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Chief Executive Officer, Chief Financial Officer, Board of Commissioners, Audit Committee And Financial Reporting Fraud In Gender Perspective

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Abstract

The purpose of this study is to examine whether the presence of women in executive positions such as CEO, CFO, board of commissioners and audit committee can reduce the occurrence of financial statement fraud. This research uses quantitative study research. This research focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2022. The analysis technique used in this study is panel data regression. The results of this study prove that female CFOs and audit committees have a negative and significant influence. This indicates that the presence of women in the CFO position and in the audit committee can reduce the occurrence of financial statement fraud in companies. This study offers a different perspective with the two-tier system on corporate governance in a developing country, namely Indonesia, about the impact of female CEO, CFO, board of commissioners and audit committee on the occurrence of financial statement fraud. The practical implications of this research are first, the importance of promoting gender diversity of executives as a corporate governance mechanism. Second, it can provide recommendations or requirements for gender diversity as part of corporate governance mechanisms to create gender equality.

Keywords: Chief Executive Officer, Chief Financial Officer, Board of Commissioners, Audit Committee And Financial Reporting Fraud

Abstrak

Tujuan dari penelitian ini adalah untuk menguji apakah keberadaan perempuan di posisi eksekutif seperti CEO, CFO, dewan komisaris dan komite audit dapat mengurangi terjadinya kecurangan laporan keuangan. Penelitian ini menggunakan penelitian kuantitatif. Penelitian ini berfokus pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2013 hingga 2022. Teknik analisis yang digunakan dalam penelitian ini adalah regresi data panel. Hasil penelitian ini membuktikan bahwa CFO perempuan dan komite audit memiliki pengaruh negatif dan signifikan. Hal ini menunjukkan bahwa keberadaan perempuan di posisi CFO dan di komite audit dapat mengurangi terjadinya kecurangan laporan keuangan di perusahaan. Penelitian ini menawarkan perspektif yang berbeda dengan sistem dua tingkat tentang tata kelola perusahaan di negara berkembang, yaitu Indonesia, tentang dampak CEO, CFO, dewan komisaris dan komite audit wanita terhadap terjadinya kecurangan laporan keuangan. Implikasi praktis dari penelitian ini adalah pertama, pentingnya mempromosikan keberagaman *gender* eksekutif sebagai mekanisme tata kelola perusahaan. Kedua, dapat

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memberikan rekomendasi atau persyaratan keberagaman *gender* sebagai bagian dari mekanisme tata kelola perusahaan agar dapat terciptanya kesetaraan gender.
Kata kunci: Chief Executive Officer, Chief Financial Officer, Dewan Komisaris, Komite Audit, Kecurangan Laporan Keuangan

1. INTRODUCTION

Financial reporting fraud is a form of material misrepresentation in financial reporting intentionally carried out by management, which can result in losses for investors and creditors (ACFE, 2014). A survey conducted by ACFE (2022) found that financial reporting fraud has the lowest proportion compared to other forms of fraud, such as corruption and asset misappropriation. However, its impact can lead to significant losses. The consequence of financial reporting fraud is that users of financial statements can be misled, as their analysis is not based on accurate information, thereby rendering decision-making invalid (Skousen et al., 2009). That is why companies require good corporate governance. One aspect of good corporate governance is the diversity in the composition of the executive team within a company (Isriani, 2020).

Diversity in the executive team in this study can be defined from various perspectives, one of which is the gender perspective (Gordini & Rancati, 2017). Gender diversity in the executive team in this study is defined as gender diversity of chief executive officers, chief financial officers, board of commissioners and audit committees. Gender diversity in companies is an important aspect in the process of company development, because it can provide added value, namely an increase in contributions with the number of alternatives considered so that it can have an impact on creativity and innovation in the company (Dobija et al., 2022). Gender diversity in the executive team can encourage more effective and efficient creativity, innovation and problem solving (Carter et al., 2003). The ideal representation of women and men will produce useful discussions so that it will improve positive results both at the governance and company levels (García Osma et al., 2022; Lapointe-Antunes et al., 2022). Therefore, gender diversity in the executive team is expected to increase information openness and performance of the company, thus creating high-quality financial reports and realizing good corporate governance, as well as creating gender equality.

The business ethics literature overwhelmingly suggests that females are more ethical than males (Ho et al., 2015). Under gender socialization theory, men and women bring different values, ethical views, and attitudes to the workplace because gender roles are determined during childhood and reinforced over time through social norms (Dawson, 1992; Gilligan, 1982). As a result, gender differences can influence leadership style, communication skills, and ethical decision-making (Betz et al., 1989; Ross & Robertson, 2003; Roxas & Stoneback, 2004) Women have a number of strengths that men do not have, namely sharp business intuition, nurturing employees, detail and caution in making decisions that generally consider business risks and the impact they cause (Thornton International Ltd, 2021), thus women play an important role in company development that can increase contributions so that it can affect

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creativity and innovation in the company (Dobija et al., 2022). Therefore, women in executive positions can play a role in making better decisions (Wahid, 2019) as well as implementing more comprehensive strategies in companies (Rahmanto & Dara, 2020) that it is expected that women in executive positions can create more ethical business practices, which have an impact on reducing fraudulent practices in companies.

The topic of women's gender in the executive team is interesting in this study for several reasons. First, gender diversity can lead to a broader executive perspective (Adams & Ferreira, 2009; Carter et al., 2003; Smith et al., 2006) so that various aspects are considered in presenting financial report information with higher quality. Second, women have better teamwork and more inclusive communication styles that increase objectivity in decision making (Harakeh et al., 2019). Third, women tend to be more ethical than men, stronger ethical standards of women leaders lead to stronger ethical leadership in preventing fraudulent practices (Ho et al., 2015). Fourth, women are more caring so they pay attention to social issues and support greater social responsibility (Al-Shaer & Zaman, 2016) which can create higher quality financial reporting (C. Liu, 2018; Wahid, 2019). Fifth, women avoid risks more than men when making financial decisions (Croson & Gneezy, 2009; Hanousek et al., 2019). Individuals who avoid risks tend not to commit financial fraud. Women are less likely to manipulate financial statements because they have high risk (Harakeh et al., 2019).

The increasing presence of women in executive positions in companies in recent years has resulted in research with diverse results on the gender role in financial reporting fraud. Hoang et al. (2019); Maula & Rakhman (2018); Setyaningrum et al. (2019) assert that female CEOs in companies have lower risk levels than male CEOs. Women are also more trustworthy than men and tend not to engage in fraudulent practices in financial statements and women tend to have a feminine leadership style, therefore they try to minimize violations of financial reporting rules. Meanwhile, Deruvensi & Kristianti (2022); Harris et al. (2019) produce evidence that female CEOs do not necessarily reduce fraud. Female and male CEOs show very similar cheating behavior. Luo et al. (2020); Maulidi et al. (2022); Wahyuningtyas & Aisyaturrahmi (2022); Y. Wang et al. (2022) found that women are more risk-averse and committed to ethical practices than men in leadership positions in companies and female CFOs tend not to engage in risky and unethical financial reporting fraud compared to male CFOs. Conversely, Deruvensi & Kristianti (2022) proves that female CFOs do not affect reducing accounting fraud. Ahmadi et al. (2018); Brahma et al. (2021) state that the role of women as commissioners on boards of companies is very important. Women are also seen as human capital of the company and have the opportunity to participate in the company on an equal footing with men. Companies with female commissioners are expected to improve company performance, because women bring creativity, innovation and new knowledge to the boardroom, thus becoming a competitive advantage for the company. Meanwhile, Fitroni & Feliana (2022); Razak & Helmy (2020) prove that female and male commissioners have the same opportunity to commit fraud. Companies that have female commissioners cannot reduce fraudulent practices. Alkebsee et al. (2021; Miglani & Ahmed (2019); Ud Din et al. (2021) found that women on audit committees

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will emphasize higher audit quality and more assurance from external auditors when companies are more complex and risky. The presence of women on audit committees can make internal control processes better and high-quality financial reports, so that companies can use the results of these financial reports to improve company performance. The audit committee is very important in helping companies ensure transparency and reliability of reports to internal and external parties. In addition, the presence of women on the audit committee will bring benefits because women are considered to be more detailed, careful, risk-averse and considered more integrity so they are able to present better activities and outputs. Conversely, Fitroni & Feliana (2022) found that gender on the audit committee has no significant effect on fraudulent practices. This result can occur because the characteristics of the audit committee task that can detect fraudulent practices have no relationship with gender diversity among its members. These earlier studies, however, fail to consider the relationship between gender roles and financial reporting fraud. Therefore, this study can help explain why previous research has reported conflicting results.

This research refer to Maulidi et al. (2022) finding that the higher the proportion of female CFO, the lower the likelihood of companies being involved in financial reporting fraud. This study also found that female CFO are less likely to tolerate any opportunistic practices, which raises the possibility of corporate fraud. The next reference study by Wang et al. (2022) confirms that women avoid risks and are more committed to ethical practices than men in leadership positions in companies. The difference of this study from the previous ones is first, the addition of CEO variable. Female CEOs can communicate well with female CFOs, who are the most important executive management of the company besides the board of directors and audit committee (Schopohl et al., 2021). Therefore, female CEOs can influence female CFOs in making less risky decisions, which can minimize the occurrence of financial statement fraud. Next, the addition of board of directors and audit committee variables. The presence of women in the membership of board of directors and audit committee can influence the policies that will be set, because women have a tendency to analyze problems first and then process them (Felinda et al., 2019). Therefore, this study focuses on the executive level of the company, namely, chief executive officer, chief financial officer, board of directors and audit committee on financial statement fraud.

This research contributes to the accounting literature in several ways. First, it bridges the existing gap in the literature, as it witnesses the emerging trend towards the presence of female members (Y. Chen et al., 2016) and the tendency in the global market towards recruiting female members in the executive voluntarily or mandatorily (Usman et al., 2019). Some countries (e.g., Australia, Canada, and UK) recommend female participation in the executive and some other countries (e.g., Belgium, France, Netherlands, Italy, Norway, and Spain) require the presence of females in the executive (Aldamen et al., 2018a). Therefore, reviewing and understanding how females participate in the executive and are required for corporate governance improvement and can provide empirical evidence on the effectiveness of females in the executive for the global market. Second, unlike previous studies that used a one-tier

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system and only focused on one position in the executive such as only CEO, CFO, or audit committee. Indonesia adopts a two-tier system on board structure, which is also applied in countries such as Germany, Netherlands, and Japan (Darmadi, 2011). The two-tier board system divides the corporate governance structure (i.e. the board) into two groups. The first group is called the Supervisory Board, also known as the Board of Commissioners (in Indonesian terms it is called Dewan Komisaris). The supervisory board consists of independent and non-independent non-executive directors (Tricker, 2015). The second group is the management board, (in Indonesian terms it is called Direksi). The management board consists of the chief executive officer or president of the company (CEO), chief financial officer (CFO) and chief operating officer (COO). Therefore, in the context of corporate governance with a two-tier system, gender diversity in both types of boards (which have different functions) is beneficial to reduce financial reporting fraud. It can be seen from the results of this study that female chief financial officer as Board of Directors and female audit committee as Board of Commissioners are able to reduce financial statement fraud. Specifically, evidence from this study can be useful for policy makers in developing countries and send positive signals about recommendations or requirements for gender diversity as part of corporate governance mechanisms. Considering that in Indonesia there have been regulations regarding gender equality in various fields (politics, economy, socio-culture, defense security) namely Presidential Instruction No. 9 of 2000 on Gender in National Development of the Republic of Indonesia and Regulation of the Minister of State for Women's Empowerment and Child Protection of the Republic of Indonesia No. 25 of 2010 shows that Indonesia is committed to gender equality. Third, some studies have used data from developed countries such as (United States, Australia, Canada, UK and France) on the relationship between gender diversity in executive and financial reporting fraud, creating a bias in the previous research findings that support the relationship. Therefore, this study provides new evidence from a developing country, especially Indonesia, on the impact of gender diversity in executive on financial reporting fraud. Fourth, the importance of promoting gender diversity in executive as a corporate governance mechanism. Previous studies have examined how gender diversity in executive can affect various variables. These variables include risk and company value (L. H. Wang & Fung, 2022), financial performance (Eliya & Suprapto, 2022; Hosny & Elgharbawy, 2022; Maji & Saha, 2021; Zakaria et al., 2021; Jabari & Muhamad, 2020), accounting conservatism (Li et al., 2022), risk disclosure (Saggar et al., 2022; Hoang et al., 2019), financial report quality (Davis & Garcia-Cestona, 2021; Ud Din et al., 2021; Jamaliyah Isriani, 2020), audit cost (Alkebsee et al., 2021; Miglani & Ahmed, 2019), restatement of financial statement (Oradi & Izadi, 2020; Maula & Rakhman, 2018), earning management (Deruvensi & Kristianti, 2022; Fitroni & Feliana, 2022; Kusumaningrum & Achmad, 2022; Razak & Helmy, 2020; Novilia & Nugroho, 2016), financial difficulties (Nisa & Anshari, 2022; Ariska et al., 2021), tax aggressive (Rahman & Cheisviyanny, 2020), company performance (Kusumastati et al., 2022; Brahma et al., 2021; Thoomaszen & Hidayat, 2020). However, most of the research on

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the role of governance through gender diversity in the executive ranks ignores the question of whether the presence of women in the executive can reduce financial reporting fraud.

Our findings have important implications for practitioners and regulators. Our study shows that companies with female CFOs and audit committees are less likely to engage in financial statement fraud. Therefore, investors can avoid fraudulent companies by choosing companies with female CFOs and audit committees. Moreover, our results show that increasing the awareness and perception of female CFOs and audit committees about financial statement fraud can help them prevent unethical behavior more effectively.

The rest of this paper is organized as follows. The next section reviews the relevant literature and develops our hypotheses. We then explain the construction of variables and the empirical design process. We present the descriptive statistics of our sample, the results of multicollinearity test, heteroskedasticity test and hypothesis test. We then conclude our paper.

2. LITERATURE REVIEW AND HYPOTHESES FORMULATION

2.1 *Gender Socialization Theory*

Gender socialization theory explains how people act in a social environment that depends on gender (Mason & Mudrack, 1996). Men and women have different perspectives on moral and ethical values that can be seen from the socialization process (Dawson, 1992). The first socialization process of a person is their parents (Bernard, 1982). The influence of parental upbringing on children from birth will shape the differences in character and ethical behavior between men and women (Dawson, 1992).

Parent have different upbringing in treating boy and girl (Bernard, 1982). Different educational backgrounds between men and women, starting from every baby's birth, have become a habit in society. The question that arises is "Is the baby male or female?". This question is important because the answer involves more than just knowing the sex, but brings all the big things that are significantly related throughout the child's life (Darvina & Sulistyowati, 2010).

Bernard (1982) argued that men and women enter different worlds in a single community, namely the pink world for girls and the blue world for boys. According to him, women are born into the "pink world" called pink because pink is a traditional feminine color, while men are born into the "blue world" called blue because blue is a traditional masculine color. Bernard (1982) explained that this "world" differentiation will have an impact on parent in caring for and educating children based on gender. Boy tend to be educated to be brave which will affect their behavior in decision-making and rationality that is more courageous. Meanwhile, women are educated for the cultivation of moral values on affection, gentleness so that they become more empathetic, obedient to orders or responsibilities and tend to avoid risks so that they are more ethical than men (Dawson, 1992).

Gender socialization theory in this study can explain that the socialization process influenced by parental upbringing of children from birth will shape different characters between men and women. Women are educated for the cultivation of moral values and

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gentleness (Dawson, 1992) so that they become more ethical and empathetic (Ho et al., 2015). Therefore, women pay more attention to social issues and support greater social responsibility (Al-Shaer & Zaman, 2016) which can create higher quality financial reporting (C. Liu, 2018; Wahid, 2019).

Furthermore, women are educated to obey orders or responsibilities and tend to avoid risks (Dawson, 1992) so that women are more compliant with existing ethical standards and tend to make decisions that are not highly risky for the company (Bosquet et al., 2014) but ethically strong in decision making (Betz et al., 1989). Therefore, it is predicted to be able to reduce financial reporting fraud through its role as a decision maker to implement the right strategy.

2.2 Hypothesis Formulation

2.2.1 Female Chief Executive Officer and Financial Reporting Fraud

Chief Executive Officer (CEO) holds the top position in a company (Yasa & Novialy, 2012). According to Indonesia Law Number 40/2007, the CEO has the task and responsibility of setting and overseeing employee work and leading the company in formulating company policies. Leadership style, communication skills, and decision-making can be determined by gender (Betz et al., 1989; Ross & Robertson, 2003; Roxas & Stoneback, 2004).

Gender socialization theory explains that men and women have different values, ethical views, and attitudes in the workplace due to upbringing during childhood and reinforced over time through social norms (Dawson, 1992; Gilligan, 1982). The ability to react between men and women when experiencing the same problem can be assumed due to gender differences. (Na & Hong, 2017) assert that gender differences can create different leadership styles and affect behavior when making decisions.

Women's gender can be said to be more effective and efficient in making very complex decisions with more mature considerations. Women contribute different perspectives and offer solutions in companies that can improve the quality of decision-making processes (Suherman et al., 2021). Feminine leadership styles are more emotional, cooperative, more intuitive in solving problems, and more empathetic (Loden, 1985). Women CEO with feminine leadership styles can minimize violations of financial reporting rules (Maula & Rakhman, 2018). Hoang et al. (2019) confirms that female CEO have lower risk scores than male CEO. Setyaningrum et al. (2019) that female CEO have a negative and significant effect on financial reporting fraud. Our first hypothesis is as follows:

Hypothesis 1: Female chief officer executive have a negative impact on financial reporting fraud

2.2.2 Female Chief Financial Officer and Financial Reporting Fraud

Indonesia Law Number 40/2007 about limited liability company does not recognize the term CFO, but in practice the CFO position is often used to refer to the finance director. The CFO is responsible for overseeing the application of accounting standards, preparing financial statements and making accounting decisions (X. Liu et al., 2022). The CFO's duties generally oversee all of the company's financial functions and usually oversee the company's financial

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reporting process, thus having the greatest direct effect on accounting decisions in the company(Aier et al., 2005; Ge et al., 2011; L. H. Wang & Fung, 2022).

The CFO is directly involved in the financial reporting process, and CFO characteristics are known to affect financial reporting outcomes (Habib & Hossain, 2013). Regarding characteristics, companies with more gender-diverse CFOs are found to have better financial reporting quality (Abbott et al., 2012; Lai et al., 2017; Wahid, 2019). Gender socialization theory explains that the socialization process influenced by parental upbringing of children from birth will shape different characters between men and women (Dawson, 1992). Gender diversity leads to unique human characters in executives because it conveys different things in executives (Bzeouich et al., 2019).

Women in executive positions can offer different perspectives and expand the available information set (Farag & Mallin, 2017). Women's representation at the top executive level (CFO and CEO) is increasingly seen as a significant determinant in financial decision-making monitored by the board of commissioners (Baker et al., 2019; Jalan et al., 2020; Peni & Vähämaa, 2010). CFO women show greater diligence and independence than men in various decision-making contexts (Li et al., 2022) and show less overconfidence, thus promoting stricter ethical standards that can help manage ethical issues appropriately (Huang & Liu, 2022). Therefore, the presence of women in CFO positions can enhance overall supervision of a company's financial information (Boachie & Mensah, 2022; Davis & Garcia-Cestona, 2021) so that female CFOs are less likely to encourage financial reporting fraud.

Liao et al. (2019) found that female CFO have a negative effect on financial reporting fraud in companies. Gupta et al. (2020) shows that female CFO have a low likelihood of financial deviation. Y. Wang et al. (2022) states that women avoid risks and are more committed to ethical practices than men in leadership positions in companies. In addition, more women representatives in top leadership roles can reduce fraud or effectively detect fraud. Maulidi et al. (2022) confirms that there is a negative and significant relationship between female CFO and the occurrence of financial reporting fraud. Our second hypothesis is:

Hypothesis 2: Female chief financial officers play a weaker role in the occurrences of financial reporting fraud.

2.2.3 Female Board of Commissioners and Financial Reporting Fraud

The National Governance Policy Committee explains that the board of commissioners is an executive member of the company who has the task and responsibility of overseeing and advising the company's board of directors, as well as ensuring that the company implements corporate governance. The board of commissioners in a company functions as a supervisor and controller of the board of directors performance in carrying out its role as the driving force of the company. Indirectly, the supervisory role performed by the board of commissioners will affect the quality of financial reporting.

The supervision carried out by the board of commissioners can also be influenced by the diversity of gender, as it can complement the shortcomings of each member, whether male or female. Gender socialization theory states that men and women have different perspectives

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on moral and ethical values, which can be seen through the socialization process (Dawson, 1992). The socialization process in the workplace will shape the differences in character and behavior between men and women (Dawson, 1992).

Women tend to adhere more to existing ethical standards for business decisions due to their risk-averse nature compared to men, who tend to be involved in more risky business decisions (Harris et al., 2019). Therefore, the ethical nature of women is expected to effectively oversee the company's operations, especially in monitoring how the board of directors carries out its duties. This is an important component that can help improve the company's financial performance (Thoomaszen & Hidayat, 2020), resulting in higher-quality financial reporting and a reduction in fraudulent practices within the company. The presence of women on the board of commissioners in the supervision process of the board of directors is more effective compared to the absence of women altogether (Bart & Mcqueen, 2013; Wiley & Monllor-Tormos, 2018).

Companies with female board of commissioners are expected to improve company performance because women bring creativity, innovation, and new knowledge to the boardroom, thereby providing a competitive advantage for the company (Ahmadi et al., 2018). Therefore, a diverse group of board of commissioners can create a conducive corporate environment for the establishment of more cohesive communication from various perspectives to be considered in decision-making.

Brahma et al. (2021) assert that the role of women as board of commissioners is crucial in a company because women are also considered as human capital for the company and have the right to contribute to the company on an equal footing with men. Maula & Rakhman (2018) found that the proportion of female board of commissioners has a significant negative effect on the level of financial reporting violations committed by the company. The third hypothesis can be stated as follows:

Hypothesis 3: The representation of female board of commissioners is negatively of financial reporting fraud

2.2.4 Female Audit Committee and Financial Reporting Fraud

The audit committee is a professionally and independently working committee established by the board of commissioners. The audit committee's task is to provide independent and professional opinions to the board of commissioners in reviewing financial information and enhancing the credibility of financial reports (Raihan & Herawaty, 2019). Characteristics such as financial expertise and independence are crucial for the effectiveness of the audit committee (Abbott et al., 2003; Klein, 2002; J. Krishnan, 2005).

Gender diversity in the audit committee has recently been considered as one of the factors that can enhance its effectiveness (Aldamen et al., 2018b; Y. Chen et al., 2016; Lai et al., 2017). Gender socialization theory explains that the socialization process can shape gender-based differences in behavior and character (Dawson, 1992). Adams & Funk (2012) assert that women are more likely to be independent thinkers than men, thereby enhancing effectiveness through their presence on the committee (Abbott et al., 2012; Encarnación Lucas-Pérez et al., 2015).

The increased effectiveness resulting from the presence of women on the committee can improve financial information (Geiger & O'connell, 1998), strengthen internal control systems (J. Chen et al., 2018) and lead to a reduction in corporate fraud (Capezio & Mavisakalyan, 2016; Wahid, 2019). This is because women are considered to possess unique and different abilities from men. Apart from their abilities, women are also seen to have different perspectives, enabling them to perform auditing functions more carefully and diligently. It is this greater attention to detail and diligence that drives the role of women in the audit committee to fulfill their function of reviewing financial information and providing independent opinions (Abbott et al., 2012; Adams & Ferreira, 2009; Huse et al., 2009; Huse & Solberg, 2006).

Alkebsee et al. (2021) confirms that the presence of women on the audit committee enhances internal monitoring and communication, thereby reducing the perception of audit risk and the need for external auditor assurance. The findings also indicate that women demand high-quality audits and further assurance from external auditors when companies are more complex and risky. Oradi & Izadi (2020) found that the presence of at least one woman on the audit committee reduces the likelihood of financial reporting fraud. The fourth hypothesis can be formulated as follows:

Hypothesis 4: The representation of female audit committee is negatively of financial reporting fraud

3. RESEARCH METHODS

This research uses quantitative study research. This research focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2013 to 2022, which is accessed directly from annual reports and financial statements available on both the Indonesia Stock Exchange website www.idx.co.id and on each company's website. Manufacturing companies are used as samples because financial data in financial statements is more reliable for testing financial statements using the F-Score model. Manufacturing companies tend to have the same accrual characteristics within an industry (Ratmono et al., 2020).

Population and Sample

The research sample is companies that report financial statements and annual reports consecutively during the period 2013 to 2022, companies that use only in the form of Indonesian currency, namely rupiah because the expected data is homogeneous and presents data related to research variables. Therefore, companies with incomplete financial data will be excluded from our expectation models and other control variables calculations. The final sample includes 71 listed firms that consist of 710 firm-year observations.

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Table 1. Sample Selection Procedure

Research Sample Company	Number of Companies	Percentage
Manufacturing companies listed on the Indonesia Stock Exchange in 2013-2022	348	100%
Companies using currencies other than Indonesian Rupiah (US Dollar)	(46)	(13,2%)
Companies that did not consecutively publish annual reports and financial statements from 2013-2022	(231)	(66,3%)
Number of companies that meet the criteria of the research sample	71	20,5%
Number of observations (71 x 10 years)	710	

Variable Measurement

The dependent variable of our study is financial reporting fraud. This research uses the F-Score model to detect companies that commit accounting fraud. The independent variable as a focus of the study is the Female CEO, CFO, board of commissioners, and audit committee. This research incorporates several control variables.

Table 2. Variable Measurement

Variable	Measurement	Reference
Fraud	*F-Score = Accrual Quality + Financial Performance*	Dechow et al. (2011)
CEO	CEO that equals 1 if the CEO of the firm is female and 0 is man	Gupta et al. (2020)
CEO	CFO that equals 1 if the CFO of the firm is female and 0 is man	Gupta et al. (2020)
Board of Commissioners	$Female\ Board\ of\ Commissioners = \frac{The\ number\ of\ female\ commissioners}{Total\ number\ of\ company\ commissioners}$	Brahma et al. (2021)
Audit Committee	$Female\ Audit\ Committee = \frac{The\ number\ of\ female\ audit\ committee}{Total\ number\ of\ company\ audit\ committee}$	Miglani & Ahmed (2019)
Firm Size	Logarithm of a company's total assets	Maulidi et al. (2022)
Leverage	The sum of short-term and long-term debts divided by total assets	Kasmir (2010)

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Return on Assets	Net income over total assets	Amiram et al. (2020; Chang & Stone (2019); Dimitras et al. (2015)
Firm Age	Financial report year reduced year of company establishment	Francoeur et al. (2019; Zahid et al. (2020).
Audit Quality	The presence of a BIG4 audit firm. The value of 1 if audited by KAPs and 0 otherwise	Maulidi et al. (2022)

Research Model

Panel data is a combination of cross-sectional and time series data. Gujarati & Porter (2009) states that panel data regression is a technique to combine cross-sectional and time series data. The equation of the model used in this study is as follows:

$$Y = \alpha + \beta_0 + \beta_1 F\_CEO_{it} + \beta_2 F\_CFO_{it} + \beta_3 F\_DK_{it} + \beta_4\ F\_KA_{it} + \beta_5 LnSize_{it} + \beta_6\ LnLev_{it} + \beta_7 LnROA_{it} + \beta_8 LnUP_{it} + \beta_9 BIG4_{it} + \varepsilon_{it}$$

The explanation of the model above is Y is financial reporting fraud, β_0 is constant, β_1,β_2,β_3,β_4 is regression coefficient, F_CEO_{it} is female chief executive officer, F_CFO_{it} is female chief financial officer, F_DK_{it} is female board of commissioners , F_KA_{it} is female audit committee, $Size_{it}$ is size, Lev_{it} is leverage, ROA_{it} is return on assets, UP_{it} is firm age, $BIG4_{it}$ is audit quality and ε_{it} is error.

4. RESULTS AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistics

Variable	n	Minimum	Maximum	Mean	Std. Deviation
Chief executive officer	710	0.00	1.00	0.02	0.16
Chief financial officer	710	0.00	1.00	0.25	0.43
Board of commissioners	710	0.00	0.75	0.09	0.16
Audit committee	710	0.00	1.00	0.23	0.27
Size	710	24.4	33.6	28.7	1.72
Leverage	710	0.04	1.92	0.46	0.23
ROA	710	0.00	1.07	0.08	0.09
Firm age	710	5.00	101	36.3	16.0
BIG4	710	0.00	1.00	0.37	0.48
FRAUD					
Classification				**Frequency**	**Percentage (%)**

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Observations that are classified as not committing fraud	614	86,4
Observations that are classified as committing fraud	96	13,6
Total	710	100

The financial statement fraud variable shows that there are 86.4%, which is 614 observations, that are classified as not committing financial statement fraud and 13.6%, which is 96 observations, that are classified as committing financial statement fraud. (Scott, 2011). The CEO variable shows an average value of 0.02, which means that female CEOs in the companies used as samples are 2%, this reflects that 98% are male CEOs in the companies used as samples. The minimum value of the CEO variable is 0.00 while the maximum value is 1.00. The CFO variable shows an average value of 0.25. This shows that the CFO position in the companies used as samples is 25% filled by women and the remaining 75% filled by men. The minimum value of the CFO variable is 0.00 while the maximum value is 1.00. The board of commissioners variable shows an average value of 0.09, which means that the average ratio between the number of female board of commissioners to the total board of commissioners of the company is 9%. The minimum value of the board of commissioners variable is 0.00 while the maximum value is 0.75. The audit committee variable shows an average value of 0.23, which means that the average ratio between the number of female audit committee members to the total audit committee members of the company is 23%. The minimum value of the audit committee variable is 0.00 while the maximum value is 1.00.

The average value of the size variable is 28.7, which means that the average total assets of the companies used as samples are quite large, as stipulated in the Decision of the Board of Directors of the Indonesia Stock Exchange Number Kep-00001/BEI/01-2014 which categorizes companies as large if they have net total assets of at least Rp100,000,000,000. The minimum value of the size variable is 24.4, while the maximum value of the size variable is 33.6. The average value of the leverage variable is 0.46, which means that the average sample company has a total debt of 46% of the total assets owned by the company. The minimum value of the leverage variable is 0.04, while the maximum value of the leverage variable is 1.92. The average value of the ROA variable is 0.08, which means that the average company used as a sample has a net profit of 8% of the total assets of the company. The minimum value of the ROA variable is 0.00, while the maximum value of the ROA variable is 1.07. The average value of the firm age variable is 36.3, which means that the average sample company has been established for 36.3 years. The minimum value of the firm age variable is 5.00, meaning that the youngest company is 5 years old, while the maximum value of the firm age variable is 101, which means that the oldest company was established for 101 years. The average value of the audit quality variable is 0.37, which means that 37% of the sample companies were audited by BIG4 KAPs while the remaining 63% of sample companies were audited by non-BIG4 KAPs. Therefore, it can be concluded that most sample companies were audited by non-BIG4 KAPs.

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Results

Table 4. Estimation of Panel Data Regression Model

Model	n	Chow Test		Hausman Test	
		Prob. Cross-Section Chi-Square	Best Model	Prob. Cross-Section Random	Best Model
Fraud	710	0.0095	Fixed Effect Model	0.0498	Fixed Effect Model

Based on the Table 4, it shows that the Prob. Cross-Section Chi-Square for the panel data regression model of financial report fraud (fraud) is smaller than the significance level of 5% ($\alpha = 0.05$). Therefore, the best model for the panel data regression model is the fixed effect model, because the Chow test result above rejects the null hypothesis. It can be seen from the Table 4 that the Prob. Cross-Section Random for the panel data regression model of financial report fraud is smaller than the significance level of 5% ($\alpha = 0.05$). It is concluded that the best model for the panel data regression model is the fixed effect model, because the Hausman test result above rejects the null hypothesis. The testing is not continued to the Lagrange multiplier test, because both Chow and Hausman tests choose the fixed effect model.

It can be concluded that based on the test results of the panel data regression model estimation from the Table 4, the best model for each model is selected. The best model for panel data regression of financial report fraud in this study is the fixed effect model.

Table 5. Hypothesis Test

Variable	Direction of Hypothesis	Fraud			α
		Koef.	Std. Error	p-value	
Chief executive officer	Negative	-0.009194	0.114669	0.9361	< 5%
Chief financial officer	Negative	-0.106348	0.050690	0.0363	< 5%
Board of commissioners	Negative	-0.199968	0.130637	0.1263	< 5%
Audit committee	Negative	-0.189592	0.078541	0.0161	< 5%
Size	Positive	0.661444	1.416607	0.6407	< 5%
Leverage	Positive	-0.051231	0.047706	0.2833	< 5%
ROA	Positive	-0.028102	0.014734	0.0569	< 5%
Firm age	Negative	0.245714	0.132653	0.0644	< 5%
BIG4	Negative	0.060555	0.070780	0.3926	< 5%

Discussion

Female Chief Executive Officer and Financial Reporting Fraud

The results of the first hypothesis test show that CEO gender has a negative and insignificant effect on financial report fraud, which means that the first hypothesis is rejected as shown in Table 5. This is caused by the fact that most companies in Indonesia, especially those listed on the Indonesia Stock Exchange (ISE), are led by men. The Indonesia Business

Coalition for Women Empowerment (IBCWE) 2021 survey provides evidence that only 4% of women are leaders in companies that are included in the Indonesia Stock Exchange (ISE).

Based on the descriptive statistics in Table 3 in this study, it shows that women in the sample companies are 2%. When there are more men than women, it means that there is still a gender gap in the CEO position in the sample companies. Referring to the World Economic Forum index in the Global Gender Gap Report (2022), Indonesia ranks 92 out of 146 countries in terms of gender equality. With this condition, various challenges are faced by women when they hold leadership positions. First, the challenge of facing gender stereotypes or gender bias. Gender stereotypes view that women have feminine behaviors (such as emotional, cooperative and social), while men are seen as agents (such as ruling, instructing and directing) so they are considered less valuable for corporate-level decisions (Weck et al., 2022) when women are considered not to have the same capacity as men when they are in leadership positions, because social stereotypes between women and men in companies tend to favor men (Gammie et al., 2007). In addition, (Weck et al., 2022) argue that women are less focused on tasks and achievement-oriented so they are less assertive, independent, aggressive and decisive than men. As a result, men are considered more suitable for leadership positions. Therefore, gender inequality makes it difficult for women to obtain top positions in companies (Withisuphakorn & Jiraporn, 2017) because women have to meet higher effectiveness standards to achieve and maintain top executive positions (Eagly & Johannesen-Schmidt, 2001).

In addition, the sample companies are manufacturing companies, which are still the main drivers of the economy in Indonesia, so they have a fairly high risk index. Female CEOs are more likely to operate in less risky companies than companies with male CEOs. The average risk index of female CEO companies is lower than that of companies with male CEOs (Hoang et al., 2019). Therefore, the percentage of companies in industries with high risk indexes has a large gender gap at the CEO position. The results of this test are contrary to Setyaningrum et al. (2019) who found that female CEOs have a negative and significant effect on fraud in the form of earnings management. However, the results of testing the first hypothesis are in line with Deruvensi & Kristianti (2022) who proved that female CEOs do not affect accounting fraud. Harris et al. (2019) assert that female CEOs do not necessarily reduce fraud, because female and male CEOs show very similar cheating behavior.

Female Chief Financial Officer and Financial Reporting Fraud

The result of the second hypothesis test shows that the CFO has a negative and significant effect on financial statement fraud, which means that the second hypothesis is accepted, as shown in Table 5. The survey by Thornton International Ltd (2020) states that the position of CFO in Indonesian companies, especially those listed on the Indonesia Stock Exchange (IDX), is the position with the most women at 48%. This is also evidenced by Table 3, which shows that the CFO position in the sample companies is filled by women at 25%, but the sample in this study is only in the manufacturing industry, not all companies listed on the Indonesia Stock Exchange. This means that women in CFO positions in sample companies prove that women

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can reduce the likelihood of these companies being involved in financial statement fraud. This is because female CFOs have a more conservative character in financial reporting than males (Francis et al., 2015; Li et al., 2022; Schopohl et al., 2021).

The difference in character between men and women can be caused by a socialization process influenced by parental upbringing of children from birth (Dawson, 1992). Consistent with gender socialization theory, gender differences lead to unique human characters in executives because they convey different things in executives (Bzeouich et al., 2019). The representation of women in top executives (CFO and CEO) is increasingly seen as a significant determinant in financial decision-making (Baker et al., 2019; Jalan et al., 2020; Peni & Vähämaa, 2010). The presence of women in CFO positions can increase overall supervision of company financial information (Boachie & Mensah, 2022; Davis & Garcia-Cestona, 2021) because female characters are more conservative in financial reporting which can be associated with fewer deviations from financial statements (Gupta et al., 2020). The results of testing the hypothesis of this study are consistent with Liao et al. (2019) who found that female CFOs have a negative effect on financial reporting fraud in companies. Gupta et al. (2020) showed that female CFOs have a low likelihood of financial deviation. Y. Wang et al. (2022) stated that women avoid risk and are more committed to ethical practices than men in corporate leadership positions. Maulidi et al. (2022) confirmed that there is a negative and significant relationship between female CFOs and the occurrence of financial reporting fraud.

Female Board of Commissioners and Financial Reporting Fraud

The testing results of the third hypothesis prove that the board of commissioners has a negative and insignificant effect on financial reporting fraud, which means that the third hypothesis is rejected as can be seen in Table 5. The absence of gender diversity influence on the board of commissioners members on financial reporting fraud may be caused by the number of board of commissioners with female gender only amounting to 9% of the total board of commissioners members of the company. Therefore, the small percentage of women on the board of commissioners in the sample company causes no influence on fraud in the company. The results may occur because both male and female genders on the board of commissioners basically have the same core tasks and gender selection or social role selection of men and women are only the results of social and cultural construction through habituation, socialization, culture and cultural inheritance since children are born into the world influenced by time and place.

Some researchers argue that corporate actions will not be influenced by gender diversity on the board because there is no cognitive difference between men and women (Khan & Vieito, 2013; Triana et al., 2014). Men and women basically only differ in how they express their feelings, not how they handle certain problems (Báez et al., 2018). Women tend to adhere more to existing ethical standards for business decisions because of their risk averse nature compared to men who tend to engage in more risky business decisions Harris et al. (2019) thus causing women to be more passive in decision making. The testing results of this hypothesis are not

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consistent with (Brahma et al., 2021) stating that the role of women as board of commissioners in companies is very important, which is expected to improve company performance, because women bring creativity, innovation and new knowledge in the boardroom, thus becoming a competitive advantage for the company (Ahmadi et al., 2018). However, the testing results of this hypothesis are consistent with (Fitroni & Feliana, 2022) proving that the board of commissioners has no effect on accounting fraud, meaning that both women and men have the same opportunity to commit fraud. (Razak & Helmy, 2020) found that companies that have female board of commissioners members cannot reduce the occurrence of cheating practices.

Female Audit Committee and Financial Reporting Fraud

The testing results of the fourth hypothesis prove that the audit committee has a negative and significant effect on financial reporting fraud, which means that the fourth hypothesis is accepted as can be seen in Table 5. The composition of the committee is one of the most important corporate governance mechanisms. Because most decisions are made at the committee level, it is very appropriate and valuable to focus on the composition of committees such as the audit committee. Most studies on accounting and finance subjects focus on the composition of the audit committee because of its central role in internal corporate governance and its relevance to financial reporting and corporate audit (Rani, 2018; Velte, 2023; Weickgenannt et al., 2021). The audit committee is responsible for overseeing the financial reporting process and recruiting and providing compensation to external auditors (Rani, 2018). To ensure the efficiency of the audit committee, it must have certain characteristics (Abbott et al., 2003; Carcello et al., 2000; Collier & Gregory, 1996; Thiruvadi, 2012) such as independence, diligence, financial expertise, and experience.

Based on descriptive statistical data in Table 3 in this study shows the number of female audit committee members to the total audit committee members of the company by 23%, meaning that it provides evidence that the audit committee in the company that is sampled is diverse. Diversity in the company's audit committee is positively related to financial performance (Sarhan et al., 2019; Yarram & Adapa, 2021). Because of the unique information possessed by diverse audit committees, diversity has the ability to increase the information offered to management. Of course, gender differences can produce a unique set of information that can be used by management to make better decisions (Sharma, 2004). This finding supports the gender socialization theory because gender diversity is a factor of success for a company and information enhancement (Carter et al., 2007). The reason for this implication is because female audit committees are more risk averse (Francis et al., 2015), do not tolerate opportunistic behavior (G. V. Krishnan & Parsons, 2008) and tend to report high-quality financial statements (Thiruvadi & Huang, 2011). Therefore, by considering the personality of women, a higher proportion of women in the company's committees can perform superior monitoring and encourage management to pursue value and performance enhancement strategies, which are in the best interests of shareholders (Alkebsee et al., 2021). Because women on the audit committee can enhance the supervisory role of the committee in financial

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reporting (Alkebsee et al., 2021). As a result, it can strengthen the internal control system (J. Chen et al., 2018) improve audit quality (Aldamen et al., 2018a; Lai et al., 2017) and reduce fraud in the company (Capezio & Mavisakalyan, 2016; Wahid, 2019). The testing results of this hypothesis are consistent with (Alkebsee et al., 2021) who assert that the presence of women on the audit committee enhances internal monitoring and communication. In addition, women demand high-quality audits and further assurance from external auditors when the company is more complex and risky. Oradi & Izadi (2020) found that the presence of at least one woman on the audit committee can reduce the likelihood of fraud against financial statements.

Control Variables and Financial Reporting Fraud

The first control variable proves that the size of the company (size) has a positive and insignificant effect on financial statement fraud, the first control variable is rejected. The findings of this study prove that the financial statement fraud committed by management does not look at the size of the company. There is no guarantee that the larger the company's assets, the more vulnerable it is to commit financial statement fraud. Companies with small assets also have the same opportunity to commit financial statement fraud.

The second control variable proves that leverage has no positive and insignificant effect on financial statement fraud, the second control variable is rejected. The findings of this study show that although the average manufacturing company has a high level of debt, which is 46% of the total assets of the company, it is not able to put pressure on management to commit financial statement fraud. This is because manufacturing companies are large companies, Indonesian information portals state that the manufacturing industry sector remains the main contributor in supporting economic growth in Indonesia, of course it is considered capable of paying off its debts by looking for other sources of funding.

The third control variable proves that ROA has no positive and insignificant effect on financial statement fraud, the third control variable is rejected. Table 1 shows that the average company used as a sample has a net profit of 8% of the total assets of the company. When the profit generated from the average sample company is low enough, it indicates that the company's growth is slow and the company's performance is low, so it does not encourage management to commit fraud oriented to achieve profitability and income (Beasley, 1996).

The fourth control variable is the age of the company which shows that the age of the company has no negative and insignificant effect on financial statement fraud, the fourth control variable is rejected. This shows that how long the sample company has been established cannot prove that financial statement fraud did not occur. The fifth control variable is BIG4 which shows that BIG4 has no negative and insignificant effect on financial statement fraud, the fifth control variable is rejected. This is because the role and quality of audit by both BIG4 and non-BIG4 KAPs are observed in the sample companies. In addition, Table 1 shows that the selection of audit services by the sample companies using BIG4 KAPs is very small, only 37%, even companies that use BIG4 KAPs services are still indicated to commit financial

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statement fraud and non-BIG4s are 63%, meaning that the majority of sample companies use non-BIG4 KAP services.

5. CONCLUSIONS AND SUGGESTIONS

This study aims to obtain empirical evidence regarding the influence of chief executive officer, chief financial officer, board of commissioners and audit committee women on financial statement fraud. This study uses a sample of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2013-2022.

Based on the results of the study, we obtained the following conclusions. First, female chief executive officer has a negative and insignificant effect on financial statement fraud, which means the first hypothesis is rejected. This is because companies in Indonesia, especially companies listed on the Indonesia Stock Exchange (IDX), are mostly led by men. Second, female chief financial officer has a negative and significant effect on financial statement fraud, which means the first hypothesis is accepted. A survey by Thornton International Ltd (2020) mentioned that the CFO position in Indonesian companies, especially companies listed on the Indonesia Stock Exchange (IDX), is the position with the most women, which is 48%. Third, female board of commissioners has a negative and insignificant effect on financial statement fraud, which means the first hypothesis is rejected. Some researchers argue that company actions will not be influenced by gender diversity on the board because there is no cognitive difference between men and women (Khan & Vieito, 2013; Triana et al., 2014). Men and women basically only differ in how they express their feelings, not how they handle certain problems (Báez et al., 2018). Fourth, female audit committee has a negative and significant effect on financial statement fraud, which means the first hypothesis is accepted. The reason for this implication is because female audit committee members are more risk-averse(Francis et al., 2015) and do not tolerate opportunistic behavior (G. V. Krishnan & Parsons, 2008) and tend to report high-quality financial statements (Thiruvadi & Huang, 2011). Company size (size) has a positive and insignificant effect on financial statement fraud, the first control variable is rejected. This finding proves that the financial statement fraud committed by management does not regard the size of the company. Leverage has a positive and insignificant effect on financial statement fraud, the second control variable is rejected. This finding shows that although the average manufacturing company has a high level of debt, which is 46% of the total assets of the company, it is not able to put pressure on management to take fraudulent actions on financial statements. ROA has a positive and insignificant effect on financial statement fraud, the third control variable is rejected. Age of the company has a negative and insignificant effect on financial statement fraud, the fourth control variable is rejected. BIG4 has a negative and insignificant effect on financial statement fraud, the fifth control variable is rejected. This is because most of the sample companies use non-BIG4 KAP services.

The limitation of this study is that this study only uses data from manufacturing companies. Manufacturing companies have not been able to explain comprehensively the data of companies in Indonesia regarding gender diversity in company executives in reducing

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financial statement fraud. Therefore, future research should use all companies listed on the Indonesia Stock Exchange (IDX) in order to explain gender diversity in company executives in reducing financial statement fraud.

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