EFFECT OF GENDER ON FINANCIAL STATEMENT QUALITY AMONG MANUFACTURERS LISTED ON INDONESIAN STOCK EXCHANGE

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ABSTRACT

In 2021 online media katadata mentioned that women represented in the corporate leadership still face challenges. The same is true for the Indonesia Stock Exchange. In 2018 only 2 women represented 2 companies, and in 2019-2020 only 2 women were on committee boards in 2 companies and 3 women served as board directors for 3 companies. Purpose of this study is to test the influence gender equality against quality reporting of proxied finance in auditor's opinion.

This research is an associative quantitative study which analyses units of audited financial statements and independent auditor reports issued by KAP. This study uses secondary data, and the data analysis technique used is logistic regression with SPPS version 26. The sample selection uses purposive sampling method. The results of the research show that committee boards and boards of directors no own influence to quality financial reporting.

Keywords: gender, board committee, board of directors, financial reporting quality.

INTRODUCTION

Financial reporting notes information about company finances in one accounting period that describe company performance. Financial reporting is most frequent method for describing company performance. Purpose is to give relevant information for financial user reporting to internal nor external parties. Financial reporting could be said to be reliable if reporting has been checked or has been audited by third parties which is independent auditors. Result of the examination carried out by the auditor will produce auditor's report in the form of audit opinion.

Regulation about financial reporting loaded in regulation Financial Service Authority no. 29/POJK.04/2016 article 7 paragraphs 1 and 2. It states that issuer or mandatory public companies convey annual reports to OJK no later than the end of the fourth month after the book keeping closed for the year, and *a* company that has gone public must convey prepared financial reports in accordance with Standard Finances Accountancy that have been audited by public accountants (Finance, 2016).

Some issues that have been developed recently these years are about gender-based issues in *board diversity*. Diversity is said to be different things for different people. Good company governance includes diversity in the composition of board directors, in study this is the board

of directors proxied to the audit committee and the board of directors. Gender diversity is expected to get trust from investors so that there is good company governance.

Rules governing gender equality are contained in Law No. 1 of 2017. The Ministry of Women's Empowerment and Child Protection (2021) also states that every company is obliged to provide equal opportunities for men and women.

2021 online media katadata states that women represented in company leadership positions still face challenges, according to Bi Yuliawati faiz. According to UN Women's research, 84% of companies in Indonesia stated that at least there is 1 woman on the board of directors. The following table shows the ratio of men to women on boards of directors and on boards of audit committees among manufacturers listed on the Indonesia Stock Exchange during 2018 – 2020.

This table shows initial gender composition on the board of directors and boards of audit committees of manufacturers on the Indonesia Stock Exchange in 2018 – 2020, with sample of 10 companies.

In organizational structure, the audit committee has a role in supervision as well as in senior reviews of information presented. The role of the board of commissioners is to lead as well as

Gender	Year					
	2018		2019		2020	
	Committee	Directors	Committee	Directors	Committee	Directors
Women	2	2	2	3	2	3
Men	8	8	8	7	8	7
Total	10	10	10	10	10	10

manage by comprehensive and inclusive maintain, control and manage assets in accordance with company purpose. Peni & Vähämaa's (2010) study discloses that women and men own different actions when faced with the same conditions, for example: leadership style, communication, risk avoidance and in decision-making, so gender difference among top-level managers could affect taking decision.

Gender equality studies can be explained through upper echelons theory (UET). A previous study by Maula & Rakhman (2018) states that gender-based diversity on boards has an effect to level violating financial reporting rule. Only female CEOs and the female proportion of the board of directors while the female CFO and the proportion of women on the audit committee no own influence on the level of violation during financial reporting. Sugiharto & Rudiawarni (2017) explain that gender variability has a negative influence on discretionary accruals, and women also have a negative effect on control variables (leverage). Israel (2020) states that female CEOs do not have an effect on the quality of financial reporting (discretionary accruals), female CEOs have a positive impact on fair audit opinion without exception. Preference risk could moderate female CEOs in quality financial reporting. Mother Earth (2019) states that the gender of the audit committee does not influence the quality of financial reporting at the company in case this is Mark persistence.

REVIEW OF RELATED LITERATER

Upper Echelons Theory

UET states that draft management peak is the main strategic decision-maker in an organization. Strategic decisions made lead to direct impacts on outcomes for the company. Party management own not quite enough answer to the company or organization by thorough. Based on these characteristics, what to do and how party management works will influence results and outcomes for companies. Focus to characteristics management peak will produce strong explanation of outcomes, including namely:

a. age
b. education
c. term in office
d. crises

Report Finance

Financial statements according to PSAK No. 1 in 2018, which is part of the financial reporting process. Complete financial statements usually present a balance sheet, income statement, statement of changes in financial position and notes to financial statements. Financial statements are reports that show the financial condition of a company currently or within a certain period and the components of the complete financial statements according to Indonesian Institute of Accountants, 2018 .

a. Statement of financial position at the end of the period.
b. Statement of profit or loss and other comprehensive income during the period.
c. Statement of changes in equity during the period,
d. Statement of cash flows for the period,
e. Notes of financial statements, containing a summary, significant accounting policies and other explanatory information,

Statement of financial position at the beginning of the nearest prior period when the entity applies an accounting policy retrospectively or remanufactures about presentation of posts in the financial report or entity reclassifies items in its financial statements.

Auditors must have relevant qualifications, understand the criteria used, and should have the competence to know the type and amount of evidence needed to reach the right conclusions (Arens *et. al.*, 2015) . The last stage in the audit process is report-writing by providing an opinion based on the auditor's professional beliefs. The audit opinion is expressed in an opinion paragraph on the audit report. The auditor 's report must contain a statement of opinion in the financial statements as a whole. The financial statements referred to in a reporting standard is a balance sheet, income statement, changes in equity, cash flows and notes to financial statements.

According to Arens *et. al.*, (2015) the auditor's opinion consists of:

a. Unqualified opinion
b. Unqualified opinion with explanatory language
c. Fair With Exception (qualified opinion)
d. Unreasonable opinion (adverse opinion)
e. Refuse to give an opinion (disclaimer of opinion)

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Gender

The term gender has a broader meaning than gender type. Gender includes leadership style, communication style, risk level and decisions taken by somebody (Peni & Vähämaa, 2010). The possibility of a man adopting a feminist leadership syle or a woman adopting a masculine leadership style is remote. Therefore, usually the meaning of gender being one worries that the data is not reflect actual conditions (Sugiharto & Rudiawarni, 2017) .

Gender Diversity

Board gender diversity occurs. This indicates existence of different characteristics among board members, according to Robinson and Deschant.

Previous Studies

No.	Name Research year	Research Title	Research Variable	Research Result
1.	(Sugiharto & Rudiawarni, 2017)	Influence Female Executive Against Quality Report Finance by Sector Manufacturers Listed on the IDX for the Period 2012 – 2014	Dependent Variable: Discretionary Accruals (DA) audit opinion Independent Variables: 1. female executive variable control 2. leverage 3. loss	H1: Influential female executive negative significant to variable DA H2: Leverage has effect negative significant to DA variable ." H3: Effective loss is of negative significant to DA variable ."
2.	(Maula & Rakhman, 2018)	Influence Board Diversity (Female CEO, Female CFO, Proportion Women's Audit Committee) Against Violation Rule Report Finance	Dependent variable: violation report finance Independent variable: 1. Female CEO 2. Female CFO 3. Proportion of audit committee	H1: Female CEO and proportion of females on audit committee has effect on rule violations during financial reporting H2: CFO does not have effect on rule violations during financial reporting.
3.	(Pertiwi, 2019)	Influence Characteristics Audit Committee Against Quality Report Non-Financial Company Finance With Audit Quality As Variable Moderation	Dependent Variable: Quality report finance Independent Variables: 1. committee (Gender) Variable Moderation 2. Audit Quality	H1: Gender-independent commissioner , influential audit committee and persistent financial reporting quality. H2: Gender-independent commissioner and audit committee not affecting financial reporting quality predictability . H3: Gender-independent

				commissioner and influential audit committee to quality report finance (value) conservatism H4: Gender-independent commissioner and influential audit committee to quality financial reporting (value) accuracy time (timeline) H5: Audit quality (big four) can be moderate commissioner-independent, gender and influential audit committee to financial reporting quality
4.	(Israini, 2020)	Influence of Female CEO on Quality Report Finance: Preference Risk As Moderator	Dependent Variable: Quality Report Finance Independent Variables: 1. Gender-Variable Moderation 2. R risk	H1: Female directors have no impact on financial reporting quality (value) Discretionary Accruals H2: Female CEOs have positive impact on financial reporting quality (audit opinion) H3: Preferences risk could moderate influence of female CEOs on financial reporting quality.

RESEARCH MODEL
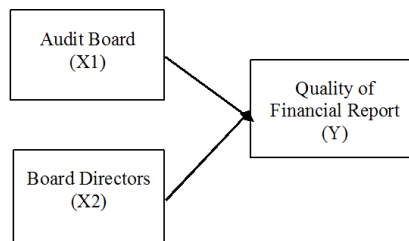
Study Limitations

After research and evaluation were conducted, to results so scale dummy measurement is less measurement so good so that result in variable X is not relate direct to variable Y.

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STUDY METHOD

Study Type

This study is research in accountancy, finance and auditing with a quantitative paradigm. It uses test influences of variables with logistic regression test tool.

Operational Definitions of Variables

No.	Variable	Operational definition	Indicator	Measuring Tool	Reference
1	Gender	"Difference between women and men	Women, audit committee	Variable dummy No woman = 0 Women = 1	(Indonesia, 2017) (Maula & Rakhman, 2018)
			Women, board of directors	Variable dummy No woman = 0 Women = 1	
2	Opinion audit	"The audit opinion is in opinion paragraph in the audit report."	Opinion given by the auditor	Variable dummy WTP Opinion = 1 Non-WTP opinion = 0	(Arens *et. al.*, 2015)

The operational definitions of variables are presented below:

Population and Sample

The study population is all companies listed on the Indonesia Stock Exchange for the period 2018 – 2020. The sample total is derived from characteristics possessed by the population (Sugiyono, 2015) . Sample determination uses the purposive sampling method, with sample election including criteria (Sugiyono, 2015) . Defined criteria in sample determination are:

a) Companies registered consecutively in the 2018-2020 period.
b) Complete reports presented from 2018 – 2020.

No.	Criteria	Company tally
1.	Companies listed during the period 2018 – 2020.	193
2.	Inconsistent published company annual reports for the period 2018-2020	183
	Number of samples	10
	Years of observation	3
	Number of observation samples	30

Samples are categorized into two groups based on later audit report quality proxied with audit opinion on the type of audit opinion received, namely companies that received a fair opinion without exception and those which got non-qualified audit opinions without exception. Distribution of sample companies is based on receipt of the auditor's opinion.

Distribution table of sample companies based on audit opinion

Opinion	Year		
	2018	2019	2020
WTP	10	10	9
N WTP	0	0	1
Total	10	10	10

Data Types and Sources

This quantitative study and data collection carried out to collect data in this study is the method of documentation. Method of documentation collection includes sourcing data from recorded notes and financial statements obtained from the Indonesian Stock Exchange website. This secondary data consists of reports, company annual reports and auditor's independent reports.

Data Analysis Techniques

Data analysis was done by using logistic regression because the dependent variable is quality. Proxied financial reports with variable audit opinion uses qualitative data by measuring dummy variables and independent variables are a combination of metric and non-metric (Ghozali , 2016). Ghozali (2016) states that "logistic regression is used to test whether the probability of the occurrence of the dependent variable can be predicted with the independent variable and logistic regression does not require the assumption of normality" data on the independent variable. The logistic regression model used is shown by the equation:

$$\ln \frac{OA}{1-OA} = \propto + \beta_1 \text{ board gender audit committee} + \beta_2 \text{ genders of the board of directors}$$

Description =

$\ln \frac{OA}{1-OA}$ = probability to get auditor's opinion

$\propto$ = constant

β = regression coefficient

Gender = type sex

according to Ghozali (2016) The stages in logistic regression testing are as follows:

1. *Assessing the Overall Model*

This test is used to assess whether the "hypothesized" model fits or not with the data. The hypotheses for assessing model fits are:

 a. Ho: The hypothesized model fits the data

 b. H $_1$: The hypothesized model does not fit the data

The assessment of "the whole model is carried out by comparing the value between 2 log likelihood (-2LL) at the beginning (block number = 0) where the model includes a constant with a value of -2 log likelihood (-2LL)" at the end (block number = 1) where the model

includes constants and independent variables. If the value of -2LL Block number = 0 > from the value of -2LL Block number = 1 this indicates a good regression result (Ghozali, 2016) .

2. *Determinant Coefficient (Naglkerke R Square)*

"The value of R Square shows how much the independent variable is able to explain and influence the dependent variable." The value of R Square is between 1 to 0, if the value is close to 1, the model will be considered the more goodness of fit, if the value is close to 0 then the model is considered not goodness of fit (Ghozali, 2016) .

3. *Assessing the Feasibility of the Regression Model*

The feasibility of this logistic regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's goodness of fit test will be the null hypothesis that the empirical data will fit or not fit the model. The results according to Ghozali (2016) :

a. If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05, the null hypothesis is rejected, meaning that there is a significant difference between the model and the observed value.

b. If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, the null hypothesis cannot be rejected, meaning that the model is able to predict the value of its observations.

Descriptive Statistics

Descriptive statistical tests provide a description of the data seen from the average value (mean), standard deviation (standard deviation), variance (variance), minimum value, maximum value, sum, range (Ghozali, 2016) .

Descriptive Statistics

	N	Range	Min.	Max.	Sum	Mean	Std. Error	Std. Deviation	Variance
Board of Commissioners	30	1.00	0.00	1.00	6.00	0.2000	0.07428	0.40684	0.166
Board of Directors	30	1.00	0.00	1.00	8.00	0.2667	0.08212	0.44978	0.202
QualityLK	30	1.00	0.00	1.00	29,00	0.9667	0.03333	0.18257	0.033
Valid N (listwise)	30								

Test Hypothesis

This study uses a logistic regression test to test both research hypothesis and get a significance level of 95%. The first step in testing the hypothesis is to test the feasibility of the regression model using Hosmer and Lemeshow. The results obtained from these tests are as follows:

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	0.000	2	1,000

Source: SPSS Output, 2021

The Hosmer and Lemeshow table shows a significance value of 1.00 where a regression model is said to be feasible if the Hosmer and Lemeshow significance value is 0.05, so it can be concluded that the null hypothesis is accepted, which means the model fits the data.

The second step is to test the overall model (Overall Model Fit Test) to assess the hypothesized model is fit or not with the data. The results obtained from these tests are as follows:

Overall Model Fit Test

Iteration History [a,b,c]

Iteration		-2 Logs Likelihood	Coefficients Constant
Step 0	1	12,361	1,867
	2	9,244	2,734
	3	8,792	3,217
	4	8,769	3,357
	5	8,769	3,367
	6	8,769	3,367

Source: SPSS Output, 2021

Overall model fit test table shows the value of -2LogL at the beginning (block number = 0) of 12,361 while the value of -2LogL at the end (block number = 5) is 8,769. The initial -2LogL value is greater than the final -2LogL, so it can be concluded that the hypothesized model fits the data.

The third step is testing the coefficient of determination (Nagelkerke's R Square Test) to find out how much the combination of independent variables is able to explain dependent variable. The results obtained from these tests are as follows:

Nagelkerke's R Square Test

Model Summary

Step	-2 Logs likelihood	Cox & Snell R Square	Nagelkerke R Square
1	7,724 [a]	0.034	0.135

Source: SPSS Output, 2021

The table of Nagelkerke's R Square T Test shows the value of Nagelkerke's R Square of 0.135, which means 13.5% of the variables quality report finance that is influenced by the

independent variable, namely gender equality. Meanwhile, 86.5% of financial report quality is influenced by other independent variables outside of this study.

The fourth step is to carry out simultaneous testing (Omnibus Test Of Model Coefficient) to test whether the independent variables simultaneously affect the dependent variable. The results obtained from this test are as follows:

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	1.045	2	0.593
	Block	1.045	2	0.593
	Model	1.045	2	0.593

Source: SPSS Output, 2021

The omnibus test of model coefficient table shows a significance value of 0.593 where the significance level is above 0.05 so that it can be concluded that the independent variables used together or at least one of the independent variables used do not have an effect on the dependent variable.

DISCUSSION OF RESEARCH RESULTS

Variables in the Equation

		B	SE	Wald	df	Sig.	Exp(B)	95% CIfor EXP(B) Lower	Upper
Step 1 a	Board of Commissioners	17,845	15460,354	0.000	1	0.999	56240592,360	0.000	.
	Board of Directors	17,996	13611,939	0.000	1	0.999	65394656,128	0.000	.
	Constant	2,833	1.029	7.581	1	0.006	17,000		

Source: SPSS Output, 2021

Based on the table above, the following logistic regression equation is obtained:

$$\ln\frac{OA}{1-OA} = 2.833 + 17.845\text{KA} + 17.996\text{DR}$$

Description:

$\ln\frac{OA}{1-OA}$ = quality report proxied finance with auditor's opinion

$\propto$ = constant

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KA   = dummy variable, value is 1 if women are on committee audits, and value is 0 if no women are on the committee audits.

DR   = dummy variable, value is 1 if women is on board of directors, and value is 0 if no women are on board of directors

Influence of Gender Equality in Audit Committees on Financial Reporting Quality

Gender equality variables represented by the audit committee shows a positive regression coefficient of 17.845 with a significance level of 0.999, which means it is greater than 0.05. Because the significance level is greater, the hypothesis is not successfully supported so it can be said that the gender equality variable of the audit committee does not influence financial reporting quality.

Law no. 1 of 2017, article 5, "everyone has the right" in acceptance, placement, education and training as well as promotions at all levels". The Ministry and Empowerment maintains that women be given equal opportunities in every company. On research this researched positions or discussed is gender on the audit committee board and the board of directors from 10 sample companies that have been studied between 2018 and 2020 only. There are 2 companies that placed a single woman on audit committee boards on which 2 men sat, namely SMGR and JPFA, if linked with

This study cannot support UET theory. On result study this known if the audit committee board does not own influence to opinion issued by the auditor. There is no difference between male and female audit committee boards regarding corporate outcomes. A possible cause is because there are still too few women on audit committee boards. These research results are in line with this study (Peni & Vähämaa, 2010; Israini, 2020).

Influence of Gender Equality among Boards of Directors on Financial Reporting Quality

Gender equality variables represented by the board of directors shows a positive regression coefficient of 17.996 with a significance level of 0.999, which means it is greater than 0.05. Because the level of significance is greater, the hypothesis is not successfully supported so that it can be said that the gender equality variable on the board of directors has no influence on financial reporting quality.

Based on 10 samples of companies that have been studied from 2018 to 2020, there are 3 companies that placed women on the board of directors: SMGR, NIKL and SIPD.

This study cannot support UET theory. On result study this known if the audit committee board does not influence the auditor's opinion. There is no difference between male and female audit committee boards regarding corporate outcomes. A possible cause is because there are still too few women on audit committee boards. These research results are in line with this study.

RESULTS AND DISCUSSION

Standard finance report contained in PSAK no. 1, 2, 3 and 4. This shows financial reporting performance quality by a company. Based on prior studies, there is a number of influencing factors. One factor suspected own influence of financial reporting quality is gender equality represented by the audit committee and the board of directors in a company.

The data that will be used in this study are manufacturing companies listed on the Indonesia Stock Exchange for the period 2018 -2020. Data was collected companies' annual reports. A

sample study was chosen using purposive sampling obtained as many as 10 companies. Observation and analysis was done for 3 years on 30 sets of data.

CONCLUSION

Based on test results, the following can be concluded:

1. Variation in gender equality is represented by the audit committee board and is proven to have no influence on proxied financial reporting quality in the auditor's opinion. Hence, auditors will arrive at the same conclusions irrespective of whether women are present or not on boards of audit committees.

2. Variation in gender equality is represented by the board of directors and is proven to have no influence on proxied financial reporting quality in the auditor's opinion. Hence, auditors will arrive at the same conclusions irrespective of whether women are present or not on boards of directors.

SUGGESTIONS

In future, expected to replace gender indicators with other indicators, for example accuracy, experience, work or age, and manner measurement with expected dummy variable can be replaced by interval measurement or ratios.