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The Influence of Female Directors on Earnings Quality: Political Connections, Family Ownership, and Institutional Ownership as Moderating Variables

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Abstract: This research aims to analyze the influence of female directors on earnings quality with political connections, family ownership and institutional ownership as moderating variables. This research is based on *Agency Theory* which emphasizes the role of female directors in reducing information asymmetry so that it can improve the earnings quality by reducing profit manipulation. This research was conducted using quantitative methods. The research sample is 84 manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period in accordance with the set criteria. The data was processed using SPSS Statistics 21. Information is obtained from annual reports through idx.co.id and CESGS. Samples were selected using the *purposive sampling* technique. The results of the study showed that female directors had no influence on the earnings quality. Political connections do not moderate the influence of female directors on the earnings quality, while family ownership and institutional ownership moderate the influence of female directors on the earnings quality. From the results of the study, it can be concluded that the greater the family ownership and institutional ownership in a company and its board of directors, most of which are women, are able to improve the earnings quality. This is because family ownership and institutional ownership are monitoring mechanisms to minimize profit manipulation.

Keywords: Female Directors, Earnings Quality, Political Connections, Family Ownership, Institutional Ownership.

INTRODUCTION

Earnings quality is one of the indicators to assess a company's performance. According to (Subramanyam & Wild, 2014), stable and predictable profits help in forecasting future profits and cash flows. Earnings quality is measured based on how accurately profits reflect the real economic condition of the company. High-quality earnings provide relevant, trustworthy, and consistent information to stakeholders, including investors and creditors, so that they can objectively assess the financial condition of the company. One of the factors that affects the quality of profits is the presence of female directors on the board of directors. female directors are expected to bring a different perspective in strategic decision-making.

Currently, the challenge of increasing female's representation in the board of directors is quite significant. In developed countries such as the United States, in 2017, only 18% of board positions in the 3,000 largest public companies were filled by female (Hess, 2018). Countries such as Norway have implemented gender quotas to improve this diversity, which has since been followed by other countries such as Spain, France, and Germany (Saona et al., 2019).

The presence of female in the board of directors is often associated with the quality of higher quality profits. Other research (Strydom et al., 2017) stated that the representation of female in the board of directors is about 30% has a positive impact on the quality of profits. (Setyaningrum et al., 2019; Octaviani et al., 2019; Mnif & Cherif, 2020) revealed that female directors have a significant negative impact on profit management. However, the existence of female as officials or leaders is still widely debated (Octaviani et al., 2019) and there are those who have the principle that the position of the board of directors is more appropriate to be occupied by men (Handry et al., 2015). While Research (Saona et al., 2019) shows that female have characteristics such as integrity, prudence, and tend to avoid profit manipulation.

In Indonesia, several companies have been involved in profit management practices. One of them is AISA (PT Tiga Pilar Sejahtera Food Tbk) which is engaged in engineering in 2017 by admitting false income and inflating asset accounts from what is actually owned in order to inflate net profit in financial statements. (Christian & Jullystella, 2021). Then the same thing was also done by GIAA (PT Garuda Indonesia (Persero) Tbk) in 2019 for fraudulent revenue recognition in financial statements in 2018. Cases such as AISA (PT Tiga Pilar Sejahtera Food Tbk) and GIAA (PT Garuda Indonesia (Persero) Tbk) show that significant profit management practices often occur to improve the appearance of financial statements. These practices show that poor governance has the potential to affect the quality of a company's financial statements.

In addition to the presence of female on the board of directors, there are moderation variables that also affect this relationship, such as political connections and family ownership. Political connections are often associated with influence on corporate governance, although research (Hendi & Wahyu Ningsih, 2019) shows that political connections do not have a significant impact on profit management. However, research (Sari et al., 2023) found that political relationships can improve profit management practices. Meanwhile, the family ownership structure affects profit management practices (Zulkarnaen & Rachmaniyah, 2022). However, according to (Gavana et al., 2017) Family ownership does not always have a significant influence on profit management practices.

This study adopts the study (Tee & Kasipillai, 2022), which examines the influence of female directors on the earnings quality moderation effects of political connections and family ownership in Malaysian companies. However, this study has a difference by adding institutional ownership as a moderation variable. Institutional ownership is suspected to have higher supervisory capabilities because it is associated with stricter supervision of management performance (Nanang & Tanusdjaja, 2019). Institutional ownership refers to the percentage of shares owned by institutional institutions, where institutional ownership is suspected to effect the earnings quality. In the research (Agita Sembiring, 2015) reveals that profit management is influenced by institutional ownership, while (Salem Alzoubi, 2016) stated that institutional ownership have no effect on management practices.

Thus, this study aims to analyze the influence of female directors on earnings quality by paying attention to the moderation effects of political connections, family ownership, and institutional ownership on companies listed on the Indonesia Stock Exchange from 2019-2022.

Literature Review

Agency Theory

Agency Theory proposed by Jansen & Meckling in 1976 which is explained in the research (Pratomo & Alma, 2020) Stating the relationship between management and the owner of the company can lead to a condition of information asymmetry or information imbalance, where management knows more information about the company than the owner. In this situation, management can change the amount of profit contained in the financial statements by applying profit manipulation measures, namely increasing or decreasing the amount of profit presented. In this study, agency theory was used to comprehensively analyze how female directors, who are often associated with higher ethical values, tend to better care for shareholder interests and reduce harmful practices, such as profit manipulation.

Female Directors

At the moment, many female are on the board of directors and audit committees, proving the balance of their positions. Female directors have differences in emotions and intellectuals with male directors. Research (Saona et al., 2019) shows that female have characteristics such as integrity, prudence, and tend to avoid profit manipulation. (Octaviani et al., 2019) stated that better financial reporting is often associated with female directors, resulting in reduced profit management practices.

Earnings Quality

Qualified profit is defined as the level of difference between net profit in the financial statements and actual profit, which is judged by the actual performance of the company without profit manipulation. The quality of the profit shows the reported financial performance in accordance with the actual circumstances (Agustin & Rahayu, 2022). Earnings quality is indicated by the extent to which actual earnings are reported in the financial statements. The quality of profits has a direct effect on the users of financial statements, because it is an important basis for decision-making (Maulia & Handojo, 2022).

Family ownership

Families and family members who sit on the board of directors own shares known as family ownership (Yumna et al., 2019). The family has significant control over the company, especially when they own more than 20% of the shares or voting rights (Pranata & Purwanto, 2019). Some of the research conducted by (Al-duais et al., 2019; Mohammad & Wasiuzzaman, 2020; Aulia et al., 2021) states that family companies tend to minimize the practice of profit manipulation, because families have an interest in maintaining the company's reputation and investor trust, which is a valuable asset to them. Family companies focus on long-term goals because they believe that their business is a legacy that will be passed on to the next generation. By looking at this perspective, the family is encouraged to improve the performance and quality of profits to maintain the company's reputation and sustainability (Dwiyanti & Astriena, 2018).

Political Connections

Faccio (2006) in research (Putri & Supatmi, 2022) states that if a company has one high-ranking person, such as CEO, president, vice president, chairman, or secretary, or at least one major shareholder, who owns at least 10% of the voting rights, then the company is considered to have political connections. Then if the shareholder occupies a position in the government, minister, or has a strong relationship with a politician or political parties, then the corporation is also considered to have a political relationship. Political connections are one of the aspects that can effect managers' efforts in conducting profit management. In comparison, companies with political connections have more profits and opportunities to increase profits

than companies without political connections (Auliana, 2023). The benefits obtained are protection from the government, ease of obtaining loan capital, less risk during tax audits, and greater opportunities to get bailouts from the government.

Institutional Ownership

Institutional Ownership is a term that refers to shares owned by an organization or institution that is involved in investing in a company. In general, shares are divided into two, namely institutional ownership and individual ownership (Tinenti & Nugrahanti, 2023). Individual ownership is more profit-oriented, whereas Institutional ownership is more oriented towards long-term profits (Daryatno & Santioso, 2021). (Nanang & Tanusdjaja, 2019) stated that institutional ownership is suspected to have higher supervisory capabilities because it is associated with stricter supervision of management performance.

Hypothesis

The Effect of Female Directors on Earnings Quality

In perspective Agency Theory, where agency theory focuses on the interests between agents and stock brokers. The existence of directors is considered more thorough in supervising management decisions, so as to reduce profit manipulation. By increasing supervision, the presence of female directors helps prevent profit management practices that can reduce earnings quality. Research (Khabibah & Suryatimur, 2019) states that female tend to refrain from practicing profit management. Therefore, the more female board of directors members, the lower the profit management practice in the company. This opinion is in line with the findings of previous research that stated that female directors can reduce profit management practices (Setyaningrum et al., 2019). This discovery is supported by research (Octaviani et al., 2019; Mnif & Cherif, 2020) which states that female directors can avoid profit management practices. The hypothesis in this study is formulated as follows:

H1: Female Directors Have a Positive Effect on Earnings Quality

The Effect of Political Connections in Moderating Female Directors on Earnings Quality

Female directors are considered to be able to reduce conflicting interests between shareholders and management through the improvement of supervisory functions, this is in line with the principles of agency theory. However, political connections can magnify the risk of these conflicts if they are used to support certain interests that conflict with the interests of shareholders. Research (Tee & Kasipillai, 2022) stated that political connections undermine the efforts of female directors to improve the quality of profits. (Wahab et al., 2020) it also shows the same thing about the political connection that weakens the existence of female directors to the earnings quality. While the research (Lihdya Sari et al., 2022) stated that political connections and the presence of female directors can improve the earnings quality through better tax compliance. The hypothesis in this study is formulated as follows:

H2: Political Connections Moderate the Effect of Female Directors on Earnings Quality

The Effect of Family Ownership in Moderating Female Directors on Earnings Quality

According to Agency Theory, agency conflicts arise due to differences in interests between the party that manages the company (agent) and the party that owns the company (principal). This conflict occurs not only between management and majority shareholders, but also family owners and minority shareholders. The presence of female directors can reduce this conflict by increasing the transparency of financial statements. Previous research (Tee & Kasipillai, 2022) It shows that the presence of female directors and the earnings quality are stronger in family companies. (Ermawati & Dianawati, 2024) It also states the same thing, that female directors in family companies play a role in improving the earnings quality, supporting

the reputation and sustainability of the family business. While the research (May & Mardianto, 2023) stated that female leadership in the board of directors serves to oversee and prevent profit management practices in family companies. The hypothesis in this study is formulated as follows:

H3: Family Ownership Moderates the Effect of Female Directors on Earnings Quality

The Effect of Institutional Ownership in Moderating Female Directors on Earnings Quality

Institutional ownership acts as an external monitoring mechanism that reduces conflict between management and shareholders, while female directors function as internal supervisors, while institutional ownership investors function as external supervisors. In the agency theory, female directors and institutions ownership complement each other to maximize agency problems. So that the existence of female directors and institutional ownership can reduce the existence of profit management actions. In research (Al-Absy, 2023) suggests that the concentration of ownership, including institutional, can strengthen the role of female directors in reducing profit management, especially through more effective governance mechanisms. This opinion is in line with research (Githaiga, 2023) which states that institutional ownership increases the role of female directors in reducing profit management. While the research (Rio & Darmayanti, 2022) shows that institutional ownership can weaken the relationship between female boards of directors to the earnings quality. The hypothesis in this study is formulated as follows:

H4: Institutional Ownership Moderates the Effect of Female Directors on Earnings Quality

METHODS

Type of Research

This research was conducted using a quantitative method. This method is expected to show the effect of independent variables on dependent variables and the effect of moderation variables.

Sample Selection and Data Source

This research focuses on manufacturing companies listed on the Indonesia Stock Exchange from 2019-2022. The sample selected for this study is a company that presents annual financial statements and contains relevant information. Several companies were omitted from this study sample. Eliminated Manufacturing Companies are companies whose financial statements do not have accumulated depreciation assets. Then the closing price of shares in 2018 was also removed from this study. Furthermore, this research does not apply to companies that report their finances in foreign currencies. The samples taken in this study used a *purposive sampling* technique, which means that the samples were selected according to criteria relevant to the research objectives.

Earnings Quality Measurement

Earnings Quality is a dependent variable used in this study. The following is a formula to measure Earnings Quality.

$$TCAi,t = \alpha_{i,0} + \beta 1CFOi,t\text{-}1 + \beta 2CFOi,t\text{-}1 + \beta 3CFOi,t\text{-}1 + \beta 4\Delta Salesi,t\text{-}1 + \beta 5\Delta PPEi,t\text{-}1 + \varepsilon i,t$$

$$CFOi,t = NIBE_{i,t} - TAi,t$$

Information:

NIBEi,t	=	Net profit before extraordinary post (for company i and year t)
TAi,t	=	ΔCAi,t - ΔCLi,t ΔCashi,t + ΔSTDEBTi,t - DEPNi,t
TCAi,t	=	ΔCAi,t - ΔCLi,t ΔCashi,t + ΔSTDEBTi,t

TCAi,t	=	Total current accruals (company i and year i)
ΔCAi,t	=	Change in current assets (company i and year t)
ΔCLi,t	=	Change in current liabilities (company i and year t)
Δcashi,t	=	Cash change (company i and year t)
ΔSTDEBTi,t	=	Changes in debt to current liabilities (company i and year t)
DEPNi,t	=	Depreciation and amortization expenses (company i and year t)
CFOi,t	=	Cash flow from operations (company i and year t)
CFOi,t-1	=	Cash flow from operations (company i and year t)
ΔSalesi,t	=	Changes in sales (company i and year t)
PPEi,t	=	Property, plant and equipment (company i and year t)

Female Directors

Female directors are an independent variable in this study. Gender diversity is expressed by the presence of at least one female director on the board. For the main analysis, the percentage of female on the board of Indonesian manufacturing companies was measured by the number of female directors on the board (FEMBOARD*).*

Political Connections

In this study, companies that are politically connected are dummy variables, given a number of "1" if the company is identified as connected to politicians (political parties, relationships with the government), and "0" if there is none.

Family Ownership

Family ownership as a moderation variable is measured by a dummy variable, given a number of "1" if there is family ownership of more than 20% and a number of "0" if family ownership is less than 20% (Poncowati & Supatmi, 2021). This is in line with research (Tee & Kasipillai, 2022) Families are dummy variables, given the number "1" if at least one family has at least 20% of the voting rights, and given the number "0" if they don't.

Institutional Ownership

Shares of a company owned by an institution, such as a company or other institution, are called institutional ownership. In order to provide high-quality reported profits, institutional ownership can resist management's tendency to use discretion in financial statements (Dewi, 2019). In a study conducted by (Ernawati & Santoso, 2022) Institutional ownership is formulated by:

$$\text{Institutional Ownership (Ins)} = \frac{\text{Institutionally owned shares}}{\text{Number of shares outstanding}} \text{ x } 100\%$$

Control Variables

A company's return on assets (ROA) is calculated as net income before interest, taxes, and extraordinary items are scaled by total assets. Higher company performance is predicted to be associated with higher earnings quality. Following the previous study, Tobin Q (Q) was calculated as the book value of total assets plus the equity market value scaled by total assets. The size of a company uses the natural logarithma of total assets. A company's leverage (LEV) is the ratio between total debt to total assets. The structure of the board is represented by the size of the board (BSIZE). This structure is measured by the total number of directors on the board.

Model Specifications

To examine the impact of moderation of political connections, family ownership, and institutional ownership on the influence of female directors on the earnings quality, the basic equations of regression are presented as follows:

$$AQ = \beta 0 + FEMBOARD + Control\ Variable$$
$$AQ = \beta 0 + \beta 1FEMBOARD + \beta 2PCF + \beta 3FEMBOARD*PCF + Control\ Variable$$
$$AQ = \beta 0 + \beta 1FEMBOARD + \beta 2Family + \beta 3FEMBOARD*Family + Control\ Variable$$
$$AQ = \beta 0 + \beta 1FEMBOARD + \beta 2Institutional + \beta 3FEMBOARD*Institutional + Control\ Variable$$

Information:

σ AQ	=	Accrual quality deviation standard
FEMBOARD	=	Number of female directors on the board
PCF	=	dummy variables, given the number "1" if the company is identified as connected to a politician (political party, relationship with the government), and "0" if there is none
FAMILY	=	The dummy variable is given the number "1" if the company is identified as a family company, and "0" if it is not.
INSTITUTIONAL	=	Institutional owned shares divided by the number of shares outstanding multiplied by 100%
ROA	=	Return on assets is calculated as net profit measured by total assets.

RESULTS AND DISCUSSION

This study analyzes the relationship between female directors and earnings quality in manufacturing companies in Indonesia, by considering moderation variables such as political connections, family ownership, and institutional ownership using a quantitative approach. This study took a sample of 84 manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2022 period that met the specified criteria.

Descriptive Statistics

Table 1. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
AQ	167	-3.1584	0.5698	0.014172	0.2924766
FEMBORD	167	0.0000	5.0000	0.670659	0.8879590
ROA	167	-1.0140	0.4688	0.050603	0.1461187
PC	167	0.0000	4.0000	0.497006	0.9043020
FAMILY	167	0.0000	0.9971	0.319904	0.3552518
INSTITUTIONAL	167	0.0002	0.0100	0.006924	0.0020876
Valid N (listwise)	167				

Source : Data processed using SPSS Statistics 21

AQ (Accrual Quality) in this study describes the earnings quality. Accrual quality with a negative value describes a fairly low quality of profit, while a positive value describes a fairly high quality of profit, especially if it is close to zero. The average value (Mean) of the AQ variable is 1.47%, the minimum value is -315.84% which indicates low profit quality and the maximum value of 56.98% indicates higher profit quality. The number of female directors on the board of directors is still limited, and some companies do not even have female directors at all. This is indicated by a low average score. ROA is a control variable used to measure a Company's profitability. Based on the results of the descriptive statistics above, it shows that the average profitability of the company is relatively low. Some companies from the sample

experienced high profits indicated by a maximum value of 46.88%, while the minimum value was negative of -101.40% which means that there are companies that have experienced losses.

The political connection variable is a dummy variable, with a value of 1 if the female board of directors has political connections and a value of 0 if it does not have political connections. The average value of political connections (PC) is 0.4970, which means that 49.70% of the companies sampled in this study have female board of directors who have political connections. The minimum value for the PC variable indicates that there are some companies that have no political connections at all and the maximum value indicates that there are companies that have strong political connections. The mean value for the family ownership variable was 31.99% which means that about 31.99% of the sample companies were family companies. Institutional ownership in a sample company is very low compared to other types of ownership. It can be seen from the average value for the institutional variable of only 0.69%, this shows that institutional ownership is very low, and it can be seen from the maximum value of 1.00% and the minimum value of 0.02% which means that the institutional share ownership in the sample is very small, and there are even companies whose institutional ownership is almost non-existent.

Female Directors

Table 2. Results of Analysis of Female Directors

	Coefficient	T	Sig.
(Constant)	0.026	2.007	0.046
FEMBOARD	-0.014	-1.211	0.228
ROA	0.232	3.230	0.002
R Square	0.063		
Adjusted R Square	0.051		
F	5.303		
Sig.	0.006		

Source : Data processed using SPSS Statistics 21

From the results of the above regression which is aimed at examining the influence of female directors on earnings quality, it shows an Adj. R2 value of 0.051 which means that all independent variables are only able to explain the dependent variable in the form of earnings quality of 5.1% and the rest is explained by other variables that are not used in this study. The variable FEMBOARD (female directors) has a negative and insignificant regression coefficient, which means that the more female board of directors occupies the position of the board of directors, the more it will not effect the earnings quality, so the first hypothesis is rejected. The rejection of the first hypothesis means that the number of female directors does not effect the earnings quality. The results of this study do not support the research (Khabibah & Suryatimur, 2019; Setyaningrum et al., 2019; Octaviani et al., 2019; Mnif & Cherif, 2020) which states that the existence of female directors can improve the earnings quality, because female tend to refrain from practicing profit management. Meanwhile, the results of this study are in line with the research (Suri et al., 2023; Hasan, 2024) which states that the number of female boards of directors does not effect the earnings quality and does not affect the reduction of profit management practices.

Based on the results of descriptive statistics, it shows that the average female board of directors is very few. This shows that many companies still have very few or even no female directors. Then, based on the results of the regression analysis, the value of the coefficient of female directors was negative of -0.014 with a significance of 0.228 > 0.05 which showed no significant effect. Based on the results of descriptive statistics and regression analysis, it can be concluded that female directors have no effect on the quality of profits as shown by the value of the regression coefficient which is negative and the significance of > 0.05.

Political Connections

Table 3. Results of Political Connection Analysis

	Coefficient	t	Sig.	Coefficient	t	Sig.
(Constant)	0.026	2.007	0.046	0.030	1.362	0.178
FEMBOARD	-0.014	-1.211	0.228	-0.015	-0.644	0.521
PC				0.010	0.585	0.560
FEMBOARD* PC				-0.006	-0.343	0.733
ROA	0.232	3.230	0.002	0.293	3.151	0.002
R Square	0.063			0.127		
Adjusted R Square	0.051			0.077		
F	5.303			2.547		
Sig.	0.006b			0.047b		

Source: Data processed using SPSS Statistics 21

The regression results presented in the table above are aimed at examining the influence of political connections in moderating female directors on the earnings quality. where the test results prove that the moderation variable of FEMBOARD*PC is negative and insignificant. The negative and insignificant regression coefficient of these variables proves that PC (Political Connection) is not a moderation variable in explaining the influence of female directors on the earnings quality. From the results of the test, it was concluded that the second hypothesis was rejected. The rejection of the second hypothesis shows that political connection is not a moderation variable. The results of this study do not support the research (Tee & Kasipillai, 2022; Wahab et al., 2020) which tested political connections as a moderation variable, where in this study it was found that although female directors were associated with higher earnings quality, this relationship was weakened by the presence of political connections.

Based on the results of descriptive statistics, it shows that there are very few female on the board of directors and there are also very few female on the board of directors who are politically connected. Based on the results of regression analysis, the Adj. R2 value increased by 0.077 which means that it was only able to explain 7.7% of the variation in the dependent variable in the form of profit quality and the rest was explained by other variables that were not explained in this study. The Adj. R^2 value shows that the moderation variable of political connection is a weak moderation. The value of the coefficient between female directors and political connections was negative but not significant and the significance value was 0.733 > 0.05 which showed no significant effect. Thus, based on the results of regression analysis and descriptive statistics, political connections are not proven to moderate the influence of women directors on earnings quality.

Family Ownership

Table 4. Results of Family Ownership Analysis

	Coefficient	t	Sig.	Coefficient	t	Sig.
(Constant)	0.026	2.007	0.046	-0.010	-0.490	0.625
FEMBOARD	-0.014	-1.211	0.228	0.014	0.680	0.498
FAMILY				0.109	2.700	0.008
FEMBORD*FAMILY				-0.068	-2.145	0.034
ROA	0.232	3.230	0.002	0.255	3.306	0.001
R Square	0.063			0.090		
Adjusted R Square	0.051			0.067		
F	5.303			3.920		
Sig.	0.006b			0.005b		

Source : data processed using SPSS Statistics 21

The regression results presented in the table above aim to test the influence of family ownership in moderating female directors on the earnings quality. Where the test results prove

that the moderation variable FEMBOARD*FAMILY is significantly negative. The regression coefficient of these variables which is negative and significant proves that family ownership is a moderating variable in explaining the influence of female directors on the earnings quality. From the results of the test, it was concluded that the third hypothesis was accepted. The acceptance of the third hypothesis shows that family ownership is a moderating variable. The results of this study support the research (Tee & Kasipillai, 2022; May & Mardianto, 2023) which examines family ownership in moderating the influence of female directors on earnings quality, which in this study shows that family ownership can moderate the relationship between female directors and earnings quality and the results show that in family companies, there is strong control of the family can cause pressure on women directors to follow family interests which can lead to profit management practices.

Based on the results of descriptive statistics, it shows that although the average female board of directors has very few or even no female directors, the average family ownership in the company is 31.99%, which shows that most companies have a family ownership structure. Based on the results of regression analysis, the Adj. R2 value is 0.067 which means that the existence of a family ownership structure as a moderation variable is only able to explain 6.7% of the variation in the dependent variable in the form of profit quality and the rest is explained by other variables that are not explained in this study. The value of the coefficient between female directors and family ownership was significant with a significance value of 0.034 < 0.05 which showed a statistically significant result. Thus, based on the results of regression analysis and descriptive statistics, family ownership is proven to moderate the influence of female directors on earnings quality.

Institutional Ownership

Table 5. Results of Institutional Ownership Analysis

	Coefficient	t	Sig.	Coefficient	t	Sig.
(Constant)	0.026	2.007	0.046	0.040	1.425	0.157
FEMBOARD	-0.014	-1.211	0.228	-0.074	-2.754	0.007
INSTITUTIONAL				1.886	0.479	0.632
FEMBORD*INSTITUTIONAL				7.701	2.202	0.030
ROA	0.232	3.230	0.002	0.056	0.886	0.377
R Square	0.063			0.106		
Adjusted R Square	0.051			0.077		
F	5.303			3.659		
Sig.	0.006b			0.007b		

Source : data processed using SPSS Statistics 21

The regression results presented in the table above are aimed at examining the influence of institutional ownership in moderating female directors on the earnings quality. Where the test results prove that the moderation variable of FEMBOARD*INSTITUTIONAL is positive and significant. The regression coefficient of these variables which is positive and significant proves that institutional ownership is a moderation variable in explaining the influence of female directors on the earnings quality. From the results of the test, it was concluded that the fourth hypothesis was accepted. The acceptance of the fourth hypothesis shows that institutional ownership is a moderation variable. The results of this study are consistent with the research (Al-Absy, 2023) which shows that institutional ownership can strengthen the role of female directors in reducing profit management practices and institutional ownership increases the influence of female directors on earnings quality. The results of this research are also in line with the (Githaiga, 2023) which states that companies with high institutional ownership have stronger supervision, so that female directors are more effective in improving the earnings quality.

Based on the results of descriptive statistics, it shows that although the average female board of directors has very few or no female directors at all, and the average institutional ownership is 0.69%, which is relatively small. Based on the results of regression analysis, it shows that the Adj. R2 value is 0.077 which means that the existence of institutional ownership as a moderation variable is only able to explain 7.7% of the variation in the dependent variable in the form of earnings quality and the rest is explained by other variables that are not explained in this study. The value of the coefficient between female directors and institutional ownership (FEMBOARD*INSTITATIONAL) was positive and significant with a significance value of 0.030 < 0.05 which showed statistically significant results. Thus, based on the results of regression analysis and descriptive statistics, institutional ownership is proven to moderate the influence of female directors on earnings quality.

CONCLUSION AND SUGGESTIONS

The purpose of this study is to determine the influence of women directors on profit quality by considering the moderation effects of political connections, family ownership, and institutional ownership on manufacturing companies in Indonesia in 2019-2022. The results of the study showed that the existence of female directors had no effect on the quality of profits. Political connections do not moderate the influence of women directors on the quality of profits. Family ownership moderates the influence of female directors on the quality of profits. Institutional ownership moderates female directors to the quality of profits.

In this study, the author uses samples from manufacturing companies in Indonesia listed on the Indonesia Stock Exchange (IDX) in 2019-2022. Further research is recommended to use other characteristics of the board of directors such as *tenure*, expertise and education (Wahidah & Christian, 2024; Mardianto & Chintia, 2022) and can use moderation variables, namely foreign ownership, which is also a mechanism that can be used in monitoring (Pratomo & Alma, 2020) Thus the results obtained will be wider.

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