs. Lastly, there are various models used to measure earnings management that multiple past researchers have applied.

RESEARCH METHODOLOGY

This study uses the Correlational research design, which examines the relationship between the independent and dependent variables. Board characteristics and earnings Management are the variables of the study. The board characteristics are the independent variables which is proxied by board size, board gender diversity, board meetings, and board independence, while the dependent variable is earnings management proxied by discretionary accruals. And the Quantitative research method use in this study to find out the impact between different variables.

This study uses secondary data, which is data collected and published by others, such as other researcher studies, published companies' financial statements, and corporate governance reports-the Regression model used to analyze the collected data in this study.

This study population is 12 real estate companies listed in the Abu Dhabi Exchange market and Dubai Financial Market in the United Arab Emirates for the years 2018 and 2019. We took a sample of 6 companies, Al Dar properties, EMAAR properties, DAMAC properties, Deyaar Development, Sharjah Group, and Drake & Scull International. The data extracted from the secondary source obtained from the firms' annual reports account for the study period.

Variables and Measurements

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board size</td>
<td>Total number of directors in the board.</td>
</tr>
<tr>
<td>Board gender diversity</td>
<td>The percentage of the number of women to total board size.</td>
</tr>
<tr>
<td>Board meeting</td>
<td>The number of meetings done by the Board in the year</td>
</tr>
<tr>
<td>Board independence</td>
<td>The percentage of independent directors of the total board size.</td>
</tr>
<tr>
<td>Earnings Management</td>
<td>The value of discretionary accruals.</td>
</tr>
</tbody>
</table>

As shown in Table 1, this study uses the modified Jones model, which estimates Discretionary accruals and use it as a proxy for earnings management (Jones, 1995).

Steps to measure the earning management

1. Calculate total accruals as below equation
TAt=N.It−CFOt

Whereas:
TAt=total accruals in a year t.
N.It=net income in a year t.
CFOt=cash flows from operating activities in a year t.

2. Non-discretionary accruals are derived under

\[ NDA_t = a_1 \left( \frac{1}{A_t - 1} \right) + a_2 \left( \frac{\Delta \text{REV}_t - \Delta \text{REC}_t}{A_t - 1} \right) + a_3 \left( \frac{\Delta \text{PPE}_t}{A_t - 1} \right) + \varepsilon \]

Whereas:
\( \Delta \text{REV}_t \) = revenues in year t less revenue in year t-1.
\( \Delta \text{REC}_t \) = net receivables in year t less net receivable in year t-1.
\( \Delta \text{PPE}_t \) = gross property plant and equipment at the end of year t.
At-1 = total assets at the end of year t-1.
a1, a2, a3 = firm specific parameters.
\( \varepsilon \) = the residual.

3. Discretionary accrual

\[ DA = TA - NDA \]

Whereas:
DA = the discretionary component of accruals.
TA = total accruals.
NDA = nondiscretionary accruals.

Model Specification

The following is the model used to empirically test the hypotheses formulated.

\( (EM) \) \( DA_{it} = \beta_{0it} + \beta_1 BS_{it} + \beta_2 BGD_{it} + \beta_3 BM_{it} + \beta_4 BI_{it} + \varepsilon_{it} \)

Where:
\( \beta_0 \) = Constant
BS = Board size of firm i in time t
BGD = Board Gender Diversity of firm i in time t
BM = Board Meetings of firm i in time t
BI = Board Independence of firm i in time t
\( \varepsilon \) = Other factors that were not captured by the model

FINDINGS AND DISCUSSION

Test of Validity and Reliability

To test the validity and reliability of all statistical inferences for this study, we used Robustness tests that include Multicollinearity Test, Heteroscedasticity Test, and Pagan Lagrangia Multiplier Test for Random Effects. The below are the results of these tests.

Multicollinearity Test: To check if there is a relationship between the independent variables that will lead to misleading the study results, we have conducted, as shown in the Table
2 below, which represents the correlation matrix of the linear relationships between the study’s independent variables. None of the variables correlated higher than 50%, as observed. Thus, multicollinearity wasn’t an issue in the study sample because of the low magnitude of the correlation between the descriptive variables.

Moreover, to prove severe multicollinearity absence among independent variables, as the variance inflation factors (VIF) values and the tolerance values portray that there is no multicollinearity in the data in which the collinearity diagnostics tests observed. The two advanced measures of assessing multicollinearity among the descriptive variables are the variance inflation factors (VIF) and tolerance. The tolerance and variance inflation factors (VIF) indicate, show the absence of multicollinearity and calculated using the Excel and consistently found lower than ten and one. The lack of multicollinearity between external variables verified by the tolerance values that consistently were lower than 1.00. Also, it shows the fitness and convenience with the four independent variables of the model (Taylor, 1990).

**Heteroscedasticity Test:** The heteroscedasticity is present when there is a large chi-square (Taylor, 1990). The results of test obtained showed that the chi-square value is 5.159, which is a little small from the heteroscedasticity test.

The p-value is 0.271, which is not small, indicates the presence of heteroscedasticity. It represents number four of the classical linear regression model violation of assumptions that states there must be a constant variance, disturbances \( u_i \) appearance in the population regression function, are homoscedastic.

Moreover, to keep it in control, the researcher has run the Random and Fixed effect model. It will lead the inferences made to be free from any misleading. After we conducted the Random and Fixed effect model, the appropriate model is the Random model, as suggested by the Hausman specifications test for the Fixed and Random effect. Furthermore, Lagrangia Multiplier Test for Random Effects was conducted to substantiate this.

**Breusch and Pagan Lagrangia Multiplier Test for Random Effects:** When using the Breusch-Pagan Lagrangia Multiplier Test so we could test the Random effects. As assumed by the null hypothesis, there are no Random effects. The Random group effect model is more appropriate than the Pooled OLS model if the null hypothesis is rejected (Taylor, 1990).

### Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>MIN</th>
<th>MAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA (EM)</td>
<td>1271696736</td>
<td>537375002.8</td>
<td>2757017215</td>
<td>-2806358997</td>
<td>8699561003</td>
</tr>
<tr>
<td>BS</td>
<td>8</td>
<td>8</td>
<td>0.953462589</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>BGD %</td>
<td>0.021075</td>
<td>0</td>
<td>0.049718</td>
<td>0</td>
<td>0.1429</td>
</tr>
<tr>
<td>BM</td>
<td>5.666666667</td>
<td>5</td>
<td>1.969463856</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>BI %</td>
<td>0.803049074</td>
<td>0.85705</td>
<td>0.180972287</td>
<td>0.444444444</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 2 provides descriptive statistics of the variables. According to the results, companies board having an average size of eight with a minimum of 7 and a maximum of 9 members. This means that all sample companies follow the UAE Commercial Companies Law, which states that the board of directors should consist of a minimum of 3 and a maximum of 12
directors. It is also clear that only about 2% of the company’s board members are female. Moreover, the average numbers of board meetings are 6 with a minimum of 4. Which means the board of directors meets at least four times per financial year, which shows that all companies follow the UAE Federal Law on commercial companies that BOD members should meet at least four times annually. The table also shows that, on average, 80% of directors are independent, and some companies have fully independent boards.

**Correlation Matrix**

Correlation analysis is the most widely reported and used a statistical method to summarize data. It determines if there is a relationship between two variables and how strong the relationship is between the two variables. The correlation coefficient is referred to as the R coefficient or Pearson’s product-moment r. Moreover, it requires a positive or negative direction. It can take a value range from +1 to 0 to -1, in which the values are non-dimensional and absolute without the involvement of units. A zero-correlation coefficient means that there is no association between the values measured. Furthermore, regardless of the direction, the closer the correlation coefficient is approaching ± 1, the stronger the relationship and association between the variables. (Taylor, 1990).

According to the Table 3 below, it shows that Board size positively correlated with earning management. In contrast, Board gender diversity, Board meetings, and Board independence are negatively related to the earning management listed real estate companies in the United Arab Emirates. Whereas board size has a negative relationship with Board gender diversity and Board independence, it has a positive relationship with a Board meeting. Also, Board gender diversity is negatively related to the Board meeting and Board independence. However, the Board meeting positively correlated with Board independence.

**Table 3**

<table>
<thead>
<tr>
<th></th>
<th>DA (EM)</th>
<th>BS</th>
<th>BGD %</th>
<th>BM</th>
<th>BI %</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA (EM)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS</td>
<td>0.2758889614</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGD %</td>
<td>-0.2249977822</td>
<td>-0.06309384022</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BM</td>
<td>-0.1667212828</td>
<td>0.1936491673</td>
<td>-0.2586591335</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>BI %</td>
<td>-0.005207914062</td>
<td>-0.5768073421</td>
<td>-0.1141948396</td>
<td>0.5208685909</td>
<td>1</td>
</tr>
</tbody>
</table>

**Goodness of Fit Model**

R Square value is used to evaluate the independent variable's contribution or influence on the dependent variable. The higher R Square value indicates better predictive models of the research model.

**Table 4**

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-SQUARE VALUE</th>
<th>Chi square value</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA (EM)</td>
<td>0.5635</td>
<td></td>
</tr>
</tbody>
</table>
According to Table 4, we got the result of R² is 0.56349. That means 56.35% of the Earnings management results variable will be influenced by an independent variable, which is: Board Independence, Board size, Board Gender Diversity, Board Meeting. Whereas another 43.65% of the Earnings management results variable will be influenced by another variables which not described in this study.

To measure the goodness of the Fit Model, we can use the R-square dependent latent variable with the same interpretation of the regression. Q² measured how well the model's observed value has predictive relevance, so if Q² value ≤ 0 indicates the model lacks predictive relevance.

Q² calculation:
Q²=1–(1–R²)
=1–(1–0.5635)
=0.5635

Q² value from calculating is 0.5635 ≥ 0, which means the structural model in this study has good goodness of fit.

Regression Results

<table>
<thead>
<tr>
<th>Table 5</th>
<th>REGRESSION RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercepts</td>
<td>Coefficients</td>
</tr>
<tr>
<td>Intercept</td>
<td>-31255814886</td>
</tr>
<tr>
<td>BS</td>
<td>3358252761</td>
</tr>
<tr>
<td>BGD</td>
<td>-16501572288</td>
</tr>
<tr>
<td>BM</td>
<td>-1531310923</td>
</tr>
<tr>
<td>BI</td>
<td>18288656586</td>
</tr>
</tbody>
</table>

(EM)DA= -31255814886+3358252761BS-16501572288BGD-1531310923BM+18288656586BI

H1: Board size has a significant impact on the reduction of earnings management.

The model shows that board size has a significant impact on increase earnings management of listed real estate Firms in UAE, as can we see that the coefficient has a positive sign and the P-value 0.0315<0.05 (Table 5).

The result produces a basis for rejecting the first null hypothesis formulated, which presumed that Board size has a significant impact on reducing earnings management. So, the board size does not reduce the earning management. In line with Kankanamage et al., (2016), the board of directors' size does not impact earnings management.

H2: Gender diversity has a significant impact on the reduction of earnings management.

The results show that the Board Gender diversity has an insignificant impact on reducing the management of earnings of real estate companies listed in the UAE. They found that the coefficient has a negative sign, and the P-value is 0.2876>0.05. It means having Board Gender diversity helps in decreasing earnings management.

However, the results serve as a basis for rejecting the second null hypothesis formulated as gender diversity has no impact on reducing earnings management. It is consistent with Ramsha Umer (2020) has a negative relationship with earnings management.
H3: Board Meeting has a significant impact on the reduction of earnings management.  

As we can see, the results show that the Board Meeting has a significant impact on reducing the management of earnings of real estate companies listed in the United Arab Emirates. It founded that the coefficient has a negative sign, and the P-value is 0.0355<0.05. This means that a board meeting helps reduce earnings management, which means the higher the board meeting, the lower the earnings management.

Moreover, the results serve as the basis for accepting the third null hypothesis that has been formulated as the Board Meeting has a significant impact on reducing earnings management. This is consistent with Kankanamage et al., (2016) that more board meetings will better control the managers' practices in earnings management.

H4: Board independence has a significant impact on the reduction of earnings management.  

The model also provides evidence of a significant positive relationship between board independence and earnings management of listed real estate firms in UAE. We can see that the coefficient has a positive sign and the P-value 0.0467<0.05, which implies that board independence doesn't impact reducing managers' manipulation of earnings.

Therefore, the results serve as a basis for rejecting the fourth null hypothesis formulated as Board independence has a significant impact on reducing earnings management. It is consistent with Bala & Kumai's (2015) work, which found that board independence does not impact earning management reduction.

CONCLUSION

Our research core objective and purpose are to analyze and examine the impact of Board characteristics: Board size, Board Gender Diversity, Board meetings, and Board independence on earnings management of listed real estate firms in the United Arab Emirates. Firstly, the study showed that the Board size and Board independence does not impact earning management reduction. Secondly, as the study indicates that Board Gender Diversity has an insignificant impact on reducing earnings management, the Board Gender Diversity helps reduce earnings management. Thirdly, as revealed in the study, Board meetings have a significant effect on decreasing earnings management. Thus, the more the number of meetings on the Board, the lower the earnings management. It means that the Board meeting helps to reduce earnings management. When there are more Board meetings, it's better to control managers' practices and have effective monitoring.

We recommend the real estate firms have gender diversity on the Board because the results show that gender diversity impacts decreasing earnings management. Also, they should have a higher number of meetings in the Board because, as shown in the results Board meeting has a significant impact on reducing earnings management, therefore the more meetings, the lower the earnings management.

Furthermore, we recommend other researchers who will research the impact of the Board of Director's characteristics on earning management to investigate the other Board characteristics like CEO duality and Board financial expertise. Moreover, analyze and examine other sectors such as insurance, bank, and telecommunication sectors.
REFERENCES


