

“The role of women on the board of directors and audit committee: Its impact on earnings quality in the Indonesian banking industry”

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THE ROLE OF WOMEN ON THE BOARD OF DIRECTORS AND AUDIT COMMITTEE: ITS IMPACT ON EARNINGS QUALITY IN THE INDONESIAN BANKING INDUSTRY

Abstract

This study examines how the representation of women in corporate governance, particularly on boards of directors and audit committees, impacts the quality of bank earnings in Indonesia from 2001 to 2024. To evaluate the impact of women's representation on bank earnings quality, the two-step Generalized Method of Moments (2SYS-GMM) estimation system was applied, measured through Discretionary Loan Loss Provisions (DLLP). The results show that the presence of women on the board of directors and in audit committee chair positions significantly improves earnings quality, whereas the presence of female independent directors and female audit committee members has no significant impact on earnings quality. However, the overall representation of women on these bodies has no significant effect. These results conclude that having women in leadership, particularly as chairs of the board of directors and audit committees, is crucial for improving the quality of bank earnings. Women in these roles have greater confidence to prioritize higher earnings quality. This study fills a gap in the current literature on the relationship between women's representation in corporate governance and banking profit quality. Further, it offers valuable insights for banking practitioners, including policymakers, regulators, investors, management, and bank depositors.

Keywords

earnings quality, women's representation, board of directors, audit committee, Indonesian banking, two-step GMM system

JEL Classification

G21, G34, M41

INTRODUCTION

Financial reports are essential for delivering financial information to a company's stakeholders, including both internal and external parties (Kieso et al., 2018). The information most sought after by stakeholders is the profit reported in financial statements, as it reflects the company's overall success (Queiri et al., 2021; Al-ahdal et al., 2020). According to several studies, the presence of women on audit committees and boards of directors has been empirically supported as a factor that enhances a company's financial performance, including in the banking sector (Gupta & Mahakud, 2021; Fariha et al., 2022; Athar et al., 2023; Nguyen, 2024). However, few studies specifically examine how women's representation on audit committees and boards of directors impacts banking profit quality, particularly in Indonesia. Due to this limitation, banking managers remain largely unaware of management behaviors that may compromise profit quality by manipulating financial reports for personal gain, thereby misleading investors and other stakeholders (Aboody et al., 2005).

Banks, as financial intermediaries, play a crucial role in driving economic growth and supporting national development, including efforts to ensure equitable distribution of development outcomes such as growth and stability. Banking institutions must consistently maintain and report high-quality earnings to fulfill these roles. Therefore, it is crucial to understand the role of women on boards of directors and audit committees and how this affects the quality of bank earnings in Indonesia.

1. LITERATURE REVIEW AND HYPOTHESIS

According to agency theory, managers are typically agents whose personal interests conflict with those of shareholders (Jensen & Meckling, 1976). As a result, companies must incur extra costs to ensure that management's actions align with the principals' interests. An effective solution is to establish a board of directors, which is responsible for overseeing and monitoring managerial actions (Fama & Jensen, 1983). As noted by Brammer et al. (2007), well-governed corporations focus on implementing strategies and mechanisms to ensure effective oversight of managers aimed at increasing corporate value. In this governance context, gender diversity is considered one of the key mechanisms capable of enhancing oversight and increasing corporate value (Gallego-Álvarez et al., 2010; Ullah et al., 2020). Ararat and Yurtoglu (2021) argued that female independent board members can help resolve conflicts between management and shareholders because they are better positioned to observe and oversee managerial actions, which in turn increases corporate profitability. Awwad et al. (2023) affirmed that the proportion of women on the boards of Palestinian companies is generally low, but their presence has been demonstrated to be beneficial for financial performance and Corporate Social Responsibility disclosure. Further, Saona et al. (2024) explained that non-financial companies in Spain with gender-balanced boards of directors tend to produce more transparent financial reports and more informative earnings. Meanwhile, El-Dyasty and Elamer (2023) reported that the presence of women as directors, executive officers, and audit committee members positively correlates with the quality of financial reporting in Egyptian non-financial firms. These findings highlight that women's representation on boards, whether as regular or independent members, is crucial for improving various aspects of corporate performance.

The existing empirical literature has currently documented two studies that specifically examine how

corporate governance mechanisms relate to earnings quality in the banking sector. First, the study by García-Sánchez et al. (2017), involving a sample of banks from nine countries, revealed a positive and significant effect of corporate governance mechanisms on earnings quality, proxied by variables such as gender diversity and the financial expertise of board members and audit committee members. Second, Valdiansyah and Murwaningsari (2022), utilizing a sample of conventional commercial banks listed on the Indonesia Stock Exchange (IDX), discovered how the proportion of independent board members moderates the impact of liquidity and efficiency on unmanaged earnings quality. The limited number of empirical studies on the relationship between corporate governance mechanisms and earnings quality in the banking sector indicates a significant literature gap, while also creating scope for further research to contribute to the development of this field of study.

This present study examines how the representation of women in corporate governance, particularly on boards of directors and audit committees, affects the earnings quality of banking institutions listed on the Indonesian capital market. This study expands on the research conducted by García-Sánchez et al. (2017) and Valdiansyah and Murwaningsari (2022) by incorporating four proxy variables of corporate governance mechanisms into the model: the proportions of females on the independent board of directors, female chairpersons on the board of directors, female members of audit committees, and female chairpersons of audit committees. These four variables have not been examined simultaneously in previous research using a sample of banking institutions.

1.1. Independent female boards and earnings quality

A number of previous studies have explored how the proportion of women on independent boards relates to various aspects of corporate performance, including in the banking sector. Mnif and

Cherif (2021) discovered a significant reduction in earnings management practices among non-financial family-owned firms listed on the SBF 120 due to the proportion of women on independent boards. They argued that this is due to the requirement to have female independent directors, rather than simply increasing the overall proportion of women. The findings of Guizani and Abdalkrim (2022) demonstrated that the percentage of female independent directors contributes to reducing excess funds in non-financial firms in Malaysia, as these funds are often utilized by managers to finance low-risk investment projects with poor returns as a means to alleviate their workload. Using data from non-financial firms in Argentina, Brazil, Chile, and Mexico, Poletti-Hughes and Briano-Turrent (2019) found that a higher proportion of female independent directors is associated with an increase in managed business risk, with expectations of improved future performance, particularly in firms with a low-risk profile. Meanwhile, the relationship between the proportion of women on independent boards and bank earnings quality has only been studied by Valdiansyah and Murwaningsari (2022) among conventional commercial banks listed on the Indonesia Stock Exchange for the period 2013–2019. The results show that this proportion moderates the effects of liquidity and efficiency on unmanaged earnings quality, while managed earnings quality does not show a similar moderating effect. Based on the existing literature review, this study argues that the proportion of women on independent boards of directors has a positive impact on bank earnings quality in Indonesia.

1.2. Female board chairs and earnings quality

There is no known study in the existing literature examining how female board chairs affect earnings quality, particularly in banking institutions. Nevertheless, several previous studies have reported that female board chairs contribute significantly to various dimensions of corporate performance, including in the banking sector. Yahya (2023) affirmed that the presence of women, despite not being chairpersons within the CEO position, enhances the environmental and social performance of non-financial firms listed on Nordic stock markets, arguing that women are more considerate of others in corporate

decision-making. Cambrea et al. (2020) reported a relationship between gender diversity and cash holdings that depends on how active female directors are on the board. Specifically, these authors provided empirical evidence on how female board chairs contribute to reduced cash reserves, as excess cash is often utilized by managers to fund low-risk investment projects to alleviate their workload, which in turn negatively impacts corporate performance. Furthermore, Mai et al. (2024) demonstrated that female board chairs significantly increase the profitability of Islamic rural banks in Indonesia. Therefore, based on these literature reviews, this study hypothesizes that female board chairs positively impact the quality of bank earnings in Indonesia.

1.3. Female audit committee and earnings quality

One of the key corporate governance mechanisms for ensuring the quality of financial reports in both developed and emerging markets is the audit committee (Oradi & Izadi, 2020; Gupta & Mahakud, 2021; Fariha et al., 2022). In Indonesia, Regulation of the Financial Services Authority (POJK) No. 55/POJK.04/2015 establishes the audit committee as a body supporting the effectiveness of the board of directors' oversight duties and functions regarding financial reporting, internal control systems, and external audits. By referring to a perspective of agency theory, Din et al. (2021) argued that shareholders increase monitoring expenditures, including by forming audit committees composed of financial experts, to oversee managerial actions. Zalata et al. (2018) demonstrated the importance of diverse gender representation on audit committees in strengthening monitoring mechanisms that inhibit earnings management practices in non-financial firms in the United States. Similarly, Al-Absy et al. (2019) reported that female representation on audit committees contributes to mitigating earnings management behavior in Malaysian non-financial firms. Furthermore, Sellami and Cherif (2020) discovered a positive correlation between the representation of women on audit committees and audit fees, indicating a high level of appreciation for the role of women in enhancing audit quality. In the existing empirical literature, only one study specifically examines how the proportion of women on audit committees relates to banking earnings quality (García-Sánchez et al.,

2017). The result indicates a significant positive impact of gender diversity on audit committees regarding earnings quality in banking institutions across nine countries. Based on these literature reviews, this study argues that the proportion of women on audit committees has a positive impact on the quality of bank earnings in Indonesia.

1.4. Female audit committee chairs and earnings quality

A number of previous studies have examined how female audit committee chairs are linked to various aspects of corporate performance, including in the banking sector. As reported by McLaughlin et al. (2021), having a woman serve as audit committee chair helps reduce the incidence of corporate scandals across non-financial firms in the UK. Din et al. (2021), with a sample of non-financial firms listed on the Pakistan Stock Exchange, concluded three things regarding the role of female audit committee chairs. First, compared to their male counterparts, having female audit committee chairs with accounting expertise increases the quality of financial reporting. Second, female audit committee chairs' accounting expertise strengthens corporate governance mechanisms and internal control systems, such as environmental control, activity control, and information and communication. Third, expertise in accounting among female audit committee chairs increases monitoring effectiveness, resulting in stronger shareholder value and investor confidence. Using a sample of 100 ASX-listed companies, Sultana et al. (2015) demonstrated the positive impact of female audit committee chairs with accounting expertise on increased financial reporting quality (FRQ). To date, no study has specifically examined whether female audit committee chairs are associated with banking earnings quality. Nevertheless, based on the available literature, this study hypothesizes that female audit committee chairs positively affect the earnings quality of Indonesian banks.

This present study aims to examine whether women's representation on boards of directors and audit committees improves earnings quality in Indonesian banks. Specifically, this study investigates the effects of the proportion of women on independent boards of directors, female board chairpersons, the proportion of women on independent audit committees,

and female audit committee chairpersons on earnings quality. Based on the theoretical arguments and prior empirical evidence presented above, the following hypotheses are proposed:

H1: The proportion of women on independent boards of directors increases bank earnings quality in Indonesia.

H2: Female board chairpersons increase bank earnings quality in Indonesia.

H3: The proportion of women on independent audit committees increases bank earnings quality in Indonesia.

H4: Female audit committee chairpersons increase bank earnings quality in Indonesia.

2. METHODOLOGY

The sample in this study is commercial banks listed on the Indonesian Stock Exchange (IDX) from 2001 to 2024, with a total of 769 bank-years of data. This study employed the two-step System Generalized Method of Moments (2SYS-GMM) model.

2.1. Variable description

This study considered three types of variables, discussed in the following sections as dependent, independent, and control variables.

2.1.1. Dependent variable

The dependent variable is earnings quality, proxied by Discretionary Loan Loss Provision (DLLP), referring to the absolute value to remove the negative sign. The DLLP value is estimated using the formula suggested by previous studies, Valdiansyah and Murwaningsari (2022) and Mathuva and Nyangu (2022).

First, perform a regression to obtain the coefficient values 0, 1, 2, and 3 in the following formula:

$$LLP_{it} = \alpha_0 + \alpha_1 NPL_{it-1} + \alpha_2 \Delta NPL_{it} + \alpha_3 \Delta TL_{it} + \varepsilon_{it} \quad (1)$$

Second, after obtaining the coefficients α_1 , α_2 , and α_3 , calculate the non-discretionary accrual value (NDLLP_{it}) for each bank per year based on the following formula:

$$NDLLP_{it} = \alpha_1 NPL_{it-1} + \alpha_2 \Delta NPL_{it} + \alpha_3 \Delta TL_{it}. \quad (2)$$

Third, if the values of the LLP_{it} and NDLLP_{it} variables are stated, the value of the DLLP_{it} variable can be calculated by employing the following formula:

$$DLLP_{it} = LLP_{it} - NDLLP_{it}. \quad (3)$$

2.1.2. Independent variables

There are four independent variables in this study, which are described as follows:

First, the proportion of female independent board members (FBI) is calculated as the ratio of the number of female independent board members to the total number of board members, following the studies by Guizani and Abdalkrim (2022) and X. Li and Y. Li (2020).

Second, the proportion of female board chair (FBC) is estimated with a value of 1 (one) when the chairperson of the bank's board of directors is a woman and 0 (zero) when this position is held by a man, following the studies by McLaughlin et al. (2021) and Din et al. (2021).

Third, the proportion of female audit committee members (FAC) is estimated as the ratio of the number of female audit committee members to the total number of audit committee members, as suggested by several previous studies (Din et al., 2021; Al-Absy et al., 2019).

Fourth, the female audit committee chair (FACC) is estimated by assigning a value of 1 (one) if the audit committee chair is a woman and 0 (zero) if the audit committee chair is a man (McLaughlin et al., 2021; Din et al., 2021).

2.1.3. Control variables

There are six control variables involved in this study: Capital Adequacy Ratio (CAR), referring

to the ratio of capital to risk-weighted assets is defined (Priyadi et al., 2021; Smaoui et al., 2020); Operational Efficiency Ratio (OER), referring to the ratio of banking operational expenses to banking operational income (Fithria et al., 2021; Migliardo & Forgione, 2018); Bank Size (SIZE), measured using the natural logarithm of total assets (Nadia & Hanafi, 2023; Khan, 2022); Leverage (LEV), defined as the ratio of total liabilities to total assets (Nadia & Hanafi, 2023; Subramaniam & Sakthi, 2022); Annual Real GDP (GDP) growth, operationalized following Priyadi et al. (2021) and Ledhem and Mekidiche (2020); and the inflation rate (INFLA), measured as the percentage change in the annual price level (Jafrin et al., 2021; Arham et al., 2020).

2.2. Model specification

A number of previous researchers have noted that studies on corporate governance, including those related to gender diversity on boards of directors and audit committees, often reveal endogeneity issues, given that gender diversity is potentially endogenous. Therefore, this study employed the Generalized Method of Moments (GMM), specifically the two-step System GMM (2SYS-GMM) estimator, to address this endogeneity issue, as proposed by Arellano and Bond (1991) and Arellano and Bover (1995). This approach is also consistent with a number of previous studies (Jouber, 2022; García & Herrero, 2021; Al Farooque et al., 2020). The 2SYS-GMM equation model used in this study is as follows:

$$DLLP_{it} = \beta_0 + \beta_1 DLLP_{it-1} + \beta_2 FBI_{it} + \beta_3 FBC_{it} + \beta_4 FAC_{it} + \beta_5 FACC_{it} + \sum_{k=6}^{11} \beta_k X_{it} + \varepsilon_{it}, \quad (4)$$

where: i is the bank selected as a sample ($i = 1, 2, 3, \dots, 47$), the window is in the Indonesian capital market; t is the data collection period ($t = 2001, 2005, 2006, \dots, 2024$); DLLP_{it} is the current period dependent variable; $DLLP_{it-1}$ represents the one-period lagged dependent variable. FBI , FBC , FAC , and $FACC$ are independent variables. Meanwhile, X is a vector of a series of control variables, namely CAR , OER , $SIZE$, LEV , GDP , and $INFLA$; β is defined as the set of parameters to be analyzed in this study; ε is employed to accommodate the error term.

3. RESULTS

Table 1 presents a descriptive analysis.

The mean DLLP is 1.614, indicating that Indonesian banks generally report earnings that differ from actual earnings. This measure ranges from 0.012 (earnings close to actual) to 2.788 (largest deviation). For the FBI, the mean is 0.053, indicating that, on average, 5.30% of independent board directors are women, with values ranging from 0 (no women) to 0.667 (66.70% women). Meanwhile, the mean for FBC is 0.047, indicating that 4.70% of banks have female board chairs; values span from 0 (male chair) to 1 (female chair). In the case of FAC, the mean is 0.148, indicating that 14.80% of audit committee members are women, ranging from 0 (none) to 0.750 (75%). For FACC, the average is 0.117, meaning that 11.70% of banks have audit committees chaired by a woman, with values ranging from 0 (male chair) to 1 (female chair). Descriptive statistics for other variables are stated in Table 1.

Table 2 displays matrix correlation for all independent and control variables. The correlation coefficient between *FAC* and *FACC* is 0.402, which is

below 0.500, indicating the absence of significant multicollinearity issues in this study.

The GMM model meets the goodness-of-fit criterion if it passes three tests: instrument validity (Sargan test), instrument consistency (Arellano-Bond test), and unbiasedness (Arellano & Bond, 1991; Arellano & Bover, 1995). In this study, the 2SYS-GMM model passes all three. First, the Sargan test produces a Chi2 value of 44.814 and a Prob > chi2 of 0.315, revealing instrument validity. Second, the Arellano-Bond test yields a second-order z-value of 0.388 and a Prob > z of 0.698, indicating instrument consistency. Third, the 2SYS-GMM regression coefficient is 0.240***. This is higher than the Fixed Effect Model (0.224***) and lower than the Pooled Least Squares (0.743***), confirming unbiasedness.

To provide a consolidated view of model performance, Table 3 summarizes the analysis results of the 2SYS-GMM model, along with the FEM and PLS.

The primary model employed in this study is 2SYS-GMM, while FEM and PLS serve as comparative methods. Table 3 reports a Wald chi2

Table 1. Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Minimum	Maximum
DLLP	769	1.614	0.876	0.012	2.788
FBI	769	0.053	0.117	0.000	0.667
FBC	769	0.047	0.211	0	1
FAC	769	0.148	0.180	0.000	0.750
FACC	769	0.117	0.322	0	1
CAR	769	0.247	0.156	0.012	1.274
OER	769	0.762	0.282	0.109	2.879
SIZE	769	7.495	0.779	5.153	9.385
LEV	769	4.730	1.845	-2.070	6.350
GDP	769	4.826	3.344	1.570	17.110
INFLA	769	1.614	0.876	0.012	2.788

Table 2. Correlation matrix

Variables	FBI	FBC	FAC	FACC	CAR	OER	SIZE	GDP	INFLA
FBI	1								
FBC	0.295	1							
FAC	0.183	-0.031	1						
FACC	0.302	0.034	0.402	1					
CAR	0.027	0.008	0.046	0.011	1				
OER	-0.109	-0.133	-0.012	0.029	-0.266	1			
SIZE	-0.145	-0.136	0.006	-0.101	-0.259	-0.044	1		
GDP	-0.081	-0.002	-0.019	-0.009	-0.138	0.070	-0.028	1	
INFLA	-0.085	-0.009	0.093	-0.006	-0.192	0.187	-0.135	0.330	1

Table 3. 2SYS-GMM, FEM, and PLS results

Variable	SYS-GMM		FEM		PLS	
	Coefficient	z	Coefficient	t	Coefficient	t
$DLLP_{it-1}$	0.240***	9.87	0.224***	6.42	0.743***	31.48
FBI	0.617	1.26	0.314	1.37	-0.137	-0.73
FBC	-0.220***	-3.48	-0.247**	-2.44	-0.196**	-2.03
FAC	0.207	0.68	0.160	1.12	0.103	0.85
FACC	-0.306**	-2.22	-0.103	-1.49	-0.106	-1.57
CAR	0.438***	6.09	0.037	0.22	0.293**	2.06
OER	0.034	0.76	0.025	0.23	0.181**	2.35
SIZE	-0.035	-1.30	0.043	0.79	0.072**	2.57
LEV	0.197	1.15	0.210	1.07	0.240*	1.88
GDP	0.047	1.06	-0.082	-0.86	0.034	0.31
INFLA	-0.038	-1.57	-0.088	-1.33	-0.028	-0.41
Constant	1.144***	4.00	0.776	1.61	-0.518**	-2.03
Wald ch2	5943.08		-		-	
Prob > chi ²	0.000		-		-	
Adj R-squared	-		61.24%		65.35%	
F-Statistics	-		5.88		124.81	
Prob > F	-		0.000		0.000	

Note: *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

of 5943.08 and a Prob > chi² of 0.000 for 2SYS-GMM, evidencing the model's strong goodness-of-fit. $DLLP_{it-1}$ has a regression coefficient of 0.240, suggesting that higher values in the previous period are associated with greater current-period earnings management in Indonesian banks. This supports the presence of dynamic, persistent patterns of earnings management. FEM and PLS produce similar findings, confirming the robustness and consistency of this relationship across models.

The 2SYS-GMM estimation results indicate that the effect of FBI_{it} on $DLLP_{it}$ yields a coefficient of 0.617, which is not statistically significant. The FEM and PLS estimation results consistently show similar findings, where the effect of FBI_{it} on $DLLP_{it}$ with coefficients of 0.314 and -0.137, respectively, is also not statistically significant. Thus, this study rejects hypothesis *H1*. Meanwhile, the 2SYS-GMM estimation results for the significant negative effect of FBC_{it} on $DLLP_{it}$ yield a coefficient of -0.220. Consistently, the FEM and PLS estimation results indicate that FBC_{it} has a significant negative effect on $DLLP_{it}$, with coefficients of -0.247 and -0.196, respectively, albeit at the 5% level. The results of the study support *H2*.

The SYS-GMM results indicate that the effect of FAC_{it} on $DLLP_{it}$ has a coefficient of 0.207, which is statistically insignificant (z-value = 0.68). In

contrast, both the FEM and PLS analyses also discover no statistically significant effect of FAC_{it} on $DLLP_{it}$ with coefficients of 0.160 and 0.103, respectively. Accordingly, this study does not support hypothesis *H3*. Regarding $FACC_{it}$, SYS-GMM reports a significant negative coefficient of -0.306 (z-value = -2.22, significant at the 5% level), whereas FEM and PLS both report a statistically insignificant negative effect with coefficients of -0.103 and -0.106, respectively. Meanwhile, the significance of effects differs depending on the estimation method employed, with SYS-GMM indicating significance for $FACC_{it}$ and the other models not. Thus, this study supports hypothesis *H4*.

The 2SYS-GMM model finds that CAR_{it} significantly positively affects $DLLP_{it}$ at the 1% level (coefficient 0.438 and z-value = 6.09), whereas PLS results indicate a significant positive effect at the 5% level (coefficient 0.293 and z-value = 2.06). Only PLS results, not the 2SYS-GMM model, identify OER_{it} , $SIZE_{it}$, and LEV_{it} as having a significant positive impact on $DLLP_{it}$ at the 5% level with coefficients of 0.181, 0.072, and 0.240, respectively.

4. DISCUSSION

High-quality earnings are reflected in low levels of earnings management. In this case, the finding indicates that the proportion of women as inde-

pendent board directors (FBI) has no significant effect on earnings quality (DLLP). This finding suggests that the presence of women on independent boards does not prevent bank management in Indonesia from engaging in earnings management. This aligns with a body of literature noting that women tend to avoid excessive risk and are less assertive in decision-making when serving as board members or on executive teams (Sghaier & Hamza, 2018; Luo et al., 2020; Abou-El-Sood, 2021; Jabari & Muhamad, 2022; Menicucci & Paolucci, 2022). Thus, the FBI does not explicitly restrict earnings management practices by management, as such actions could potentially create conflicts of interest among the parties involved. The findings of this study contradict previous research (Mnif & Cherif, 2021), which reported that independent female board directors significantly reduce earnings management practices in non-financial family-owned firms listed on the SBF 120.

The research findings indicating a significant negative effect of having a female board chair (FBC) on earnings quality (DLLP) align with expectations. This demonstrates that appointing a woman as a bank board chair in Indonesia can effectively reinforce managerial discipline by restricting the inflation of reported earnings. Although previous studies have not directly examined the FBC-DLLP relationship, they have established that female board chairs positively impact Islamic rural banks' financial performance in Indonesia (Mai et al., 2024) and corporate social responsibility in Nordic capital markets (Yahya, 2023). Therefore, these results solidify this study's important contribution and address a critical gap in the FBC-DLLP literature.

The results indicate no effect of FAC (the proportion of women on audit committees) on DLLP (earnings quality), meaning that women's representation on audit committees does not significantly contribute to increased earnings quality at banks in Indonesia. These findings clearly demonstrate that FACs are reluctant to explicitly prohibit management from engaging in earnings management practices that could cause conflicts of interest. In contrast, Menicucci and Paolucci (2022) found that banks led by women were more risk-averse and less self-confident than those led by men. These findings differ from those of Zalata et al. (2018), who reported that gender diversity on audit committees enhances monitoring mechanisms that curb earnings management practices in U.S. non-financial firms. Similarly, the results of this study are inconsistent with Al-Absy et al. (2019), who demonstrated that the presence of women on audit committees mitigates earnings management in Malaysian non-financial firms.

The finding that FACC (female audit committee chairperson) negatively and significantly affects DLLP is consistent with expectations. This supports *H4*, revealing that appointing a woman as a bank audit committee chair enables her to better oversee and influence management decisions, thereby reducing managers' tendency to underreport earnings. Although prior studies examine the FACC-DLLP link, confirming these results is difficult. Still, evidence indicates that female committee chairs are associated with fewer UK corporate scandals (McLaughlin et al., 2021) and better financial reporting in Pakistani non-financial firms (Din et al., 2021).

CONCLUSION

This study aims to examine the role of women on boards of directors and audit committees in improving earnings quality in the Indonesian banking industry. According to the findings, female board chairs and female audit committee chairs contribute significantly to increasing the quality of bank earnings. They strengthen dispute resolution and oversight, which reduces earnings management practices in Indonesian banks. Conversely, the presence of female independent directors or a higher proportion of women on audit committees does not significantly affect earnings quality. This suggests leadership roles held by women matter more than representation, as mere inclusion may increase risk aversion and reduce confidence.

This study enriches the literature on women's participation by examining the number of female independent directors, female board chairs, the proportion of female audit committee members, and the number of female audit committee chairpersons.

The findings inform Indonesian banking practitioners, policymakers, and investors. The research also strengthens the link between governance and earnings quality. Indonesian banks should appoint more women as board or audit committee chairpersons to increase earnings quality.

AUTHOR CONTRIBUTIONS

Conceptualization: Sumiadji, Jaswadi, Adrianasari.
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 Supervision: Sumiadji, Jaswadi, Adrianasari, Kurnia, Nurkhin.
 Validation: Sumiadji, Jaswadi.
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