

CEO attributes, board independence on earnings management: Evidence from companies listed on the Indonesia Stock Exchange

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Abstract

The purpose of this study is to examine the effect of CEO attributes and board independence on earnings management of listed firms in Indonesia Stock Exchange in year 2021-2024. The data comprises firms composed from 2021 to 2024 for the non-financial sector companies listed on the BEI. There are 110 companies and 440 data that fall into the criteria based on the purposive sampling method. Multiple Regression Analysis as data analysis techniques used SPSS software (version 21.0). CEO attributes, which are proxied by CEO financial expertise, CEO compensation, CEO nationality, female CEO and board independence as independent variables is measured by collected data from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2021 to 2024. Earnings management is dependent variable is measured by Discretionary accruals are calculated by subtracting total accruals from nondiscretionary accruals. The empirical results shows that CEO attributes and board independent have significant effect on earnings management. Many studies focus on only one CEO attribute or one aspect of board governance. Rarely does research combine CEO attributes and board independence simultaneously to examine their combined effects on earning management. The novelty of this research is combining CEO attributes and board independence. This research examines both factors simultaneously or testing the combined effect of executive leadership and board quality on earnings management. Providing a more comprehensive understanding of how managerial and board structures jointly influence earnings management practices. The study offers an important reference for academics and industry professionals seeking to explore the determinants of earnings management practices in the manufacturing industry.

Keywords: board independence, CEO Attributes, earnings management

INTRODUCTION

Earnings management, defined as the strategic manipulation of financial statements to achieve specific objectives, has been widely recognized as a critical issue in corporate governance and financial reporting. Excessive earnings management can distort the true performance of a firm, mislead investors, and increase the risk of corporate failure (Healy & Wahlen, 1999; Dechow et al., 2010). In emerging markets such as Indonesia, where corporate governance mechanisms are still developing, understanding the determinants of earnings management is particularly important to ensure market transparency and protect stakeholder interests (Utama et al., 2016; Sari & Rahmawati, 2021). Earnings management refers to the ability of managers to manipulate reported earnings using discretion in accounting principles. In fact, the well-known process of earnings management is adopted by some executives to manipulate a company's accounting outcomes through accounting choices and discretionary accruals (Bouaziz et al., 2020). In this context, CEOs play a significant role in influencing the quality of financial reporting; they can use their accounting expertise to enhance the quality of financial reporting or engage in earnings management (Elsheikh et al., 2022).

Among the corporate governance mechanisms, the attributes of the Chief Executive Officer (CEO) and the independence of the board of commissioners have been identified as key factors

influencing managerial decisions and financial reporting practices. CEO attributes—including tenure, age, gender, experience, and ownership—may shape the risk appetite, ethical stance, and decision-making style of top executives, thereby affecting the extent of earnings management (Jensen & Meckling, 1976; Finkelstein & Hambrick, 1996). Meanwhile, board independence, as an essential governance mechanism, is expected to constrain opportunistic managerial behavior by providing oversight and ensuring accountability (Bhagat & Bolton, 2008; Sulistyawati & Djuwita, 2019).

Agency theory posits that managers and shareholders often have conflicting objectives (Jensen & Meckling, 1976). A core aspect of this theory is information asymmetry, where managers may pursue personal gains at the expense of shareholders' interests (Jensen, 1986). Agency theory describes a contractual arrangement in which one or more individuals delegate another individual to perform certain tasks on their behalf, granting them some decision-making authority shareholders (Musa, Latif, & Majid, 2023). The theory highlights incentives that may motivate managers to engage in earnings management, creating potential agency problems (Jensen & Meckling, 1976). To mitigate such conflicts and support corporate goals efficiently, various control mechanisms are recommended. These include external mechanisms, such as the market for corporate control or takeovers, and internal mechanisms, such as board oversight (Pearce & Zahra, 1991). As noted by Baysinger and Butler (1985), the board of directors is the primary institutional structure designed to control agency costs (p. 120).

In contrast, upper echelon theory (UET) has generated extensive discussion regarding CEO characteristics. This theory argues that organizational outcomes, including earnings quality, reflect the CEO's decisions shaped by their personal attitudes (Hambrick & Mason, 1984). The CEO's skills and individual traits can significantly influence firm value creation, financial reporting, and strategic choices (Hambrick & Mason, 1984). Additionally, the theory suggests that a CEO's personality, values, and experience strongly affect tactical decisions by shaping how they perceive and respond to the situations they face (Hambrick, 2007). Consequently, CEO attributes are assumed to have a substantial impact on a company's management practices and strategic planning.

Empirical studies, however, provide mixed evidence. Some research indicates that longer CEO tenure is associated with reduced earnings management due to accumulated experience and familiarity with regulatory frameworks (Azizah et al., 2020), while other studies suggest that entrenched CEOs may increase earnings management to protect personal interests (Denis et al., 2012). Similarly, while independent boards are generally assumed to mitigate earnings manipulation, findings in the Indonesian context are inconsistent, with some studies reporting insignificant or even counterintuitive effects (Nurjanah et al., 2021; Anggraini & Gustivani, 2020). These diverging results highlight the need to explore how CEO attributes and board independence interact in influencing earnings management.

A recent instance in Indonesia involved several major corporations, with PT Waskita Karya being a notable case suspected of financial statement manipulation related to earnings management. The company reported profits despite experiencing negative cash flows. Although substantial net profits were recorded annually, both operational and investment cash flows frequently remained negative. For instance, in 2019, net profit amounted to only IDR 938.14 billion, while operational cash flow showed a surplus of IDR 13 trillion; nonetheless, investment activities registered a deficit, with a negative investment cash flow of IDR 14.92 trillion. Additionally, the company was highly dependent on bank loans, totaling IDR 101.59 trillion, with annual interest expenses of IDR 3.64 trillion. In 2022, Waskita reported revenues of IDR 15.3 trillion, with cash and cash equivalents of IDR 8.9 trillion recorded in 2021.

CEOs with financial expertise play a significant role in strengthening internal controls. They are more likely to engage in real earnings management rather than accrual-based manipulation and may adjust accounting assumptions to achieve profit targets (Oradi et al., 2020). Studies by Oradi et al. (2020) and Sani et al. (2020) suggest that financial expertise of CEOs affects earnings management, whereas research by Bouaziz et al. (2020) and Altarawneh et al. (2022) reports no significant impact.

Managers may also inflate earnings to influence market perceptions. High CEO compensation in similar market settings can motivate executives to use their authority over financial reporting to manipulate earnings (Park, 2019). Evidence from Park (2019) and Harris et al. (2019) supports the

effect of CEO compensation on earnings management, while Almadi and Lazic (2016) find no such influence. The inclusion of foreign directors on the board can reduce oversight due to their limited knowledge of local regulations, language, and practices, potentially increasing earnings management (Masruroh & Carolina, 2022). Studies by Ashraf & Qian (2021) and Bouaziz et al. (2020) indicate that CEO nationality affects earnings management, whereas Enofe et al. (2017) report no significant effect.

Female CEOs are often associated with higher earnings quality, as they are perceived to allocate resources more efficiently, supervise management more effectively, and reduce agency problems, thereby limiting earnings management (Alves, 2023). Research by Gull et al. (2018) and Ashraf & Qian (2021) confirms the influence of female CEOs on earnings management, while Shauki & Oktavini (2022) suggest no significant effect.

Independent boards of directors, due to their broader expertise, are better equipped to oversee and regulate managers, helping to curb unethical earnings management practices (Githaiga et al., 2022). Studies by Ashraf & Qian (2021), Githaiga et al. (2022), and Rajeevan & Ajward (2020) support the impact of board independence on earnings management, while Orazalin (2020) reports no significant relationship.

The purpose of this study is to examine the impact of CEO attributes and board independence on earnings management among companies listed on the Indonesia Stock Exchange (IDX), with a particular focus on whether board independence moderates the relationship between CEO attributes and earnings management. By addressing both CEO characteristics and board oversight simultaneously, this research provides a more comprehensive understanding of governance mechanisms in limiting managerial opportunism.

This study contributes to the literature in three main ways. First, it integrates multiple CEO attributes and board independence into a single analytical framework, addressing gaps in previous research that often examine these factors in isolation. Second, it offers empirical evidence from Indonesia, an emerging market where governance practices are evolving, thus enhancing the generalizability of findings beyond developed countries. Third, by testing the moderating role of board independence, the study clarifies under what conditions CEO attributes translate into earnings management behavior. The findings are expected to inform policymakers, regulators, investors, and corporate managers about effective governance practices to ensure transparent financial reporting.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency theory

Agency theory posits that managers and shareholders often have conflicting objectives (Jensen & Meckling, 1976). A core aspect of this theory is information asymmetry, where managers may pursue personal gains at the expense of shareholders' interests (Jensen, 1986). Agency theory describes a contractual arrangement in which one or more individuals delegate another individual to perform certain tasks on their behalf, granting them some decision-making authority shareholders (Musa, Latif, & Majid, 2023). The theory highlights incentives that may motivate managers to engage in earnings management, creating potential agency problems (Jensen & Meckling, 1976). To mitigate such conflicts and support corporate goals efficiently, various control mechanisms are recommended. These include external mechanisms, such as the market for corporate control or takeovers, and internal mechanisms, such as board oversight (Pearce & Zahra, 1991). As noted by Baysinger and Butler (1985), the board of directors is the primary institutional structure designed to control agency costs (p. 120).

Upper echelon theory (UET)

Upper echelon theory (UET) has generated extensive discussion regarding CEO characteristics. This theory argues that organizational outcomes, including earnings quality, reflect the CEO's decisions shaped by their personal attitudes (Hambrick & Mason, 1984). The CEO's skills and individual traits can significantly influence firm value creation, financial reporting, and strategic choices (Hambrick & Mason, 1984). Additionally, the theory suggests that a CEO's personality, values, and experience strongly affect tactical decisions by shaping how they perceive and respond to the situations they face

(Hambrick, 2007). Consequently, CEO attributes are assumed to have a substantial impact on a company's management practices and strategic planning.

Earnings management is split into accrual and real earnings management. Accrual earnings management (AEM) refers to a situation where managers use accounting techniques and estimates to influence the accounting information and thus, deceive the stakeholders (Healy & Wahlen, 1999).

CEO Attributes and Earning Management

The increase in corporate accounting scandals and the enactment of the Sarbanes-Oxley Act (SOX) in 2002 have highlighted the importance of placing accounting and finance experts in key strategic roles within companies. Prior to SOX, the majority of CEOs typically had backgrounds in sales or marketing. However, following the SOX Act, there has been a notable shift, with 51% of CEOs in the UK's Financial Times Stock Exchange (FTSE) having accounting or finance backgrounds (Fino, 2018). CEOs with financial expertise tend to focus more on finance, accounting, and internal audit functions, ensuring close supervision and development of these departments. This rigorous oversight can aid in identifying and preventing irregularities in financial reporting. This aligns with upper-echelon theory, which posits that a CEO's specific skills and attributes can shape a company's value creation and influence strategic decisions. CEO attributes have also been shown to affect financial reporting quality (Hambrick & Mason, 1984). Similarly, meta-analytic studies examining upper echelon theory (UET) in relation to CEO characteristics—such as tenure, prior experience, and formal education—conducted by Bamber et al. (2010) and Wang et al. (2016) indicate that these characteristics are significantly linked to a firm's strategic decision-making. In the Nigerian context, it is recommended that companies appoint CEOs who possess expertise relevant to their industry and demonstrate honesty and integrity, in order to earn the confidence of the board and shareholders (Musa, Latif, & Majid, 2023).

According to Oradi et al. (2020), CEOs with financial expertise possess a stronger understanding of budget management and the design of financial policies, which may facilitate earnings manipulation. From the perspective of agency theory, CEO financial expertise can either exacerbate or mitigate conflicts of interest, depending on how it is applied. Sani et al. (2020) found that CEO financial expertise has a significant negative impact on earnings manipulation. By leveraging their knowledge, skills, and experience, CEOs can ensure more accurate and reliable financial reporting, thereby reduce the extent of earnings manipulation and improving the timeliness of financial statements. Based on these insights, the first hypothesis of this study is:

H1: CEO financial expertise has a negative effect on earnings management.

Compensation plays an important role in shaping employee job satisfaction and motivation, which in turn affects overall performance. Consistent with agency theory, Datar et al. (2001) suggest that the structure of CEO compensation contracts can align the interests of executives with those of the company's owners. The higher compensation may help mitigate agency problems. However, Bebchuk and Fried (2004) contend that executive compensation does not necessarily reduce agency conflicts; their study indicates that in environments with weak corporate governance, boards may set high executive pay while engaging in earnings management. This behavior may reflect the ethical standards upheld by executives (Musa, Latif, & Majid, 2023).

Executive compensation as including salaries, fees, bonuses, and other benefits, whether in cash or kind, such as share-based payments (Musa, Latif, & Majid, 2023). In this study, CEO compensation is measured as the total remuneration earned at the end of the company's financial year. Empirical evidence shows that incentive-based CEO compensation reduces earnings management in countries following the Anglo-American model, such as the UK and Australia, which are characterized by strong corporate governance and greater investor protection (Almadi & Lazic, 2016). Accordingly, the second hypothesis of this study is:

H2: CEO compensation has a negative effect on earnings management.

The cultural background of individuals significantly influences how they manage organizations, meaning that a CEO's nationality or cultural heritage can determine their suitability for a particular company. According to the upper echelons theory, a CEO's personal background can shape their decision-making by affecting the range of options they consider, including financial decisions of the firm (Hambrick & Mason, 1984). Foreign CEOs often face the initial challenge of adapting to a new business environment, which may be more demanding than for domestic CEOs (Bouaziz et al., 2020). Moreover, appointing a foreign CEO can potentially reduce earnings management, as their extensive industry experience may offer advantages for the company. Several studies have explored the relationship between CEO nationality and earnings management. For example, Ashraf and Qian (2021) report that a higher proportion of foreign directors on a board is associated with lower levels of real earnings management (REM). Similarly, Elaoud et al. (2022) find a negative link between CEO nationality and earnings management in European firms following the COVID-19 pandemic. These results align with Masruroh and Carolina (2022), who show that CEO nationality decreases financial reporting irregularities and can serve as a mechanism to prevent financial statement fraud. Conversely, Bouaziz et al. (2020) observe a positive association between CEO nationality and earnings management. Drawing on upper echelon theory, which posits that a CEO's background can shape decision-making through the experience they bring, this study hypothesizes that CEO nationality significantly contributes to reducing earnings management practices. Several studies examine the effect of CEO nationality on earnings management. Agency theory posits that a CEO's cultural background and values can shape managerial behavior, thereby either mitigating or amplifying conflicts of interest (Musa, Latif, & Majid, 2023). Ashraf and Qian (2021) find that a higher proportion of foreign directors on a board reduces earnings management, while Masruroh and Carolina (2022) note that CEO nationality lowers deviations in financial reporting and serves as a mechanism to prevent financial fraud. Based on these findings, the third hypothesis is:

H3: CEO nationality has a negative effect on earnings management.

Female CEOs tend to adopt a more cautious and less aggressive approach to decision-making, including financial decisions. They are generally more risk-averse and attentive to reputation and legal considerations, which can enhance earnings quality (Gull et al., 2018). Management research indicates that gender differences influence ethical decision-making within firms, with men being more likely than women to engage in rule-breaking behavior (Roxas & Stoneback, 2004). Studies in business ethics suggest that women tend to be more principled than men (Deshpande et al., 2006), bringing distinct values and attitudes to organizations that are often reinforced by social norms (DiFonzo & Bordia, 1998).

Empirical evidence on the link between CEO gender and earnings management has been mixed. For example, Gull et al. (2018) report a negative relationship between female directors and earnings management. This conclusion is further supported by Harakeh et al. (2019) and Kouaib and Almulhim (2019), who find that female board members are negatively associated with both accrual and real earnings manipulation. This ethical orientation aligns with agency theory, as female CEOs are less likely to engage in opportunistic behavior, thereby reducing conflicts of interest. Hence, the fourth hypothesis is:

H4: Female CEO has a negative effect on earnings management.

Board Independences and Earnings Management

From the lens of agency theory, boards dominated by independent (outside) directors are better positioned to supervise management and reduce the likelihood of earnings management (Saleem et al., 2022). In response to several widely publicized financial reporting scandals, such as Enron and WorldCom, regulators introduced new corporate governance regulations requiring boards to include a significant number of independent directors. The main objective of this change was to strengthen board oversight, particularly of financial reporting, to ensure its accuracy and reliability. Agency theory proponents argue that independent directors serve as an effective mechanism for monitoring managerial behavior (Klein, 2002) and, as a result, help reduce earnings management (Xia X. Chen,

Cheng, Lo, et al., 2015). In Nigeria, the NCCG 2018 echoed the requirements of other regulators, including the New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD), by mandating a mix of executive and non-executive directors, with the majority being independent, to enhance oversight of company financial statements. Nevertheless, Sani et al. (2021) suggest that in Nigeria, regulators should further strengthen board independence to effectively monitor politically connected CEOs and improve the quality of financial reporting.

Empirical evidence indicates that independent boards enhance financial reporting oversight. For instance, X. Chen, Cheng, Lo, et al. (2015) report that firms with a majority of independent directors experienced a notable reduction in earnings management following corporate governance reforms. Similarly, recent studies confirm a negative relationship between board independence and earnings management, indicating that lower board independence allows managers to engage more in earnings manipulation (Aleqab & Ighnaim, 2021; Rajeevan & Ajward, 2019).

Empirical evidence supports the notion that independent boards enhance the monitoring of financial reporting. For instance, Aleqab and Ighnaim (2021) demonstrate a negative association between board independence and earnings management, indicating that lower board independence encourages managers to engage in earnings manipulation. Based on these observations, the fifth hypothesis is:

H5: Board independence has a negative effect on earnings management.

METHODS

To obtain data, this study from BEI that is non-financial sector companies listed in Indonesia at 2021-2024. To obtain the total sample of 110 companies and 440 data that fall into the criteria based on the purposive sampling method. The set of data consist of 440 observed in the manufacturing industry are obtained 2021 to 2024. The criteria of purposive sampling are:

1. The company was listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024.
2. Included in non-financial sector in the manufacturing industry. Financial sector are excluded because financial sector companies (banks, insurance, securities) have different regulations, financial reporting structures, and risks, and therefore are frequently issued.
3. The companies must have complete data on financial statements, CEO attributes and board composition (including board independence) for the selected period.

To examine the effects of more than one independent variables on the dependent variables using multiple linear regression used SPSS software (version 21.0). The multiple regression analysis method was chosen because it was used to test the effect CEO attributes, which are proxied by CEO financial expertise, CEO compensation, CEO nationality, female CEO and board independence on earnings management.

Variable measurement

This research uses main variables, namely earnings management (EM), CEO attributes, which are proxied by CEO financial expertise (CFEX), CEO compensation (CCOM), CEO nationality (NAT), female CEO (GEN), and board independence (BIND). The Independent variables used in this study are CEO attributes (which are proxied by CEO financial expertise, CEO compensation, CEO nationality, female CEO) and board independence. Earnings management is dependent variable. The data used in this research is secondary data processed using SPSS, employing classical assumption tests (normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, regression test), and hypothesis testing

The regression equation is written as follows:

Model 1

$$EM = \beta_0 + \beta_1 CFEX + \beta_2 CCOM + \beta_3 NAT + \beta_4 GEN + \beta_5 BIND + e$$

Table 1. Research Sample Determination

Variables	Indicators	Measurement	Source
Independent Variables	CFEX	Dummy variable: coded as 1 if the CEO has qualifications in accounting or finance, or holds a professional certification; otherwise, it is coded as 0.	(Musa, Latif, & Majid, 2023).
	CCOM	Ln (Total Compensation)	(Musa, Latif, & Majid, 2023).
	CNAT	Dummy variables: are coded as 1 if the CEO is from abroad, and 0 otherwise.	(Musa, Latif, & Majid, 2023).
	CGEN	It is coded as 1 if the CEO is female, and 0 if not.	(Musa, Latif, & Majid, 2023).
	Board Independence	The proportion of non-executive directors to the total number of board members	(Musa, Latif, & Majid, 2023).
Dependent Variable	Earnings Management	Discretionary accruals are calculated by subtracting total accruals from nondiscretionary accruals.	(Musa, Latif, & Majid, 2023).

RESULT AND DISCUSSION

Table 2 shows the descriptive statistics. From the results of the classical assumption tests, the average value can be concluded that the regression model meets the criteria for an unbiased model predictor. As shown in Table 2, the normality test using the Kolmogorov-Smirnov method yielded a result of 0.34, which is higher than 0.05, indicating that the data is normally distributed.

Table 2. Descriptive Statistics and Classical Assumption Tests Source

Variables	Min	Max	Mean	Std. Deviation	Kolmogorov-Smirnov	Tol VIF	Park test	Durbin Watson
CEO financial Expertise	0,00	1,00	0,22	41,83	0,34	0,991,000,18		1,890
CEO Compensation	13,2232	7,7224	0526	66		0,991,000,34		
CEO Nationality	0,00	1,00	0,19	39,55		0,991,000,45		
Female CEO	0,00	1,00	0,13	33,39		0,991,000,57		
Board Independence	0,00	1,00	0,42	13,09		0,991,000,69		
Earnings Management Practices	-1,64	7,46	0,08	442,92				

Table 3. Regression Result's Tests

Variables	Coefficients	t-tests	Sig	R square
Constanta	-0,255			0,78
CEO financial Expertise	0,023	0,63	0,342	
CEO Compensation	0,065	0,78*	0,023	
CEO Nationality	0,098	2,06*	0,005	
Female CEO	0,023	2,12*	0,047	
Board Independence	-0.001	3,04*	0,012	
Board Independen*CEO Attribution	0,073	2,67*	0,008	

significant at 0,05 level

The Effect of CEO Financial Expertise on Earnings Management

The CEO financial expertise variable has a significance value of 0.342, which is greater than 0.05, indicating that CEO financial expertise does not have a significant effect on earnings management practices. Therefore, this hypothesis is rejected. Ideally, CEOs with financial expertise are expected to leverage their skills to minimize distortions and enhance the quality of financial reporting. Consistent with Altarawneh et al. (2022) and Bouaziz et al. (2020), financially knowledgeable CEOs are capable of reducing earnings management and producing higher-quality financial statements by implementing transparent accounting practices and robust internal controls.

The Effect of CEO Compensation on Earnings Management

The CEO compensation variable has a significance value of 0.023, which is below 0.05, indicating that CEO compensation significantly affects earnings management practices. Thus, this hypothesis is accepted. The results suggest that higher CEO compensation can incentivize managers to engage in earnings management to boost reported profits, often in response to compensation levels of CEOs in comparable firms (Park, 2019). The study finds that greater CEO compensation, particularly when performance-based or linked to financial metrics, encourages manipulation of financial reports to achieve targets and maximize personal rewards.

The Effect of CEO Nationality on Earnings Management

The CEO nationality variable has a significance value of 0.005, which is less than 0.05, demonstrating that CEO nationality significantly influences earnings management practices. Therefore, this hypothesis is accepted. The cultural background and values that a CEO brings can shape managerial behavior, either mitigating or exacerbating conflicts of interest. Ashraf and Qian (2021) found that a higher proportion of foreign directors on the board is associated with lower earnings management. Similarly, Masruroh and Carolina (2022) argue that CEO nationality can reduce financial reporting distortions and serve as a mechanism to prevent fraud.

The Effect of Female CEOs on Earnings Management

The female CEO variable has a significance value of 0.047, which is below 0.05, indicating a significant influence on earnings management practices. Consequently, this hypothesis is accepted. Board diversity is recognized as important for reducing earnings manipulation, as the presence of women can strengthen oversight of financial reporting (Dobija et al., 2022). Supporting Gull et al. (2018), female CEOs tend to be more cautious and risk-averse in financial decision-making, with greater attention to reputation and legal considerations.

The Effect of Board Independence on Earnings Management

The board independence variable has a significance value of 0.047, which is less than 0.05, indicating a significant impact on earnings management. Therefore, this hypothesis is accepted. Boards with a majority of independent directors provide broader expertise and are better positioned to monitor managerial actions, thus reducing earnings management (Rajeevan & Ajward, 2020). Independent directors play a key role in overseeing financial reporting, internal controls, and audits, ensuring greater accountability and minimizing earnings manipulation.

CONCLUSION

The purpose of this study is to examine the effect of CEO attributes and board independence on earnings management of listed firms in Indonesia Stock Exchange in year 2021-2024. The empirical results show that CEO attributes and board independence have significant effects on earnings management. Earnings management is the ability of managers to manipulate reported earnings by using discretion in accounting principles. In fact, the well-known process called earnings management has been adopted by some executives to manipulate a company's accounting results through accounting choices and discretionary accruals (Bouaziz et al., 2020). CEOs play a significant role in influencing the quality of financial reporting; they can use their accounting expertise to improve the quality of financial reports or engage in earnings management (Elsheikh et al., 2022). This research aims to investigate the determining factors that may influence earnings management practices in the manufacturing industry. Using 440 firm-year observations, we examine the roles of CEO financial expertise, CEO compensation, CEO nationality, female CEOs, and board independence on earnings management practices. Our findings indicate that CEO financial expertise does not influence earnings management practices. However, CEO compensation, CEO nationality, female CEOs, and board independence have an impact on earnings management practices. Board independence strengthens the CEO's attribution to earnings management practices.

This study has several limitations. First, the analysis focuses only on companies listed on the Indonesia Stock Exchange (IDX), which may limit the generalizability of the findings to firms in other countries or contexts with different corporate governance structures. Second, the study relies on secondary data obtained from published financial statements and corporate reports, which may be subject to reporting biases or measurement errors. Third, the research examines only selected CEO attributes (such as financial expertise, gender, nationality) and board independence, while other factors that could influence earnings management—such as ownership structure, firm size, or market competition—are not considered. Finally, the study employs a quantitative approach, which may not capture the qualitative aspects of managerial decision-making or board interactions that can also affect earnings management.

Future research could address these limitations by expanding the sample to include companies from other countries or emerging markets to enhance generalizability. Researchers could also explore additional CEO characteristics, such as age, tenure, education, or personality traits, and examine their combined effects on earnings management. Moreover, incorporating other governance mechanisms, such as audit committees, ownership concentration, or institutional investor monitoring, could provide a more comprehensive understanding of the factors that influence earnings management.

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