

Anti-corruption policy and earnings management: do women in monitoring roles matter?

Dewi Mustika Ratu

*Department of Accounting, Faculty of Economics and Business,
Diponegoro University, Semarang, Indonesia, and*

Dian Kartika Rahajeng

*Department of Accounting, Faculty of Economics and Business,
Gadjah Mada University, Yogyakarta, Indonesia*

Abstract

Purpose – The inadequate enforcement of anti-corruption policies in the private sector in Association of Southeast Asian Nations (ASEAN) countries is the motivation for this study to investigate how a company's anti-corruption disclosure (ACD) affects earnings management. Moreover, the underrepresentation of women in supervisory roles makes this aspect of particular interest. Hence, this study highlights the question of whether their participation in audit committees can impact the organization's policies.

Design/methodology/approach – This research employs archival methods to examine 30 of the largest non-financial companies from each of the ASEAN-5 countries (Indonesia, Malaysia, Singapore, Thailand and the Philippines) from 2016 to 2018. Lastly, the authors also utilize a robustness test.

Findings – As expected, the results indicate that the low willingness to disclose anti-corruption activities encourages earnings management practices. This relationship is significantly more potent in firms with fewer women on their audit committees. The findings remain robust after assessing alternative measurements.

Practical implications – The findings of this study imply that a company's anti-corruption policies and the role of women in supervisory activity influence rent-seeking behavior. Thus, investors should consider elements that promote transparency in companies. Additionally, regulators must evaluate regulations to promote gender diversity and eradicate corruption by establishing exact policies, providing whistleblowing protection and simplifying indicators for effective disclosure.

Originality/value – The consequences of the anti-corruption policy in the ASEAN-5 countries are relatively under-researched and still focus on a single country. Furthermore, while examining the connection between ACD and earnings management, this study also considered how addressing the supervisory factor is urgent in terms of corporate transparency.

Keywords Anti-corruption disclosure, Earnings management, Women on audit committees, Corruption, ASEAN-5

Paper type Research paper

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1. Introduction

Corruption has become an institutionalized facet of life, so it is widely acknowledged as an endemic problem in Southeast Asia (Gong and Scott, 2016). According to data from the Corruption Eradication Commission, the private sector contributes significantly to the high number of corruption cases (Antara, 2022). It is inherent since many anti-corruption policies still concentrate on the public sector (Sööt *et al.*, 2016). Furthermore, Loh *et al.* (2018) documented the average anti-corruption disclosure (ACD) from the largest firms in the Association of Southeast Asian Nations (ASEAN)-5, i.e. Malaysia, Indonesia, Thailand, Singapore and the Philippines, only 45% in 2016 and 56% in 2018. The measures taken by most companies to fight against corruption are still unsatisfactory due to the lack of enforcement and the absence of direct regulation that obligates them to disclose their anti-corruption efforts.

Anti-corruption policies have a significant impact on a company's accounting quality. Those who operate in an area characterized by less promotion of anti-corruption policies reflect the lack of demands for transparency and accountability (Lourenço *et al.*, 2018). As for the ACD, companies' reluctance to disclose symbolizes how their values are not commensurate with society's expectations, including avoiding opportunistic behavior. Companies with lax ACD typically show a weaker commitment to upholding business integrity, potentially undermining their legitimacy and long-term relationships with their stakeholders. In addition, a corrupt environment encourages individual acceptance of the obfuscation of earnings as an ethical practice (Riahi-Belkaoui, 2004). Therefore, firms operating in corrupt areas tend to have high incentives to engage in earnings management (Lewellyn and Bao, 2017; Xu *et al.*, 2019).

Moreover, the findings of research about the consequences of corporate social responsibility disclosure are still being debated. Several studies show that social and environmental information aligns with earnings management (EM) because managers use it to cover their opportunistic practices (Muttakin *et al.*, 2015; Buertey *et al.*, 2020). In contrast to what was found by Bozzolan *et al.* (2015) and Kim *et al.* (2019), CSR disclosure can mitigate EM because it helps to maintain a corporation's long-term sustainability. Therefore, to fill the last gap, this study explores the anti-corruption topic because of its characteristics. Unlike others, the ACD is part of the economic dimension of the Global Reporting Index (GRI), so it has dramatically impacted stakeholders' wealth and the global financial system (GRI, 2016). It is also a sensitive issue and gets much attention because it is related to the image of a company in terms of its daily activity, thus affecting a company's willingness to disclose (Wilkinson, 2006).

The institutional characteristics of oversight governance contribute to the ACD's effectiveness with regard to EM. The audit committee as part of monitoring elements plays a fundamental role in keeping an eye on what a company is doing. An effective way to enhance the quality of monitoring is by promoting diversity within its structure. This diversity can be reflected in various personal characteristics, such as having women members on audit committees (IFC, 2017; Zalata *et al.*, 2017). There have been numerous global efforts and calls for gender diversity in companies, given the positive contribution of women to organizations. Women with solid backgrounds and independence are better suited for monitoring functions because they enable the company environment to become transparent (IFC, 2017; Zalata *et al.*, 2017, 2019).

Women on audit committees (WAC) can potentially limit EM because they are more ethical and legally compliant (Al-Absy *et al.*, 2019; Zalata *et al.*, 2017, 2019, 2022). Women are also more sensitive to sustainability issues, thus encouraging more disclosure of CSR that can mitigate earnings management (Sial *et al.*, 2019) and support management control efficiency (Dim *et al.*, 2021). However, Deloitte (2019) demonstrates that the existence of WAC in the ASEAN region is still low, i.e. 16.9% in 2018. This is undoubtedly inseparable from the

dominance of patriarchal orientation in Asian society, so women are perceived as less dominant in organizations (UNDP, 2019). Therefore, the lower proportion of WAC tends to discourage broader anti-corruption disclosures, so earnings management practices are likely to occur.

While there are anti-corruption disclosures by companies in ASEAN, their actual impact remains unclear. Given the phenomenon described above and the gaps in the literature, this research addresses these by exploring the multifaceted consequences of these disclosures. This study adds to the existing body of knowledge on EM by focusing on the role of ACD policy and WAC as a component of corporate governance. Prior literature about anti-corruption within the context of corporate social responsibility (CSR) disclosures has received less attention than other topics, such as social and environmental issues (Blanc *et al.*, 2019). Also, previous research has focused on single-country settings in exploring the consequences of anti-corruption policies on earnings management in Indonesia (Khasanah and Kusuma, 2020), Thailand (Benyasrisawat, 2019) and China (Lei and Wang, 2019; Hope *et al.*, 2020). This research provides new insights using a more comprehensive set of countries (ASEAN-5) to represent the consequences of firm anti-corruption in Southeast Asia.

Moreover, ASEAN-5 members have various supervisory characteristics that can affect managers' incentives, so this study uses WAC as a moderator, which has not yet been used in prior anti-corruption studies. Therefore, this study investigates the influence of anti-corruption disclosure on earnings management and the influence of the interaction between corporate anti-corruption content and women on audit committees on managerial opportunism. By employing 450 firm-year observations in ASEAN-5 countries, the authors discover that the empirical findings align with the hypotheses and remain robust after considering the sensitivity test using the Blau Index.

Here is the structure of the rest of this paper. After discussing the institutional setting, the literature review and methodology are covered in the next part. The penultimate part is the results, followed by the conclusions.

2. Overview of ASEAN anti-corruption policies

Corruption has grown to be a significant concern in ASEAN countries. Corruption Perception Index data show that the average score of these countries remains stagnant at under 50 (Transparency International, 2018), denoting that a lot of corruption may be ongoing. Several corruption cases, e.g. 1Malaysia Development Berhad (1MDB), Keppel Offshore & Marine (O&M), Garuda Indonesia and Rolls Royce, have raised questions from multiple parties about business integrity in this region. As a result, some initiatives to support anti-corruption programs have been launched.

Company participation in global anti-corruption communities such as the Publish What You Pay, United Nations Global Compact (UNGC) and others makes it more likely to communicate anti-corruption commitments publicly (Barkemeyer *et al.*, 2015). The Sustainable Development Goals, Transparency International and the Global Reporting Initiative (GRI) have also published comprehensive indicators on anti-corruption topics (Barkemeyer *et al.*, 2015; Joseph *et al.*, 2016). Furthermore, each regulator through corporate guidelines, i.e. the Corporate Governance Guideline for Public Companies 2016 (Indonesia) (Loh *et al.*, 2018), the MACC Amendment Bill (Malaysia) (Aziz, 2018), the code of corporate governance issued by the SEC Philippines (Philippines) (Securities and Exchange Commission, 2016) and The 15 Principles of Good Corporate Governance (Thailand) (The Stock Exchange of Thailand, 2012), encourage companies to take a more proactive stance in eradicating corruption.

However, the implementation of anti-corruption policies in ASEAN companies remains unsatisfactory. According to a 2017 survey, many businesspeople are not motivated to end

corruption (Schoeberlein, 2020), so only a few companies have sufficient mechanisms to combat it. Loh *et al.* (2018) documented that, in 2016, the ACD disclosure was still voluntary and varied, with the highest score obtained by Thailand (57%), followed by Singapore (47%), the Philippines (43%), Malaysia (40%) and Indonesia (39%), so there is room for improvement. The outdated disclosure regulations, low political willingness and poor governance quality provide leeway for firms to manipulate their earnings (Yusuf and Yousaf, 2020). Therefore, the company is still less transparent, deteriorating the business integrity.

3. Literature review and hypothesis development

3.1 Anti-corruption disclosure and earnings management

Corruption undermines established systems and procedures, leading to uncertainty and reducing earnings accuracy. The opportunistic view suggests that during periods of high uncertainty and complexity environment, managers are more likely to use discretionary accruals (Ahmadi *et al.*, 2023). Uncertainty dampens managerial optimism, prompting accrual adjustments, while an opaque information landscape empowers managers to mask earnings manipulation from shareholders (Salehi *et al.*, 2022). Therefore, a corrupt environment induces and creates pressure for companies to manipulate earnings, which ultimately erodes the integrity of financial reporting (Mamatzakis and Bagntasarian, 2022; Christopoulos *et al.*, 2023).

Legitimacy theory explains that a social contract represents societal expectations for the company's activities (Deegan, 2014). In this context, companies need to adjust the demands for anti-corruption programs (Barkemeyer *et al.*, 2015), and one of the responses is to make anti-corruption information public (Duho *et al.*, 2020). Multi-stakeholders see companies that share information about anti-corruption action as more trustworthy and legitimate because they promote transparency and have adequate support against corruption and bribery (O'Brien *et al.*, 2009). On the one hand, organizations that disclose less information do not conform to the community's expectations for ethical business practices. Companies embedded in weakly anti-corrupt cultures have fewer constraints on questionable behavior, like plying discretion in managing earnings, as illegitimate (Hoffman *et al.*, 2014).

The company's commitment to anti-corruption policies has impacted its earnings management practices. In Thailand, companies that excel in anti-corruption actions show an improvement in earnings quality, especially after the regulator encouraged companies to provide the public with this information (Benyasrisawat, 2019). Hope *et al.* (2020) state that the quality of financial reports has increased after the Chinese government issued anti-corruption policy regulations (Rule 18). After Rule 18, companies faced a reduction in their reliance on opaque political connections, so companies voluntarily disclosed corporate information, bridging the information gap with investors and this led to more accurate earnings forecasts (Hou *et al.*, 2022). An essential statement of disclosing anti-corruption is to promote more prudent accounting policies, such as strict supervision from external parties and force executives to make reasonable accounting policies to prevent aggressive accounting (Lei and Wang, 2019). Furthermore, these disclosure items are sensitive, causing companies to pay attention to the consequences (Blanc *et al.*, 2019).

The disclosure of anti-corruption items shows that the company has good prospects by preventing negative actions that can affect its productivity, making responsible decisions and preserving transparency in reporting (Khasanah and Kusuma, 2020). The less comprehensive the disclosure, especially in the ASEAN context, the higher the company's involvement in earnings management practices. When firms in societies with lower efforts for anti-corruption policy and widespread social norms accept corruption, managers become receptive to dishonest behavior as proper conduct (Hoffman *et al.*, 2014). Hence, this is more

inclined to encourage safe earnings management practices, and managers' opportunistic behavior is likely to occur. According to the view of these arguments, as following hypothesis is stated:

H1. There is a negative association between anti-corruption disclosure and earnings management.

3.2 Anti-corruption disclosure, women on audit committees and earnings management

Various theoretical frameworks emphasize the link of corporate fraud to weak corporate governance, particularly the composition of the audit committee (Salehi and Norouzi, 2023; Mousavi *et al.*, 2022). To truly maximize the company's value, a supervisory board needs diverse skills beyond simply overseeing management. They must navigate a complex institutional environment that sets expectations and norms. Companies accept institutional pressures through values, norms and rules that they must follow to focus on maintaining relationships with stakeholders (DiMaggio and Powell, 1983). In this study, institutional pressures contribute to the presence of women in companies. Several forms of pressure on gender diversity exist, namely gender quotas, corporate governance standards, policies to promote gender equality and public pressure (IFC, 2017). It, of course, must be connected to the positive contribution of women in stressing supervision. Monitoring as institutional characteristics affects managers' incentives in managing earnings (Joubert, 2020). Therefore, managers' behavior is influenced by women's supervisory authority as a source of pressure that can affect managerial opportunism in the firm (Zalata *et al.*, 2017).

Women are more suitable for monitoring positions because they help create a transparent corporate environment (IFC, 2017). Previous literature has documented differences between women and men concerning behavior, cognitive and physiological factors affecting diverse beliefs, experiences, perspectives, values and work ethic. A diverse composition can enhance the quality of decision-making and the effectiveness of audit committees (Zalata *et al.*, 2017, 2022). Compared to men, women have high levels of conservatism, independence, objectivity, responsibility and risk (Zalata *et al.*, 2019).

At least one WAC can boost corporate control because women perform well in supervision, are more conservative and are more inclined to make moral judgments to reduce managers' opportunistic behavior and restatement (Oradi and Izadi, 2020). The placement of female directors in audit committee positions with independence and strong monitoring skills can promote effective monitoring of earnings management (Al-Absy *et al.*, 2019; Zalata *et al.*, 2022). Thus, the representation of women contributes a lot to the quality of earnings because of their superior monitoring capabilities (Zalata *et al.*, 2019, 2022).

The influence of ACD topic on EM can vary based on the sight of WAC. They tend to be more law-abiding and less tolerant of corruption and bribery (Zulvina and Adhariani, 2020). Strict monitoring from female audit committees will reduce information asymmetry and promote greater transparency, limiting the ability of managers to use private information for personal gain (Dim *et al.*, 2021). Moreover, the characteristics of women, who are typically more attuned to social concerns, can strengthen the consequences of high CSR disclosure in mitigating earnings management (Sial *et al.*, 2019). Thus, based on the ASEAN phenomenon, it can be assumed that fewer women on audit committees reduce the company's willingness to anti-corruption disclosure in monitoring activities, so earnings management tends to increase. Hence, the hypothesis is formulated:

H2. The proportion of women on audit committees moderates the relationship between corporate anti-corruption disclosure and earnings management.

4. Research method

4.1 Sample

The samples selected were the thirty non-financial firms with the highest average market capitalization in each ASEAN-5 country during the 2016–2018 period, so the total number of observations is 450. This research scrutinizes non-financial companies and not their financial-sector counterparts, which have unique complexities and characteristics. The chosen countries—carefully selected based on their anti-corruption commitment and policies between 2016 and 2018 (Loh *et al.*, 2018)—represent a diverse range in terms of levels of corruption and systems of legal origin, thus representing real-world phenomena. Also, this study takes on a journey beyond the 2016–2018 period—following the release of the GRI Standard No.205 for anti-corruption disclosure—to track how companies adapt their disclosure practices and explore the subsequent impact on their earnings management in the following years.

4.2 Research variables

4.2.1 Dependent variable. Earnings management (EM) in this study uses the discretionary accrual from the Modified Jones Model (Khasanah and Kusuma, 2020; Lei and Wang, 2019) that have been widely used in the extant literature. Discretionary accruals, as measured by Dechow *et al.* (1995), are measured through the difference between total accruals and non-discretionary accruals. This proxy can reflect managerial discretion in financial reporting due to conflicting interests between managers and shareholders. Managers intentionally use discretion in managing earnings to meet their gain.

4.2.2 Independent variable. Anti-corruption disclosure (ACD) is part of the company's commitment to stakeholders in combating corruption and increasing transparency. The level of corporate anti-corruption disclosure is measured using an index based on the GRI Standard 205. It uses content analysis techniques with a score of 1 (one) assigned if the item is disclosed in the company's annual or sustainability report and a score of 0 if it is not disclosed. The company's Anti-corruption disclosure is obtained by summing up the scores of disclosed items and dividing it by the total number of disclosure items (Khasanah and Kusuma, 2020).

4.2.3 Moderator variable. An audit committee is a group of individuals who play a role in overseeing a company's reporting and internal controls. Women in the audit committee (WAC) demonstrate the presence of women in the committee. WAC is the proportion of the total number of women in the audit committee to the total number of members (Zalata *et al.*, 2017).

4.2.4 Control variable. The firm-level factors like return on assets (Lei and Wang, 2019; Xu *et al.*, 2019), leverage (Zalata *et al.*, 2017), firm size (García-Sánchez and GarcíaMeca, 2017) and audit quality (Sial *et al.*, 2019) are included in the variables that could drive earnings management. Lastly, the country-level variables are also used such as corruption level (Lourenço *et al.*, 2018), gross domestic product (Bozzolan *et al.*, 2015) and investor protection (Joubert, 2020). Table 1 contains the detailed explanations of the variables.

4.3 Research models

This study employs ordinary least squares (OLS) regression analysis to examine the impact of ACD on EM (H1) through the equation model 1:

$$EM_{it} = \alpha + \beta_1 ACD_{it} + \beta Controls_{it} + \sum_{industry} \beta^{industry} Industry\ dummies + \sum_{country} \beta^{country} Country\ dummies + \sum_{year} \beta^{year} Year\ dummies + \varepsilon_{it} \quad (Model\ 1)$$

Variables	Types	Measurements	Sources	References
Earnings management (EM)	Dependent	Discretionary accrual from the Jones Modified Model	Osiris Database	Khasanah and Kusuma (2020) and Lei and Wang (2019)
Anti-corruption disclosure (ACD)	Independent	Total disclosure score to total disclosure items	Annual and Sustainability Report	Khasanah and Kusuma (2020)
Women on audit committees (WAC)	Moderator	Total number of women on the audit committee to the total number of members of the audit committee	Annual Report	Zalata <i>et al.</i> (2017)
Profitability (ROA)	Control	Earning after tax/total assets	Osiris Database	Lei and Wang (2019) and Xu <i>et al.</i> (2019)
Leverage (DAR)		Total debt/total assets	Osiris Database	Zalata <i>et al.</i> (2017)
Firm size (SIZE)		Natural logarithm of total assets	Osiris Database	García-Sánchez and García-Meca (2017)
Audit quality (BIG4)		1 if audited by the Big4 and 0 if not	Annual Report	Sial <i>et al.</i> (2019)
Corruption level (CPI)		Corruption Perception Index	Transparency International	Lourenço <i>et al.</i> (2018)
Gross domestic product (GDP)		Gross Domestic Product	World Bank	Bozzolan <i>et al.</i> (2015)
Investor protection (IP)		Doing of Business Index	World Bank	Jouber (2020)

Source(s): Table created by authors

Table 1.
Resume of research variables

Testing the effects of moderation (H2) uses a hierarchical regression analysis. The moderation effect can be seen in the significance of β_3 (ACD*WAC) in equation 2, namely:

$$\begin{aligned}
 EM_{it} = & \alpha + \beta_1 ACD_{it} + \beta_2 WAC_{it} + \beta_3 ACD * WAC_{it} + \beta Controls_{it} \\
 & + \sum_{industry} \beta^{industry} Industry \text{ dummies} + \sum_{country} \beta^{country} Country \text{ dummies} \\
 & + \sum_{year} \beta^{year} Year \text{ dummies} + \epsilon_{it}
 \end{aligned}
 \tag{Model 2}$$

Where α is Constant; β are coefficient; EM is earnings management; ACD is the level of the corporation's anti-corruption disclosure; WAC is the proportion of women members on audit committees; Controls refer to control variables; ϵ represents the error term; indexes i, t indicate companies and time.

5. Empirical results

5.1 Descriptive statistic

The earnings management variable (EM) has an average value of 0.0191 with a standard deviation of 0.0826, the lowest value of -0.3999 and the highest 0.3789. The frequency of discretionary accrual observations in Table 2 Panel B demonstrates that 59.56% of observations have a positive discretionary accrual (DA). It indicates that the companies mostly manage earnings through the income-increasing method or by increasing profits.

Panel A. Descriptive statistic of research variable					
Variables	N	Mean	Standard deviation	Minimum	Maximum
EM	450	0.0191	0.0826	-0.3999	0.3789
ACD	450	0.4301	0.2451	0.0901	1.0000
WAC	450	0.1649	0.2066	0.0000	1.0000
ROA	450	0.0891	0.0879	-0.1181	0.6032
DAR	450	0.4792	0.1889	0.0127	0.9113
SIZE	450	8.0471	1.2304	5.1312	11.1926
BIG4	450	0.8667	0.3403	0.0000	1.0000
CPI	450	48.0667	18.7272	34	85
GDP	450	17119.05	22475.73	3073.65	66679.05
IP	450	51.8667	40.70952	1	113

Panel B. Income increasing accrual tabulation		
Variables	Frequency	Percentage (%)
DA (+)	268	59.56

Panel C. Tabulation of disclosure level		
Years	Frequency ACD	Percentage (%)
2016	656	30.81
2017	700	32.88
2018	773	36.31

Table 2.
Descriptive statistic
analysis

Source(s): Table created by authors

The variable level of anti-corruption disclosure (ACD) is a minimum of 0.0901 and a maximum of 1. As shown in Table 2, Panel A, most companies in five ASEAN countries disclose their ACD items in roughly 43% of their corporate reports. The slow improvement in anti-corruption disclosure rates, which were 31% in 2016, 33% in 2017 and 36% in 2018, is also shown in Table 2, Panel C. Meanwhile, on average, the women on audit committee (WAC) variable have a value of 0.1649. It indicates that implementing a firm's gender diversity is still far from expectations.

5.2 The classical assumption test

The steps of classical assumption testing consisted of multicollinearity and heteroscedasticity checks. To test the multicollinearity, the authors have conducted the Pearson correlation, as shown in Table 3. The findings demonstrate that no coefficient is greater than the acceptable value of 0,8 (Farrar and Glauber, 1967), so it can be ascertained that the models are free from multicollinearity or that independent variables are not correlated with each other.

The heteroscedasticity check is to ensure that the residual variance is constant. This study uses the Breusch–Pagan test with the criteria that if the Prob > Chi² is more than 0.05, the research model is free from heteroscedasticity. However, the test results show heteroscedasticity symptoms, i.e. 0.0262 (model 1) and 0.0268 (model 2), so this study uses a robust standard error to overcome it. This method corrects the residual inequality variance without changing the estimated model (Gujarati and Porter, 2009). Thus, the results can still be used to accept or reject the hypothesis.

Table 3.
Correlation results

	EM	ACD	WAC	ROA	DAR	SIZE	BIG4	CPI	GDP	IP
EM	1									
ACD	-0.116*	1								
WAC	-0.003	0.044	1							
ROA	-0.033	0.058	0.094*	1						
DAR	-0.134**	0.107*	-0.057	-0.092	1					
SIZE	-0.040	0.195**	-0.047	-0.534**	0.283**	1				
BIG4	-0.116*	0.041	-0.117*	0.000	0.014	0.031	1			
CPI	0.001	-0.179**	0.036	0.470**	-0.191**	-0.721**	-0.085	1		
GDP	0.031	0.090	-0.076	-0.182**	0.071	0.456**	0.050	-0.159**	1	
IP	-0.097*	-0.019	-0.007	-0.151**	0.182**	0.479**	-0.089	-0.264**	-0.058	1

Note(s): ** * Denotes the significance of correlation at the 1 and 5% level

Source(s): Table created by authors

5.3 Intra-rater reliability

There are subjectivity issues in content analysis techniques that encourage adding data quality checks to the anti-corruption disclosure variable. The intra-rater reliability test assesses the rater's objectivity and whether a researcher gave the same value after a predetermined time interval (Mackey and Gass, 2021). Intra-reliability checks in this study used 20% of the total sample (Gunawan *et al.*, 2009) and were randomly selected. Based on this, the total number of observations per country is 18. In addition, this interval study used 2–3 weeks between the first and second tests.

The intra-class correlation coefficient (ICC) measures intra-rater reliability. Koo and Li (2016) categorize the ICC value into several categories, namely low (less than 0.5), moderate (0.5–0.75), good (0.75–0.9) and very good (greater than 0.9). The results in Table 4 show that measurements by researchers at different times have a similarity of 0.915. The ICC value shows the very good category because it has a value of more than 0.9. Based on this assessment, the measurement of anti-corruption disclosure through content analysis techniques is reliable.

5.4 Regression results

The results of model 1 testing after the robust standard error procedure show that the ACD variable has a negative coefficient (−0.0385) and $p < 0.05$, so *H1 is supported* (see Table 5). It is consistent with Benyasrisawat (2019), Hope *et al.* (2020), Khasanah and Kusuma (2020) and Lei and Wang (2019), which show that ACD and EM have a negative association. The support

	ICC	95% Confidence interval	
Individual	0.915	0.868	0.945
Average	0.955	0.929	0.971

Source(s): Table created by authors

Table 4.
Intra-rater
reliability test

Variables	Predicted sign	Model 1	Model 2
Constant		0.2606 [0.0626]	0.2491 [0.0626]
ACD	−	−0.0385 [0.0190]**	−0.0177 [0.0218]
WAC			0.8128 [0.0316]
ACD*WAC	−		−1.5402 [0.0617]**
ROA	−	−0.0092 [0.0854]	−0.0119 [0.0846]
DAR	−	−0.0398 [0.0216]*	−0.0416 [0.0225]*
SIZE	−	−0.0060 [0.0072]	−0.0058 [0.0072]
BIG4	−	−0.2513 [0.0102]**	−0.0219 [0.0103]**
CPI	−	−0.2099 [0.1256]*	−0.2222 [0.1228]*
GDP	−	0.0000 [0.0000]	0.0000 [0.0000]
IP	−	−0.0003 [0.0015]	−0.0003 [0.0015]
<i>N</i>		450	450
<i>R</i> ²		0.3503	0.3595
<i>F</i> -test		10.53***	9.93***
Industry-fixed effect		✓	✓
Country-fixed effect		✓	✓
Year-fixed effect		✓	✓

Note(s): Significance at level *** 1, ** 5 *10%

Source(s): Table created by authors

Table 5.
Hypothesis results

for the *H1* can be explained by the view that the company's willingness to meet multi-stakeholders expectations follows the legitimacy theory.

Legitimacy theory posits that society expects businesses to behave ethically (Deegan, 2014). Values and norms expected by international anti-corruption bodies shared commitments within the ASEAN region and anti-corruption policies from individual regulators incentivize companies to communicate their anti-corruption policies and activities. Companies engaging in anti-corruption disclosure activities reflect better-reported earnings figures as managers are likely discouraged from engaging in earnings management that could threaten the company's long-term legitimacy and sustainability (Alsaadi *et al.*, 2017). Hence, hiding information raises concerns about a company's commitment to ethical behavior.

The findings show that corporate disclosure in five countries is still fewer than 50% on average and from year to year. It shows that the performance of corporate anti-corruption policies in ASEAN during 2016–2018 still needs to be higher. The low level of disclosure certainly impacts earnings management practices for several reasons. The issue of corruption in disclosure is a sensitive topic (Wilkinson, 2006). It gets much attention, so companies that are hesitant to expose their anti-corruption support reflect the firm's day-to-day performance in maintaining their business integrity. The low implementation of anti-corruption policies also indicates a high level of individual and organizational acceptance of negative behavior in companies, such as earnings management. Moreover, anti-corruption disclosure is part of the economic dimension in sustainability reports (Global Reporting Index, 2016), so less actively involved companies must pay more attention to the consequences of being less operationally responsible. The lack of disclosure poses a risk to society as companies are perceived to have failed to act and endangered public services due to poor financial management (Barros *et al.*, 2022).

Table 5 shows that hypothesis *H2* is *accepted* because the variable coefficient of ACD*WAC is negative and statistically significant. It is consistent with previous research showing that the negative link between CSR disclosure and earnings management is moderated by the presence of women in monitoring positions (Zalata *et al.*, 2017; Sial *et al.*, 2019). It can be explained through an institutional theory that variations in institutional characteristics—such as values, norms and solid governance monitoring—can be a source of pressure that could affect managers' incentives. Consequently, the nexus between anti-corruption disclosure and the quality of financial reporting is influenced by the oversight exerted by the WAC.

The findings of this study indicate that the average proportion of women in monitoring positions is still low at 16.5% after three years. The low proportion of women certainly impacts the quality of company profits. The characteristics, values and experience of women in monitoring positions bring a favorable climate to the company's accounting quality and a more transparent business environment. In addition, the supervisory characteristics of the female audit committee, which are compliant and sensitive to ethical and sustainability issues, can encourage extensive anti-corruption disclosures. Therefore, the lower proportion of women on audit committees in the ASEAN-5 countries discourages anti-corruption disclosure meaning that it can contribute to the company's earnings management.

The control variables, Leverage (DAR), Audit Quality (BIG4) and Corruption Level (CPI), have a significantly negative relationship in both models. The lower the leverage, the less supervision creditors or investors exercise, allowing management to be more flexible in earnings management (Zalata *et al.*, 2017). Companies audited by the Big 4 KAPs tend to avoid earnings management practices because the probability of auditors from these KAPs finding violations or fraud is high (Sial *et al.*, 2019). Lower CPI values are linked with increased manipulation earnings because the more corrupt a country is, the more unethical the atmosphere is and the greater tolerance for rent-seeking behavior (Lourenço *et al.*, 2018).

5.5 Endogeneity issue

Unobserved variables may influence earnings management in the previous primary analysis. These variables, not included in the primary regression model but potentially related to the dependent variable, are referred to as unobserved variables. Thus, gender diversity and anti-corruption policies may not be the sole determinants of earnings quality. To address this endogeneity issue, we employ Heckman's two-stage regression.

In the first stage, we estimate model (3) using a probit regression and include ACS as an instrumental variable. The effective performance of supervisory roles may be influenced by committee size. Therefore, enhancing the audit committee's ability to detect and prevent profit manipulation requires an appropriate committee size and diverse composition (Ali, 2024). In the second-stage OLS regression model, we add the inverse Mills ratio (Mills) as an additional explanatory variable, computed using predicted parameters from the probit regression. The following outlines the estimated procedure for the first-stage probit regression:

$$\begin{aligned} \text{WAC_dummy}_{it} = & \alpha + \beta_1 \text{ACS}_{it} + \beta \text{Controls}_{it} + \sum_{\text{industry}} \beta^{\text{industry}} \text{Industry dummies} \\ & + \sum_{\text{country}} \beta^{\text{country}} \text{Country dummies} + \sum_{\text{year}} \beta^{\text{year}} \text{Year dummies} + \varepsilon_{it} \end{aligned} \quad (\text{Model 3})$$

where ACS represents the number of committee members in supervisory roles, WAC_dummy is a dummy variable that takes a value of one if there is at least one woman in the audit committee and zero otherwise, and all other variables are as previously specified. The findings of the Heckman two-stage regression analysis are presented in Table 6. According to the results in column (1) of Table 6, there is a positive association between earnings management and the ACS. These results suggest that while larger committees may enhance

First stage Variables	Model 3	Variables	Second stage Model 1	Model 2
Constanta	-1.9775 [1.0900]	Constanta	0.3554 [0.0643]	0.3428 [0.0642]
ACS	0.3193 [0.0801]***	ACD	-0.0387 [0.0160]**	-0.0186 [0.0184]
ROA	1.2328 [0.9366]	WAC	0.0804 [0.0331]	0.0804 [0.0331]
DAR	-0.2713 [0.3731]	ACD*WAC		-0.1488 [0.0662]**
SIZE	-0.0013 [0.1359]	ROA	-0.0550 [0.0511]	-0.0571 [0.0509]
BIG4	-0.3678 [0.2000]*	DAR	-0.0305 [0.0194]	-0.0322 [0.0194]*
CPI	0.4476 [2.0500]	SIZE	-0.0070 [0.0070]	-0.0068 [0.0070]
GDP	0.0000 [0.0001]	BIG4	-0.0167 [0.0107]	-0.0136 [0.0107]
IP	-0.0184 [0.0352]	CPI	-0.2235 [0.1077]**	-0.2350 [0.1073]**
		GDP	0.0000 [0.0000]**	0.0000 [0.0000]**
		IP	-0.0003 [0.0018]	-0.0002 [0.0018]
		MILLS	-0.0576 [0.2007]***	-0.0569 [0.0200]***
N	450	N	450	450
R ²	0.1071	R ²	0.3626	0.3714
F-test	0.0000	F-test	0.0000	0.0000
Industry-fixed effect	✓	Industry-fixed effect	✓	✓
Country-fixed effect	✓	Country-fixed effect	✓	✓
Year-fixed effect	✓	Year-fixed effect	✓	✓

Note(s): Significance at level *** 1, ** 5 *10%

Source(s): Table created by authors

Table 6.
Heckman's two-stage
regression

oversight, they may also face challenges related to communication, decision-making speed and free-riding. Conversely, smaller committees appear to effectively constrain earnings management with quicker response times.

The results of the second-stage regression analysis are presented in column (2) and (3) of Table 6. The findings indicate that the coefficients for both ADC and the interaction of ADC*WAC are significantly negative, supporting the main findings. Even after addressing concerns related to endogeneity, our results demonstrate that anti-corruption disclosure, the presence of women on audit committees and earnings management are negatively correlated.

5.6 Robustness test

Assessing whether the significant discoveries exist robust, this study conducts a sensitivity analysis on the moderating roles of women on audit committees. This study modified the moderate variable using the Blau index operated in several past studies to indicate the level of gender diversity (Sial *et al.*, 2019). This index considers a variety in the ratio of male and female components, so it measures the diversity in gender categories on the board (Campbell and Mínguez-Vera, 2008). The calculation of the Blau index is as below:

$$BLAU = 1 - \sum_{i=1}^k P_i^2 \tag{3}$$

Pi² is the ratio of each gender type on the audit committee and k is the total classification used. The range values of gender diversity's index fluctuate between 0 and 0.5. The highest number (0.50) represents equal proportions in male and female composition, while the lowest number (0) means all members, either all men or all women (Blau, 1977).

The outcome of the regression is presented in Table 7. The interaction between ACD and BLAU had a negative significance, so the robustness test findings back up the notion. It implies that the existence of women in monitoring positions moderates the anti-corruption policy and earnings management.

Variables	
Constanta	0.2590 [0.0622]
ACD	-0.0199 [0.0226]
BLAU	0.0607 [0.0355]
ACD*BLAU	-0.1152 [0.0692]*
ROA	-0.0149 [0.0836]
DAR	-0.0402 [0.0222]**
SIZE	-0.0069 [0.0072]
BIG4	-0.0243 [0.0103]**
CPI	-0.2316 [0.1258]*
GDP	0.0000 [0.0000]
IP	-0.0000 [0.0015]
n	450
R ²	0.3554
F-test	10.21***
Industry-fixed effect	✓
Country-fixed effect	✓
Year-fixed effect	✓

Table 7. Robustness check
Note(s): Significance at level *** 1, ** 5 *10%
Source(s): Table created by authors

6. Conclusion

This study's findings reinforce earlier research that indicates companies are less likely to adhere to prescriptive values regarding the ACD policy, resulting in a tendency to manage earnings for opportunistic motives. In addition, these relationships are more pronounced in firms with a smaller proportion of WAC. The less monitoring, the stronger the impact that a weaker anti-corruption policy has on higher earnings management. This considers the lack of contribution from women to the supervisory role of audit committees which therefore do not benefit from their values, experience and characteristics in promoting company transparency.

Although these findings are noteworthy and robust, this study cannot be separated from its limitations. The sample set is limited to the ASEAN-5 countries. Future research could consider comparisons between developed and developing countries because researching a variety of settings may shed additional light on the results. Furthermore, forthcoming studies could replicate this one but also utilize the COVID-19 period for their observations to ascertain whether the pandemic had an exclusive effect.

This study uncovers several key implications that could have an impact. First, the findings suggest that anti-corruption policies and specific corporate governance mechanisms—such as women on audit committees—could produce effective monitoring in mitigating earnings management even in a country like those in ASEAN where there is a lack of complementary legal infrastructure. Second, it is highly recommended that investors consider factors driving integrity in accounting information, such as the extent of ACD and the existence of monitoring elements in evaluating a firm's risk profile. A lack of transparency could be a red flag for potential earnings management. Companies with weaker disclosure and limited female representation might warrant closer scrutiny regarding potential earnings management risks.

Third, regulators must reconsider anti-corruption policy regulations by enacting specific rules requiring firms to pay more attention to promoting anti-corruption programs. To bolster anti-corruption safeguards, regulators should mandate robust compliance programs, conduct regular risk assessments and prioritize transparency in disclosing anti-corruption efforts. Additionally, implementing strong whistleblower protection laws and programs empowers employees to report wrongdoing without fear of retaliation, allowing for early detection and the addressing of earnings management practices.

Moreover, there also needs to be some consensus about the standards and simplifying indicators across corporations in the ASEAN region for disclosures that would unlock greater effectiveness. This would drive efforts to establish consistent and rigorous anti-corruption frameworks across all member states. Consistent and robust standards across ASEAN would level the playing field, attracting regional investors and building trust.

Lastly, increasing the level of ACD necessitates supervisory support from women on audit committees, which adds significant value to the accountability of businesses. Therefore, policymakers need to evaluate regulations regarding the contribution of women in monitoring positions as a complementary component to anti-corruption disclosures. Due to the findings about the low level of women in monitoring positions, regulators could consider making explicit recommendations regarding gender diversity.

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About the authors

Dewi Mustika Ratu is Lecturer in the Department of Accounting, at Diponegoro University, Semarang, Indonesia. She has finished her master's degree in Master of Science in Accounting, at Gadjah Mada University. Dewi Mustika Ratu is the corresponding author and can be contacted at: dewimustika97@mail.ugm.ac.id

Dian Kartika Rahajeng is Lecturer in Faculty of Economics and Business, Universitas Gadjah Mada, Yogyakarta, Indonesia. She has finished her Ph.D. in Accounting and Finance at Essex Business School, University of Essex. She is an educator member of the Association of Certified Fraud Examiners (ACFE). She is currently Director in Sharia Finance and Digital Economy (Shafiee) at Universitas Nadhlatul Ulama (UNU), Yogyakarta, Indonesia.

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