The effect of compensation on accounting fraud with the genders variety of directors as a moderation variable

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ABSTRACT

The purpose of this research is to empirically prove the effect of executive compensation on the accounting fraud and the influence of directors' gender in moderating the effect of executive compensation on accounting fraud. The sample of this study is obtained from a manufacturing sector public company listed in the Indonesia Stock Exchange. The analysis technique uses multiple regression methods and moderated regression analysis (MRA). There are 394 observations data obtained during 2016-2018 by using the purposive sampling method. The results of this study indicate that executive compensation has no effect on accounting fraud and the directors' gender does not moderate the effect of executive compensation on accounting fraud. The implication of this research theory shows that accounting fraud is not related to Positive Accounting Theory and Gender Socialization Theory. The practical implication of this research is that to prevent accounting fraud in companies, there is no need to pay attention to executive compensation and the directors' gender.

INTRODUCTION

Financial cases of accounting fraud have caused huge losses to many parties. Indonesia also has many cases of accounting fraud, such as the case that ensnared PT Bank BukopinTbk. The other examples of cases of accounting fraud in Indonesia's manufacturing companies are companies incorporated in the Bakrie Group and Kimia Farma companies. Accounting fraud basically occurs when income is deliberately manipulated with the aim to mislead other stakeholders which can be followed by criminal prosecution (Hoi & Robin, 2010). Accounting fraud is an extreme form of earnings management, because earnings management is not always done in an illegal way.

Many factors can encourage someone to commit accounting fraud, one of which is executive compensation (Conyon & He, 2014). Executives in companies hold strategic roles and are those who make decisions and have more authority in the company. what is meant by company executives is that they hold top management positions such as the board of directors and commissioners of the company. Therefore, the level of fraud committed by company executives tends to be higher. Company executives have a greater opportunity to commit fraud than others in the company, because of its strategic decision-making function.

Compensation to executives is a form of appreciation that can be in the form of material or non-material given to company's management to be motivated to achieve company's goals well. This is consistent with the bonus plan hypothesis in the Positive Accounting Theory (PAT) proposed by (Watts & Zimmerman, 1990) which explains how the mechanism of corporate compensation can affect corporate management decisions in this case corporate executives.

Performance-based compensation mechanism encourages company executives to commit accounting fraud to be able to manipulate the numbers in the financial statements so as to obtain maximum compensation (Healy, 1985). On the other hand, if a compensation contract is arranged to align the interests of the company's executives with the shareholders, then the compensation contract can
possess positive benefit to the shareholders (Fields, Lys, & Vincent, 2001) which ultimately reduces accounting fraud by company executives.

(Conyon & He, 2014) conducted a study of the relationship between executive compensation and the level of fraud that occurred in companies in Chinese public companies from 2005 to 2010. The results of this study found an evidence that companies with lower executive compensation would be more likely to commit fraud. (Uygur, 2013) found different results in the three-digit SIC code banking companies, namely bank executive compensation had a positive effect on fraud. The higher level of compensation given to banking executives actually increases the likelihood of fraud.

Good corporate governance is needed to maximize the mechanism of compensating the executives. One of them is by presenting female directors in a company. Decision making by a woman in the company's executive as a director is different from decision making by a male director. Based on Gender Socialization Theory, it states that men and women have different ethical values and views in the world of work (Dawson, 1992). Men tend to be involved in business decisions that are more risky than women who tend to comply more with existing ethical standards (Harris, Karl, & Lawrence, 2019). (Harris et al., 2019) also stated that executives namely female CEOs are involved in lower manipulation cases compared to male CEOs, because the nature of women is more likely to avoid risks and adhere to ethical standards.

(Liao, Smith, & Liu, 2019) examined the influence of gender on CFO accounting fraud in China from 2003 to 2015. The results of his study mentioned the results that female CFO has a negative influence on accounting fraud in companies. (Peni & Vähämäa, 2010) also conducted research on the influence of female executives on earnings management for the period 2003 to 2007 on companies listed on the S&P 500 index. The results show that female CFOs have a relationship in decreasing discretionary accrual income which implies that female CFOs follow a more conservative earnings management strategy.

The motivation that underlies researchers to conduct this research is to investigate issues related to accounting fraud, executive compensation, and gender of directors. The differences in the results of research on the effect of executive compensation on accounting fraud encourage researchers to investigate the relationship of executive compensation variables to accounting fraud by adding the directors' gender variables as moderating variables. The variables above are derived from two different theories, namely Positive Accounting Theory and Gender Socialization Theory. This research is a quantitative study which utilizing a moderated regression analysis (MRA) method to analyze the data. This study uses manufacturing companies as research samples. Based on the background of the study, the formulation of the problem in this study, are (i) Does executive compensation negatively affect accounting fraud?, (ii) Is the negative effect of compensation on accounting fraud stronger if there are more female directors?

Based on the above problem formulation, the objectives to be achieved in this study are (i) to test and analyze the negative effect of executive compensation variables on accounting fraud, (ii) to test and analyze the negative effect of compensation on accounting fraud is stronger if more female directors.

This paper is then compiled with good systematics. Session 2 contains a literature review and development of the research hypothesis, session 3 contains the design used in the study, session 4 contains the results of the study, session 5 contains a discussion of the results of the research found, session 6 contains the conclusions of this paper.

**Literature Review**

**Executive compensation**

An executive is usually a person who is at the top two levels of the company's structure of organization, such as a board of directors, executive manager, or board of commissioners of a company. According to (Suryana & Nuzula, 2018) executive compensation in Indonesia refers to compensation given to the board of directors and the board of commissioners. Executive compensation relates to agency relationships between principals and corporate agents. (Jiwandono & Rahmawati, 2015) stated that executive compensation is an agency contract between the company and company managers who try to align the interests of the owner and manager by basing the manager's compensation on one or more actions of the manager's efforts in operating the company.

Some common forms of compensation given by companies to employees, one of them is a bonus. Bonuses are rewards given by companies usually because of the basis of achieving certain targets by employees. Based on Positive Accounting Theory which shows the management compensation hypothesis (bonus plan hypothesis), it states that managers apply a certain accounting method to increase company profits in the current year which will lead to increasing the compensation obtained by (Watts & Zimmerman, 1978).

The existing executive compensation contracts can encourage opportunism. Executives who want to maximize their obtained compensation will take any action including accounting fraud to achieve it. (O'Connor, Priem, & Coombs, 2006) and (Conyon & He, 2014) found evidence that the greater the compensation given to corporate executives, it can suppress accounting fraud committed by company executives. Executive compensation can be good corporate governance and have a positive impact on the company and other stakeholders.

Uygur (2013) with the result that greater executive compensation can actually encourage accounting fraud. (Chee, Choi, & Shin, 2017) also found evidence that the greater executive compensation encourages the greater fraud in corporate tax avoidance. The
existence of compensation contracts given to company executives can also negatively impact the policies taken by company executives. Company executives tend to do anything to maximize the wages they will get, so the drive for a fraud becomes greater. Based on the theory and empirical results of the previous studies that have been explained above, executive compensation can influence accounting fraud, the research hypothesis of this study is stated as follows.

H1: Executive compensation has a negative effect on accounting fraud.

Gender of Directors

Based on Gender Socialization Theory, it explains about differences in ethical views and moral values between sexes can be detected through life (Dawson, 1992). The existence of differences in ethical views starts from the beginning of a human's life, which is influenced by the perspective of the influence of parents discussing how various styles, behaviors, and dispositions of parents socialize the nature and behavior in children (Carter, 2014). Perspective of the influence of parenting style by parents will create the traditional role of gender.

Women are considered as individuals who have cognitive feelings focused on harmony and the ability to facilitate the dissemination of information (Earley & Mosakowski, 2000). Women are more likely to not make high risk decisions for the company and more comply with existing ethical standards (Bosquet, De Goeij, & Smedts, 2014). Based on the nature of women, women who are on the board of directors in the company will encourage and produce better business decisions and not harming others. Women directors are expected to create more ethical business practices so as to reduce the existence of fraud practices in the company.

(Francis, Hasan, Park, & Wu, 2015), found that gender does indeed influence decision making. Women tend to be more conservative or risk averse in making decisions, including accounting decisions. Research by (Liao et al., 2019) on the influence of gender on the CFO accounting fraud in China period 2003 to 2015 gives the result that the CFO of women has a negative influence on accounting fraud in the company. The research of (Sun, Wei, & Huang, 2013) on the effect of gender CFO on accounting reporting fraud shows that female CFO is less related to accounting reporting fraud. Based on the theory and empirical results of previous studies that have been explained above, female directors are more able to reduce accounting fraud, the research hypothesis is stated as follows.

H2: Compared to male directors, female directors weaken the effect of compensation on accounting fraud.

Research and methodology

Population and Samples

This study uses secondary data from the company's annual report listed in the Indonesia Stock Exchange (IDX) for the period of 2016-2018. The research sample was selected using purposive sampling technique. Purposive sampling technique is a research sample selection technique based on certain criteria. The sample selection criteria used in this study are as follows: (i) Manufacturing companies listed in the Indonesia Stock Exchange during the period of 2016 to 2018, (ii) the company uses the rupiah currency in annual financial statements. This is intended to avoid bias or inaccurate results caused by changes in currency rates, (iii) Companies affected by IPO and Delisting are excluded from the study sample, (iv) The company disclosed the complete data needed in this study both for measuring accounting variable fraud, executive compensation, and gender directors.

Sources and types of data

The source of financial data in this study is obtained from the company's annual report on the official website of the Indonesia Stock Exchange (www.idx.co.id). Data collection techniques use documentation techniques.

Operational definition and variable Measurement

Dependent Variable

The dependent variable in this study is accounting fraud. Accounting fraud is a form of action taken intentionally to mislead some parties in the interests of certain parties that are carried out illegally. This study measures fraud by means of Skousen&Twedt (2009), which calculates fraud scores by adding up accrual quality and financial performance.

\[ F\text{-Score} = \text{Accrual Quality} + \text{Financial performance} \]

According to (Skousen & Twedt, 2009) if the average F-score is low but has a high standard deviation, the potential for fraud is higher. A standard deviation of 1,080 or 180.8% means the risk of fraud in the financial statements is very high.

- Accrual Quality

(Richardson, Sloan, Soliman, & Tuna, 2006) in his research stated that accrual quality consists of several components, namely working capital, non-current operating accruals, and financial accruals called RSST accruals.

\[ \text{RSST accrual} = (\Delta WC + \Delta NCO + \Delta FIN) / \text{Average Total Assets} \]
Working Capital (WC)

\[ WC = (\text{Current assets - Cash and Short Term Investment}) - (\text{Current Liabilities - Short Term Debt}) \]

Non-Current Operating Accrual (NCO)

\[ \text{NCO} = (\text{Total Assets} - \text{Current Assets - Long Term Investment}) - (\text{Total Liabilities} - \text{Current Liabilities - Long Term Debt}) \]

Financial Accrual (FIN)

\[ \text{FIN} = (\text{Short Term Investment + Long Term Investment}) - (\text{Long Term Debt - Short Term Debt}) \]

Average Total Assets (ATS)

\[ \text{ATS} = (\text{Beginning Total Assets} - \text{Ending Total Assets})/2 \]

Financial performance

(Skousen & Twedt, 2009) proxy for financial performance with changes in accounts receivable, changes in inventory accounts, changes in cash sales accounts, and changes in EBIT. The formula used to assess financial performance are:

Financial Performance = change receivable + change in inventories + change in cash sales + change in earnings.

- Change Receivable

Selling is one of the accounts that will be considered by investors. Management often manipulate through sales accounts, namely by issuing receivables. Assessment of changes in receivables (change receivable), with the formula:

\[ \text{Change in Receivable} = (\Delta \text{Receivable})/\text{Average Total Assets} \]

Information:

\[ \Delta \text{Receivable} = \text{Receivable}_t - \text{Receivable}_{t-1} \]

- Change in Inventories

One of the considerations of investors in assessing the company’s performance is through the profits it gets. Changes in the inventory account drastically impact the gross profit account. Gross profit is one of the metrics of a company's performance.

\[ \text{Change in Inventories} = \Delta \text{Inventories} / \text{Average Total Assets} \]

Information:

\[ \Delta \text{Inventories} = \text{Inventories}_t - \text{Inventories}_{t-1} \]

- Change in Cash Sales

Cash sales become part of the operation because other than through credit sales. Cash sales can be an indication of accounting fraud because companies that commit fraud tend to increase their capital base and also the scale of their business operations. The larger scale of operations is supported by cash and credit sales.

\[ \text{Cash Sales} = (\Delta \text{Sales})/(\text{Sales}_t) - (\Delta \text{Receivable}/\text{Receivable}_t) \]

Information:

\[ \Delta \text{Receivable} = \text{Receivable}_t - \text{Receivable}_{t-1} \]

\[ \Delta \text{Sales} = \text{Sales}_t - \text{Sales}_{t-1} \]

- Change in Earnings

Management manipulates the company's profits because they want to show that the company has positive growth despite the fact that it is inversely proportional, namely the existence of negative growth in the company. Indicator benchmark value of the F-Score to measure the level of misstatement of financial statements, namely:

\[ \text{Cashs in Earnings} = (\text{Earnings}_t / \text{Average Total Assets}_t) - (\text{Earnings}_{t-1} / \text{Average Total Assets}_{t-1}) \]
Indicator benchmark value of the F-Score to measure the level of misstatement of financial statements:

| F-Score   | Categories          |
|-----------|---------------------|
| > 2.45    | High Risk           |
| > 1.85    | Substantial Risk    |
| > 1       | Above Normal Risk   |
| < 1       | Low Risk            |

### Independent Variables

The independent variable in this study is executive compensation by using a proxy conducted by (Armstrong, Blouin, Jagolinzer, & Larcker, 2015), which only tests the level of compensation given to the executive board. This study uses a natural logarithm proxy from the total value of compensation received by directors and commissioners for one year (Putri, 2014). Executive board compensation data can be found in the disclosure of notes in the Company's Financial Statements.

### Moderation variable

The moderating variable in this study is gender of directors. Gender of directors is the sex of the people included in the sample company board of directors. Gender measurement in this study uses the blau index which refers to the study of (Prihatiningtias, 2012).

\[
Blau\ Index = 1 - \sum_{i=1}^{n} P_i^2
\]

Information:
- \( n \) = total number of boards of directors
- \( P \) = proportion of group members in the category

### Control Variables

#### Return on Assets (ROA)

Researchers use the ROA ratio as a control variable in this study to control the level of company profitability. ROA is a financial ratio that shows how much the contribution of assets in creating net income. ROA can be estimated by using the following model:

\[
ROA = \frac{Net\ Profit\ After\ Tax}{Total\ Assets}
\]

### Audit Quality

Audit quality is used in this study as a control variable to control external parties as an independent monitoring mechanism of financial statements which presented by the company. Audit quality is measured by using dummy variable of public accounting firm (PAF) quality following (Khanh & Khuong, 2018) with a value of 1 if the company is audited by Big-4 PAF, and 0 if the company is audited by non-big PAF 4.

### Analysis Method

The analysis in this study uses multiple linear regression analysis. To test the relationship between independent and dependent variables in which there are factors that strengthen or weaken (moderating variables), the test used is moderated regression analysis (MRA). Testing using data analysis can be done in several stages, namely as follows (Damiti, 2018):

1. Analyzing the research regression model by entering independent and dependent variables.
2. Analyzing the research regression model by entering independent variables, moderation as independent and dependent variables.
3. Analyzing the research regression model by entering independent variables, moderation variables as independent, and interactions between independent and moderating variables (MRA), and the dependent.

Equation of the form of statistical moderation testing with the model:

Data analysis techniques in the study use multiple regression analysis and moderated regression analysis (MRA). Data is processed by using IBM SPSS statistics 21 software. The regression model is as follows:

\[
Y = \alpha + \beta_1.KOMP + \beta_2.UP + \beta_3.KA + \epsilon
\]

\[
Y = \alpha + \beta_4.KOMP + \beta_5.UP + \beta_6.KA + \beta_7.GD + \epsilon
\]

\[
Y = \alpha + \beta_8.KOMP + \beta_9.UP + \beta_{10}.KA + \beta_{11}.GD + \beta_{12}.KOMP.GD + \epsilon
\]
Empirical data and analysis

The purposive sampling method is utilized to obtain samples of data companies in the Indonesia Stock Exchange. The companies selected for this research are companies in the manufacturing sector in 2016-2018 with a total of 394 observation data.

Descriptive Statistics

This study uses three main variables, including accounting fraud as a dependent variable, executive compensation as an independent variable, and gender of directors as a moderating variable. In addition, this study also has control variables, namely ROA and audit quality. This test is used to obtain a description or characteristics of the data, which includes the lowest value (minimum), highest value (maximum), average, and standard deviation.

Table 1: Descriptive Statistical Result

|                  | Minimum | Maximum | Average | Standard Deviation |
|------------------|---------|---------|---------|--------------------|
| Fraud            | -8.16   | 2.81    | 0.140   | 0.75               |
| Compensation     | 1.81    | 6.12    | 4.14    | 0.62               |
| Gender           | 0.00    | 0.50    | 0.18    | 0.17               |
| Return On Asset  | 0.00    | 0.85    | 0.24    | 0.13               |

Source: SPSS Output

Accounting fraud which assessed by using F-score value shows an average number of 0.60 or less than 1. It indicates that there is no accounting fraud in manufacturing companies. All variables in this study are also normally distributed. It is shown by the numbers of deviation standard which is lower than the average. Audit quality in this study uses 394 data from the number of manufacturing companies in Indonesia in 2016-2018. Companies audited by Big4 PAF will be given a value of 1, while for companies audited by NonBig4 PAF will be given a value of 0.

Table 2. Data Frequency

| Kualitas Audit | Frequency | Percentage |
|----------------|-----------|------------|
| NonBig4        | 228       | 57.9       |
| Big4           | 166       | 42.1       |
| Total          | 394       | 100.0      |

The results of the frequency of audit quality variables in manufacturing companies in Indonesia in 2016-2018 show the results that manufacturing companies audited by BIG4 PAF amounted to 166 companies or 42.1% of all manufacturing companies in Indonesia in 2016-2018, whereas for companies that were not audited by BIG4 PAF a total of 228 manufacturing companies or 57.9% of all manufacturing companies in Indonesia in 2016-2018.

Classical Assumption Test

The classical assumption test is utilized to test the regression equation because a good regression equation is an equation that is free from the classical assumption problems. The classical assumption tests used in this study are tests of normality, multicollinearity, and heteroscedasticity. The following points are the results of the classic assumption test.

Normality Test

Normality test in this study can be seen from the histogram chart (Picture 1) and the Normal P-Plot (Picture 2). The results showed that the histogram formed a bell curve and the distribution of data on the Normal P-Plot chart showed the points are spreading around a diagonal line and following a diagonal line, it can be interpreted that the data are normally distributed.
Heteroscedasticity Test

Heteroscedasticity test is done by looking at the plot between the predicted value of the dependent variable ZPRED and the residual SRESID. Heteroscedasticity test results on Scatterplot indicate that the points spread below the Y axis, and the points do not form a certain pattern (Picture 3), so it can be concluded that the data are not affected by symptoms of heteroscedasticity.

Multicollinearity Test

Multicollinearity test results shows that the tolerance value > 0.1 and the VIF value < 10 (Table 3). So, it can be concluded that there is no multicollinearity between independent variables in the regression equation.

Table 3: Multicollinearity Test

| Variable  | Equation 1 |   | Equation 2 |   | Equation 3 |   |
|-----------|------------|---|------------|---|------------|---|
|           | Tolerance  | VIF| Tolerance  | VIF| Tolerance  | VIF|
| Compensation | 0.758 | 1.319 | 0.750 | 1.334 | 0.563 | 1.777 |
| ROA       | 0.911 | 1.097 | 0.911 | 1.097 | 0.911 | 1.097 |
| KA        | 0.717 | 1.414 | 0.667 | 1.499 | 0.667 | 1.499 |
| Gender    | 0.940 | 1.064 | 0.909 | 1.100 |       |     |
| Mod       | 0.676 |       |       | 1.478 |       |     |
Hypothesis Testing

The hypothesis testing in this study uses multiple regression analysis and moderated regression analysis (MRA). The result of the regression analysis that has passed the classical assumption test is demonstrated in Table 4.

Table 4. Result of Regression Analysis

| Variable | Equation 1       | Equation 2       | Equation 3       |
|----------|------------------|------------------|------------------|
| Compen   | -0.026 (-0.935)  | -0.017 (-0.626)  | -0.012 (-0.374)  |
| ROA      | -0.003 (-0.027)  | -0.001 (-0.008)  | -0.001 (-0.008)  |
| AQ       | 0.005 (0.127)    | -0.022 (-0.596)  | -0.022 (-0.593)  |
| Gender   | -0.296* (-3.029) | -0.290* (-2.911) |                  |
| Mod      |                  |                  | -0.000 (-0.336)  |
| F        | 0.341            | 2.559            | 2.061            |
| Sig F    | 0.796            | 0.040*           | 0.071            |
| Adj      | 0.000            | 0.044            | 0.045            |

*significance at the 5% level, **significance at the 1% level

Definition of variable:
Compren = Compensation; ROA = Return on Assets; AQ = Audit Quality; Gender = Gender of the Directors; Mod = kompen *Gender

Hypothesis 1 which states that there is an influence of compensation on accounting fraud. Equation 1 shows that the coefficient values B -0.026 and sig,0.175. Coefficient B is negative but not significant (> 0.05). This shows that there is no negative effect of compensation on fraudulent in financial statements so Hypothesis 1 is rejected. Hypothesis 2 which states that there is an influence of gender on the relationship of compensation to accounting fraud. This shows that the gender of directors in the study can be used as an independent variable. The equation 3 shows the result of hypothesis 2. The value of B -0.000 and sig 0.368. Coefficient B shows a negative value and a significant value indicates > 0.05. This shows that there is no compensation effect on accounting fraud that is moderated by the gender of directors so that Hypothesis 2 is also rejected.

Table 5: One Sample t Test for Accounting Fraud

|               | Average | t       | Sig   |
|---------------|---------|---------|-------|
| Accounting Fraud | 0.139   | -22.515 | 0.000 |

Since both hypothesis are rejected, research did an additional test of one sample t-test for accounting fraud. It is done to know about whether there is accounting fraud in manufacturing company or not. The hypothesis formulation for the one sample t-test for accounting fraud is: H0 = average value of accounting fraud > 1; H1 = average value of accounting fraud < 1. The basis of decision making are: (1) if the Sig (2-tailed) value < 0.05, then H0 is rejected; (2) if the Sig (2-tailed) value > 0.05, then H0 is accepted. Based on Table 5, it is known that the average value of the accounting fraud data is 0.139, the t-value is -22.515 and the Sig (2-tailed) value is 0.000. In accordance with the basis of decision making it can be concluded that H0 is rejected or H1 is accepted. The average value of accounting fraud < 1 and significant (less than 0.05), so it can be concluded that there was no accounting fraud in the sample company. The average number of accounting fraud in the one sample t test table above shows that manufacturing companies in Indonesia tend not to commit accounting fraud.

Table 6: One Sample t Test for Gender of Directors

|               | Average | t       | Sig   |
|---------------|---------|---------|-------|
| Gender of Directors | 0.175   | -8.918  | 0.000 |

One sample t-test for gender of directors is done to know about the homogeneity of gender in the manufacturing company. In this case, homogeneity means that the manufacturing companies are still dominated by male directors. The hypothesis formulation for the one sample t-test for directors' gender tests is: H0 = gender average value> 0.25; H1 = average gender score < 0.25. The basis of decision making are: (1) if the Sig (2-tailed) value < 0.05, then H0 is rejected; (2) if the Sig (2-tailed) value > 0.05, then H0 is accepted. Based on Table 6, it is known that the average value of the sample data board directors is 0.175, the t-value is -8.918 and the Sig (2-tailed) value is 0.000. In accordance with the basis of decision making it can be concluded that H0 is rejected or H1 is accepted. The average value of gender < 0.25 and significant (less than 0.05), so it can be concluded that gender has no effect on accounting fraud.
in the sample company. In addition, it can be seen that the gender of directors in the sample companies shows homogeneous results or the male directors dominate the manufacturing companies.

Results and Discussions

The test results of the first hypothesis and the second hypothesis in this study are rejected. With the rejection of the hypothesis, the researcher added one sample t test. The results from the one sample t test show the evidence that manufacturing companies in the study sample do not show any accounting fraud. Hence, the independent variables in the study do not affect accounting fraud. In addition, the gender directors in this study indicate the existence of gender homogeneity in manufacturing companies in Indonesia. The control variable in the study also obtained results that did not affect accounting fraud.

The results of this study are not in line with previous studies namely, (O'Connor et al., 2006) and (Conyon & He, 2014) find evidence that the greater compensation given to corporate executives can reduce the actions of accounting fraud committed by corporate executives. Executive compensation can be good corporate governance and have a positive impact on the company and other stakeholders. However, this research is in line with Uygur (2013) with the result that greater executive compensation can actually encourage accounting fraud. (Chee et al., 2017) also found evidence that greater executive compensation encourages greater fraud in corporate tax avoidance. (Bartenputra, 2016) that compensation does not affect the tendency of accounting fraud. This happens because company executives tend to do anything to maximize the wages they will get, so the drive for cheating becomes greater.

(Liao et al., 2019) on the influence of gender on the CFO accounting fraud in China period 2003 to 2015 gives the result that the CFO of women has a negative influence on accounting fraud in the company. The research of (Sun et al., 2013) on the effect of gender CFO on accounting reporting fraud shows that female CFO is less related to accounting reporting fraud. The results of research on gender in this study are in line with (Peni & Vähiämaa, 2010) which show that female CEOs do not have a significant influence on earnings management which can lead to accounting fraud.

Conclusions

This study aims to examine the effect of executive compensation on accounting fraud, as well as the gender role of directors in moderating the effect of executive compensation on accounting fraud. The results of this study indicate that accounting fraud is not affected by executive compensation and the directors' gender is not able to moderate executive compensation against accounting fraud. The absence of effect is due to the non-detection of fraud in public manufacturing companies in Indonesia in 2016-2018. However, the results shown in this study are the gender of directors can be used as an independent variable of accounting fraud. In addition, the regression results from the two control variables in this study indicate the variable ROA and audit quality indicate that audit quality has no effect on accounting fraud.

This study does not provide additional empirical evidence in Positive Accounting Theory. Directors' compensation cannot be used by public manufacturing companies to reduce the risk of accounting fraud. This research also does not confirm Gender Socialization Theory which explains the differences in ethical views and moral values between the sexes of women and men. The gender of directors cannot weaken or strengthen the risk of accounting fraud. However, research shows that the more diverse the gender of directors of a company, the lower the level of fraud, this can be seen from gender showing a direct influence on accounting fraud. In addition, company management does not need to pay attention to executive compensation and directors' gender in dealing with accounting fraud.

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