



Nexus of Gender Diversity and Corporate Governance: Ana-lyzing Their Effects on Firm Performance with Accrual Earning Management as a Moderating Factor

Mardianto¹, Siti Eldiani Nurrahma^{2*}

^{1,2} Fakultas Bisnis dan Manajemen, Universitas Internasional Batam

* E-mail Korespondensi: sitieldiani28@gmail.com

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A B S T R A C T

This study aims to examine the effect of board gender diversity, corporate governance quality, and accrual earnings management on firm performance. The research employs a quantitative approach using multiple regression analysis on secondary data obtained from the annual reports of companies listed on the Indonesian Stock Exchange. Firm performance is measured using return on assets (ROA), gender diversity is proxied by the proportion of female directors on the board, corporate governance quality is measured using the Corporate Governance Index (CGI), and accrual earnings management is measured using discretionary accruals based on the Jones Model. The results indicate that gender diversity has a positive and statistically significant effect on firm performance, suggesting that a higher presence of female directors is associated with better company performance. In contrast, corporate governance quality is found to have a negative and significant relationship with firm performance, indicating that higher governance scores do not necessarily translate into improved financial outcomes. Accrual earnings management also shows a positive and significant effect on firm performance, implying that higher discretionary accruals are associated with higher reported performance. This study contributes to the corporate governance literature by providing empirical evidence from an emerging market context and by highlighting the complex roles of gender diversity, governance quality, and earnings management in shaping firm performance. However, the findings are subject to limitations related to the use of publicly available data and may not be generalizable to countries with different institutional and regulatory environments.

Keywords: Gender Diversity, Corporate Governance, Firm Performance, Accrual Earning Management

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INTRODUCTION

In recent years, corporate governance has received an increasing amount of attention, especially in studies exploring the role of gender diversity on corporate boards and its influence on firm performance. Many studies have observed that having a more diverse board, especially with a female representation can result in richer perspectives, better decision-making, and, in some cases, stronger financial outcomes (Amin et al., 2022; Mvita & Toit, 2024). Building on this foundation, more than two decades of empirical research have examined the board gender diversity-performance relationship, with findings that are mixed but largely positive (Sheeba Kapil, 2025). Systematic reviews further highlight that female directors contribute through enhanced monitoring, human capital, and demographic complementarities, which help strengthen governance and firm outcomes (Hindasah & Harsono, 2021).

Evidence from emerging markets, including Indonesia, similarly reflects a positive association between gender-diverse boards and company performance. A global review of studies across twelve countries—including Indonesia, Turkey, Ghana, the United Kingdom, Greece, Pakistan, Russia, Brazil, and India—shows that board gender diversity is generally linked to improved financial results (Natalia et al., 2023). More recent literature also expands the scope beyond financial metrics, about 75% of studies identify connections between gender diversity, ESG performance, and broader stakeholder accountability, indicating that female leadership influences both economic and sustainability outcomes (Agustin et al., 2023). Cross-country comparisons suggest that developed economies with higher gender parity show stronger positive effects of women on boards than emerging economies, implying that Indonesia's institutional context may influence the magnitude of these relationships (Sheeba Kapil, 2025).

While gender diversity is an important aspect of board composition, it ultimately fits within the broader framework of corporate governance that shapes how companies are supervised and controlled. The success of female directors is often influenced by the governance environment in which they operate, making it important to consider overall governance quality when evaluating results at the company level. Governance practices in Indonesia are still evolving, and companies still face challenges related to transparency and management oversight (Itan et al., 2024). This situation reinforces the importance of strengthening governance mechanisms to improve the effectiveness of boards of directors and reduce opportunistic management behavior (Chandra & Cintya, 2021).

Earnings management, particularly through discretionary accruals, is an important dimension of financial reporting behavior that influences how companies portray their economic performance to external stakeholders (Nguyen & Duong, 2022). While some studies describe accrual earnings management as an opportunistic act that undermines reporting quality and misleads investors (Debnath, 2017; Verma et al., 2025), others view it as a potential signaling mechanism through which managers convey private information about future prospects (Abbas & Ayub, 2019). These conflicting perspectives have yielded mixed empirical evidence, with some findings suggesting that earnings manipulation can temporarily improve accounting or market performance indicators (Zimon et al., 2021), while other studies document negative effects—particularly in environments where managerial discretion is high and governance mechanisms are weak (Moardi et al., 2019). Overall, the relationship between earnings management and corporate performance appears to be highly dependent on governance quality, managerial incentives, and broader institutional conditions (Hussain et al., 2020). In emerging markets such as Indonesia, where governance practices are still developing, earnings management is a highly relevant factor that can interact with board characteristics and governance structures in shaping corporate outcomes.

RESEARCH METHODOLOGY

This study takes a quantitative approach since it places a high importance on hypothesis testing, makes extensive use of quantifiable data, and produces conclusions that may be extended to other circumstances. This study makes use of secondary data that was gathered from multiple relevant sources. The data used comes from the financial reports and the annual reports of companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2024 period. The sample consist of 315 firms that remained listed throughout the observation period, published complete financial and annual reports, and disclosed the presence or absence of female directors on their boards. Across five years of observation and nine variables analyzed in this research, a total of 14,175 data points were collected.

Types and Data Sources

The data used is secondary data obtained from financial and annual reports. The data can be accessed from the company's official website and www.idx.co.id.

Research Variables

To further facilitate a clear understanding of the key constructs used in this research, the following table presents definitions for each variable included in this research. These variables

are critical to analyzing the relationship between gender diversity in corporate boards, corporate governance quality, accrual earnings management, and firm performance. Each definition provides insight into how these constructs are measured and their relevance to the overall research framework.

Table 1. Variables

Variable	Type	Description
Firm Performance	Dependent	The net income divided by the total assets (Wang et al., 2024)
Gender Diversity	Independent	The proportion of board positions occupied by female directors in year t (Mvita & Toit, 2024)
Corporate Governance Index	Independent	Evaluating six key governance characteristic. Each characteristic is coded as 1 when the firm satisfies the criteriom for strong governance practices and 0 otherwise. The overall CGI score is calculated by summing these six indicators: Board of independence, Institutional Ownership, Ownership Concentration, Stability of BOD, Related Party Transactions (Eshagniya & Salehi, 2017)
Accrual Earning Management	Independent	Using the Modified Jones Model (Dechow et al., 1995)
Firm Size	Control	Log of Total Assets (Mvita & Toit, 2024)
Firm Age	Control	Number of Years of the Company since its incorporation (Mardianto, R., Karina, R., 2024)
Growth	Control	
P/B Ratio	Control	Percentage Changes in Sales (Mvita & Toit, 2024)
Liquidity	Control	Share Price @ Company Financial Year End/[(Ordinary Shareholders Interest/Nr of Ordinary Shares in Issue @Year End) / 100] (Mvita & Toit, 2024)
Debt to Equity Ratio	Control	Current Assets Divided by Current Liabilities (Mvita & Toit, 2024) (Total Long-Term Loan Capital ÷ Total Current Liabilities) / Total Owners Interest (Mvita & Toit, 2024)

Dependent Variable

The dependent variable in this study is firm performance, which is measured using ROA. Return on Asset (ROA) is widely utilized as a metric for corporate performance (Sarkar & Selarka, 2021). Aligning with these studies, ROA is used in our analysis to evaluate firm performance. According to Wang et al., (2024) ROA is a term in accounting that assesses a company's net income in relation to its total assets, and this study uses that method to calculate Firm Performance, as shown below:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

RESULTS AND DISCUSSION

Descriptive Statistics and Correlation

Table 2. Statistics and Correlation

Variables	Obs	Mean	Std. Dev.	Median	Min	Max
FP	1575	0.125	0.629	0.033	-2.485	10.215
GD	1575	0.604	1.059	0.000	0.000	21.000
CGI	1575	1.185	0.756	1.000	0.000	3.000
AEM	1575	-0.033	0.413	-0.019	-9.444	4.103
FZ	1575	12.400	0.761	12.389	9.667	15.079
GR	1575	2.842	32.982	0.045	-1.000	1138.872
PBR	1575	4.635	51.805	0.878	-	956.385 385.364
FA	1575	36.249	16.682	35.000	1.000	112.000
LQ	1575	2.840	7.944	1.495	0.007	208.445
DER	1575	9.374	246.088	0.761	-	9405.582 753.352

Table 2 presents the results of the descriptive statistical analysis for all variables in this study. Firm performance (FP) has an average value of 0.125, indicating moderate profitability among the sampled firms. Gender diversity (GD) has a mean of 0.604, suggesting that, on average, around 60% of the boards in Indonesian listed firms include at least one female director, indicating relatively low representation overall. The Corporate Governance Index (CGI) averages 1.185 out of a maximum of 3, showing that only about 40% of the governance indicators are optimally implemented. Accrual earnings management (AEM) has a mean of -0.033, suggesting that most firms engage in low discretionary accruals, indicating minimal earnings manipulation. For control variables, the firms in the sample are generally mature, with an average firm age (FA) of 36 years, and maintain sufficient liquidity (LQ = 2.840), implying that current assets are nearly three times higher than current liabilities on average. The debt-to-equity ratio (DER) averages 9.37%, but with a wide variation, reflecting large differences in firms' capital structures and financial leverage. Overall, the descriptive results indicate substantial variation across Indonesian listed companies in terms of profitability, governance

quality, and financial characteristics

Table 3. Pearson Correlation

	FP	GD	CGI	AEM	FZ	GR	PBR	FA	LQ	DER
FP	1.000									
GD	0.067*** (0.008)	1.000								
CGI	-0.021 (0.394)	-0.052** (0.038)	1.000							
AEM	0.138*** (0.000)	-0.020 (0.432)	0.020 (0.439)	1.000						
FZ	0.001 (0.980)	-0.008 (0.744)	0.016 (0.518)	0.003 (0.919)	1.000					
GR	0.039 (0.121)	-0.016 (0.517)	-0.018 (0.470)	-0.005 (0.850)	0.122*** (0.000)	1.000				
PBR	0.024 (0.339)	-0.062** (0.015)	0.015 (0.562)	-0.021 (0.409)	0.019 (0.440)	-0.022 (0.374)	1.000			
FA	0.063** (0.012)	0.046* (0.066)	0.052** (0.037)	0.033 (0.191)	0.204*** (0.000)	0.084*** (0.001)	-0.056** (0.026)	1.000		
LQ	0.048* (0.059)	-0.021 (0.394)	0.040 (0.108)	0.038 (0.134)	- (0.000)	-0.050** (0.047)	-0.039 (0.122)	0.056* (0.025)	1.000	
DER	- 0.069*** (0.006)	0.006 (0.802)	0.002 (0.940)	-0.047* (0.060)	0.089*** (0.000)	0.003 (0.897)	0.097*** (0.000)	0.031 (0.218)	- 0.151* (0.000)	1.000

p-values in parentheses

* p < 0.1, ** p < 0.05, *** p < 0.01

Table 3 presents the results of the Pearson correlation analysis, which measures the strength and direction of the relationships among variables. Firm performance (FP) shows a significant positive correlation with gender diversity (GD), indicating that companies with greater female representation on boards tend to achieve better performance. FP also exhibits a positive association with accrual earnings management (AEM), suggesting that higher discretionary accruals may contribute to improved short-term financial outcomes. Meanwhile, the correlation between FP and the Corporate Governance Index (CGI) is negative but insignificant, reflecting that variations in governance quality do not necessarily translate into immediate performance differences. Regarding control variables, FP is positively correlated with firm age (FA) and liquidity (LQ) but negatively associated with leverage (DER), indicating that older, more liquid firms with lower debt ratios tend to perform better. Overall, the correlation coefficients are relatively low, showing that multicollinearity is not a concern in the subsequent regression analysis.

Regression Result

Table 5. Regression Result

	(1) FP
GD	0.0286*** (9.27)
CGI	-0.0110** (-3.02)
AEM	0.429*** (7.65)
FZ	-0.00296 (-0.47)
GR	0.00198 (0.94)
PBR	0.00246 (2.05)
FA	0.00124** (4.01)
LQ	0.00374 (1.05)
DER	-0.00719** (-4.11)
_cons	0.0814 (1.05)
r2	0.0372
r2_a	0.0292
N	1575

t statistics in parentheses

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

The regression results show that gender diversity on the board of directors has a positive and statistically significant effect on company performance ($\beta = 0.0286$, $p < 0.01$), indicating that companies with a higher proportion of female directors tend to perform better. Corporate governance quality was found to have a negative and significant relationship with company performance ($\beta = -0.0110$, $p < 0.05$). Accrual management also shows a positive and significant effect on performance ($\beta = 0.429$, $p < 0.01$). Among the control variables, the price-to-book ratio ($\beta = 0.00246$, $p < 0.05$) and company age ($\beta = 0.00124$, $p < 0.01$) showed a positive and significant relationship with company performance, while leverage measured by DER showed a negative and significant effect ($\beta = -0.00719$, $p < 0.01$). Other control variables, including company size, growth, and liquidity, were not statistically significant. The model reports an R^2 of 0.0372, indicating that the independent variables explain 3.72% of the variation in company performance.

Discussion

The findings show that gender diversity on boards of directors has a positive and significant impact on company performance, supporting H1. These results are in line with the literature suggesting that female directors can improve oversight, ethical control, and the quality of strategic decisions. In the Indonesian context—where the number of women on boards of directors is still relatively limited—the positive coefficient may reflect the impact of women who have achieved such positions through strong professional qualifications and achievements, thereby contributing significantly to the quality of governance. These results are also consistent with studies showing that even a small increase in gender diversity can improve board discussions and management oversight (Sohdi, 2024; Yana et al., 2025).

Conversely, corporate governance quality shows a negative and significant relationship with company performance, thereby rejecting hypothesis H2. These results may indicate that governance mechanisms in Indonesia are still dominated by a compliance approach rather than a performance orientation. Strengthening governance structures often increases the intensity of supervision and administrative costs, which can suppress short-term profits. This negative effect may also reflect that companies with poorer performance tend to adopt stricter governance mechanisms as a corrective response, creating a reverse causality dynamic in emerging markets. Therefore, these findings highlight the complexity of governance effectiveness in institutional environments where the quality of law enforcement and governance maturity vary greatly.

Accrual profit management shows a positive and significant impact on company performance, supporting H3. This suggests that managers may strategically use discretionary accruals to increase reported profits, meet performance targets, or mitigate revenue volatility which can improve short-term performance indicators. Although earnings management is often viewed negatively, these findings are consistent with the literature showing that accrual adjustments can temporarily increase profitability and present a more favorable financial picture (Maharany et al., 2024). This effect highlights the importance of carefully interpreting performance metrics, especially in markets where investor scrutiny may be limited.

For control variables, only growth opportunities, company age, and leverage showed significant effects—growth and company age had a positive relationship with company performance, while leverage had a negative impact. Other control variables such as company



size, liquidity, and sales growth did not show a significant relationship.

Altogether, these findings emphasize that board composition and management reporting choices play an important role in shaping corporate performance in Indonesia. Meanwhile, corporate governance mechanisms may require further strengthening to generate consistent performance benefits. These results contribute to a deeper understanding of how governance dynamics operate in emerging markets and highlight areas where regulatory or structural improvements could enhance corporate outcomes.

CONCLUSIONS

This study analyzes the effect of gender diversity on the board of directors, corporate governance quality, and accrual management on company performance on the Indonesia Stock Exchange (IDX). The results of this study indicate that the presence of women on the board of directors has a positive and statistically significant impact on performance, supporting H1, presumably because individuals who occupy these positions have strong qualifications and enrich the decision-making process. Conversely, corporate governance quality shows a negative and significant influence, thus rejecting H2. This may be due to governance practices in Indonesia that still focus on regulatory compliance rather than performance improvement, or because companies with poor performance tend to tighten governance as a reactive measure. Accrual management is also proven to have a positive and significant impact, supporting H3, indicating that certain accrual adjustments can make companies appear more stable in the short term. Among the control variables, only growth opportunities and company age had a positive impact, while leverage had a negative impact. Overall, these results highlight that the composition of the board of directors and management's financial reporting choices significantly affect performance, while governance practices may require further strengthening to produce consistent performance benefits.

These results overall emphasize that the composition of the board of directors and management reporting choices play an important role in shaping corporate performance in Indonesia. Meanwhile, corporate governance mechanisms may require further strengthening to produce consistent performance benefits. These results also deepen our understanding of how governance dynamics operate in emerging markets and highlight areas where regulatory or structural improvements could enhance corporate outcomes. To further enrich this understanding, future research could explore more exploratory avenues. For example, the use of



qualitative approaches, such as interviews, could help clarify the dynamics behind the numbers such as how women actually participate in strategic discussions on the board of directors and what makes their contributions felt in the decision-making process. This approach could add a new dimension that is not always apparent from quantitative data alone.

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