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Board of Directors Diversity, Public Ownership, and Earnings Quality

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Abstract. Earnings quality is one of the indicators to assess the level of success of the company's operations. Many factors affect earnings quality, one of which is the diversity of the company's board of directors and public ownership. This study examines the effect of board diversity, including gender, age, tenure, educational background, and public ownership, on earnings quality. The research objects are public companies listed on the Indonesia Stock Exchange from 2015–2019. The sample used is 113 manufacturing companies selected with the purposive sampling technique. The analytical technique used in this research is multiple linear regression analysis. The data source is obtained from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX). This study shows that board age has a negative effect on earnings quality and indicated that diversity of age shows different ways of thinking and working leads to lower earning quality. This study also shows that public ownership has a positive effect on earnings quality and indicated that the existence of public shareholders can reduce agency conflicts and shown through better earning quality. Meanwhile, gender, tenure, and educational background of the board do not affect earnings quality.

Keywords: Diversity · Board of Directors · Public Ownership · Earnings Quality

1 Introduction

The company is one of the economic entities that considerably influence the economy and society. Therefore, the company bears the responsibility to creditors and investors and is also responsible to the community for the impact of its business activities [18]. Prospects of good companies are of interest to investors in developing markets, so investors try to avoid companies with negative prospects in the future.

The company's prospects in the future can be reflected in the profits contained in the company's financial statements. Profit as a guide is used to assess the company's operational performance level success. Earnings information is needed to estimate changes in economic resource opportunities that may be controlled in the future. Earnings quality is an important concern for users of financial statements for investment and contractual purposes [33].

Earnings quality can accurately reflect the company's profitability and the current year's earnings that have good quality. Earnings quality is stated to be high or suitable if

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the company can achieve or exceed the expected target in the initial planning. It is stated to be low if it does not achieve the expected target in the initial planning. In addition, the company's earnings can be stated to be of quality if it has accurate or good information and contains little or no interference [23].

Earnings quality is also an indication of good corporate governance. To build good and healthy corporate governance, companies need to provide quality information, and good supervision is needed. Good corporate governance can be reflected in the company's financial statements' issuance. The company publishes financial reports so that the shareholders (stakeholders) can picture the company's condition. Financial reports are a means of communication to parties interested in company data or activities.

Investors are one of the important parties of a company because they invest their capital in the company. Investors need to know the prospects of the company to guarantee the invested capital because investors tend to avoid companies with bad governance. Factors related to the company having good governance are the diversity of the board of directors and public ownership.

In recent years, board diversity has become one of the important governance issues to be discussed. Board diversity is the diversity of board composition within the company. The researcher began to analyze the effect of board diversity, defined as the inherent diversity of board composition. There are several dimensions of board diversity, namely gender, age, tenure, and educational background.

The first dimension of diversity (diversity) is related to gender. Gender diversity within the company can be useful for adding insight and knowledge and planting new ideas to solve problems [1]. Women are also often active in supervision to minimize agency problems [7]. There are inconsistencies in the results of previous studies, namely in the research conducted by [30, 31], and [15] found that board gender diversity has a positive influence on earnings quality. Contrary to the research results conducted by [20] and Hashim et al. [12] found that gender does not influence improving the quality of company earnings.

The next dimension of diversity is age. Age can reflect experience and risk-taking behavior, so the involvement of young directors on board members will bring various ideas and perspectives to the company [20]. Young board members also have a higher ability to create new ideas to be more innovative [25]. There are inconsistencies in previous research. Research conducted by [15] found that the age of the board of directors has a positive effect on earnings quality. However, unlike the research conducted by [20] and Hashim et al. [12, 13] board of directors does not affect earnings quality.

The next dimension of diversity is tenure. The tenure of board members can influence organizational dynamics through the socialization process. The long tenure of board members results in group thinking, aversion to risk and adherence to status. There is an inconsistency in previous research, namely research conducted by [13] and [37] found that tenure positively influences earnings quality. In contrast, research conducted by [27] and [4], found that tenure has a negative effect on earnings quality, and research conducted by [35] found that tenure does not affect earnings quality.

The last dimension of diversity is educational background. The educational background of the board members affects the knowledge they have [29]. The company needs someone with a business and economic background and also an educational background in other fields because the composition of the board of directors has different divisions or job descriptions. Board members' education shapes the way they analyze things. There are inconsistencies in previous research. Research conducted by [15, 32], and [22] found that the educational background of the board of directors has a positive influence on earnings quality. In contrast to the research results conducted by [17], which found that educational background did not affect earnings quality.

In addition, a factor that can impact earnings quality other than board diversity is public ownership. Public ownership is the number of shares owned by the public [16]. The definition of public here is an individual or institution with company shares below five percent (5%) other than management and has no special relationship with the company. The composition of public shareholders will facilitate intervention, supervision, or some other disciplinary influence on managers so that managers will act in the interests of shareholders. There is an inconsistency in the research results on public ownership which found that public ownership positively influences earnings quality. Meanwhile, [9] found that public ownership does not affect earnings quality.

Based on inconsistent research results, this research is motivated to analyze and examine the effect of the board of directors' diversity and public ownership on earnings quality in companies listed on the Indonesia Stock Exchange (IDX) in 2015–2019. The manufacturing company was chosen because it has comprehensive financial reports, more complex operations, and is a significant issuer on the Indonesia Stock Exchange (IDX). In addition, they have the same company characteristics as each other. The results of this study are expected to contribute academically to further researchers, namely as literature and study references. Practically, this research is expected to be able to contribute to the company as reference material. Considerations related to the quality of the profits generated so that other parties interested in the company can obtain appropriate benefits. Through this research, the company can also pay attention to the composition of the board of directors because each diversity, whether women or men, young or old, has the same opportunities to occupy appropriate positions that require decision making.

2 Literature Review and Hypothesis Development

2.1 Literature Review

Agency theory is a theoretical concept that discusses the working relationship between company owners (principals) and managers (agents). This relationship is governed by contracts to carry out company activities [21]. Company owners often do not have broad access to monitoring operational activities because they often entrust it or there is a delegation of authority to managers or management (agents). In this study, the relationship between agency theory and earnings quality lies in earnings and management. Agency problems arise when the company's management is separated from the owner [11]. The board of directors is expected to effectively address agency problems between shareholders and management so that a diverse board of directors will create diverse perspectives to address solutions to these problems. Agency conflicts arise in the company's ownership structure between shareholders because shareholders actively influence management policies in the company. If public ownership is dominant, it can be stated that the public has influence or control in every decision or policy taken by the company.

Resource dependence theory discusses how boards can provide access to valuable resources [28]. It focuses on the company's ability to form connections to secure access to critical resources such as capital providers, cooperative alliances, distributors, or consumers [6]. The relationship between the resource dependence theory and this study is found in human resources, namely the board of directors. In this case, the composition of the board of directors is diverse. [34] stated that the company's human resources must be used as much as possible and diverse, and dispersed. A balanced board of directors will be able to improve the company's performance. The board of directors can provide easier access to critical resources. A diverse board of directors will be able to face challenges and dynamics in business [36]. Resource dependence theory also discusses how companies build connections to outside parties, one of which is shareholders. Shareholders are one of the important resources for the company to run. This study discusses the ownership of shares owned by the public. Suppose public ownership is dominant in the company. In that case, the company will indirectly depend on it so that the public who invests has an influence regarding the decisions taken by the company.

2.2 Hypothesis Development

Gender diversity in the composition of the board of directors can improve company performance. Gender diversity will expand company resources and add perspectives to problem-solving and strategic planning processes. If the company has a female board, the company will get a lot of facts and details [7]. This is in line with the research conducted by [15, 30, 31] found that board gender diversity has a positive influence on earnings quality. Based on this description, the conclusions of the hypotheses formulated are as follows:

H1: Gender Diversity of the Board of Directors positively affects Earnings Quality.

Diversity related to age is one way to maximize resources. Multi-generational resources will build different perspectives and unique views. A positive influence may arise from age diversity, namely increasing the quality of the financial statements produced, and it is also expected that the quality of the profits generated will also increase. In line with research conducted [15], the age of the board of directors has a positive influence on earnings quality. Based on this description, the conclusions of the hypotheses formulated are as follows:

H2: Age Diversity of the Board of Directors positively affects Earnings Quality.

Tenure diversity is the variety of tenures in the composition of the board of directors. Companies, of course, have different tenures. If someone joins the board of directors, that person will be enthusiastic about their performance because there is a desire to advance the company, so their ideas are more innovative and new. It takes about 3 to 5 years for someone to gain an in-depth understanding of the company. It affects the disclosure of financial statements, resulting in earnings quality. The longer a person holds a position or position, the better the performance of that person so that the organization can maintain it [10]. This is in line with research conducted by [37] that tenure has a positive effect on earnings quality. Based on this description, the conclusions of the hypotheses formulated are as follows:

H3: Diversity of the term of office of the Board of Directors has a positive effect on Earnings Quality.

Diversity of educational background is the diversity of educational backgrounds in the composition of the board of directors. Education also shapes a person's way of thinking in analyzing something. In a company consisting of people with various educational backgrounds, this can bring positive things to the company because the board of directors with different educational backgrounds will have different thoughts or opinions, which, when put together, will emerge a new idea or innovation. The impact is expected to be positive for the company. [27] stated that the higher the education is taken, the person can analyze, solve a problem, and have a strategy to lead the company to improve the quality of earnings. In line with the research conducted by [15] and [32], the educational background of the board of directors has a positive influence on earnings quality. Based on this description, the conclusions of the hypotheses formulated are as follows:

H4: Diversity of Educational Background Board of Directors positively affects Earnings Quality.

Share ownership by the public reflects the level of ownership of the company by the public. Based on research, [8] and [5] stated that public ownership allows companies to increase public trust in public ownership so that other parties who want to provide loans to companies feel secure. The more the public invests in the company, it means the company has a good reputation. A good reputation will certainly be disclosed in the financial statements, which can later improve the quality of earnings. In line with the research that Hutagalung has carried out, Tanjung and Basri and Beatty found that public ownership [2] positively influences earnings quality. Based on this description, the conclusions of the hypotheses formulated are as follows:

H5: Public Ownership has a positive effect on Earnings Quality.

3 Research Methods

This study is a quantitative study with a hypothesis that aims to test and analyze the effect of board diversity which includes gender, age, tenure, and educational background, as well as public ownership on earnings quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015–2019 period. The population of this study is publicly listed companies on the Indonesia Stock Exchange for the 2015–2019 period.

Sampling used the purposive sampling method with the following criteria: (1) Manufacturing companies listed on the Indonesia Stock Exchange for the 2015–2019 period; (2) Have a complete annual report for the 2015–2019 period; (3) The company did not experience delisting in the research period; (4) The company discloses financial statements in rupiah currency; (5) Companies that have complete data required for research.

From the criteria that have been determined, the number of final samples that meet these criteria is 113 companies with 535 observations. The data used is secondary data, namely the annual report of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2015–2019 with the data collection method using the documentation method. The independent variables in this study were board gender diversity, board age diversity, board tenure, board educational background, and public ownership. The dependent variable in this study is earnings quality. Then, the control variable is profitability (ROA).

Measuring diversity, which includes board gender, board age diversity, board tenure, board educational background, is calculated using the Blau Index. This measurement is based on research that has been carried out by [26] and [14]:

$$\text{BLAU\_ INDEX} = 1 - \sum_{i=1}^{n} Pi^2$$

Information:
P_i Proportion of the board of directors in each category
N number of categories used

Public ownership is the number of shares owned by the public and is measured by the ratio between the number of shares owned by the public to the total shares of companies in Indonesia. The measurement of public ownership is based on research conducted by Nayoan [24]:

$$\text{KP} = \frac{\text{Total shareholding by the public}}{\text{Number of outstanding shares}} \times 100$$

The measurement of earnings quality in this study applies the modified Jones model adjusted. If the resulting value is positive, then there is a decrease in earnings quality, but if it is negative, there will be an increase in earnings quality. The measurement of earnings quality is based on research conducted [19]: Calculating Total Accruals, using the following formula:

$$\text{TAC}_t = NI_t - OCF_t$$

Calculating the accrual value with a simple linear regression equation, the equation used is as follows:

$$\text{TAC}_t/(\text{TA}\tau - 1) = \alpha 1(1/(\text{TA}\tau - 1)) + \alpha 2(\Delta\text{REV}\tau/(\text{TA}\tau - 1)) + \alpha 3\text{PPE}\tau/(\text{TA}\tau - 1) + \text{e}$$

By using the regression results 1, 2, and 3, then enter into the following NDAC formula:

$$NDAC = \alpha 1(1/(\text{TA}\tau - 1)) + \alpha 2(\Delta\text{REV}\tau - \Delta\text{REC}/(\text{TA}\tau - 1)) + \alpha 3(\text{PPE}\tau/(\text{TA}\tau - 1)) + \text{e}$$

Calculate the value of the Discretionary Accrual using the following formula:

$$DAC = (\text{TAC}_\text{t}/(\text{TAt} - 1)) - \text{NDAC}$$

Information:

TAC_t	Total Accrual
NI_t	Net profit of company i in period t
OCF_t	Operating Cash Flow of the company i in period t
$TAt-1$	Previous year's total assets
ΔREV	Change in net income (measured as change in net sales from year t−1 to year t)
ΔREC	Change in receivables (measured as change in net receivables from year t−1 to year t)
PPE	Property, plant, and equipment
DAC	Discretionary Accrual

The measurement of the profitability control variable (ROA) is based on research conducted by Murniati et al. [23]:

$$ROA = \frac{Net\ Incame}{Total\ Asset}$$

This study analyzed data using descriptive statistical analysis and multiple linear regression analysis to determine the effect of the board of directors' diversity, including gender, age, tenure, and educational background as well as public ownership, on the earnings quality of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in period 2015–2019. The statistical equation in this study is as follows:

$$KL = \alpha + \beta_1 GENDER + \beta_2 AGE + \beta_3 TENURE \\ + \beta_4 EDU + \beta_5 KP + \beta_6 ROA + \varepsilon$$

4 Result and Discussion

4.1 Result

Based on the descriptive statistics in Table 1, it can be concluded that the earnings quality variable (KL) has a minimum value of 0.0001, while the largest value of earnings quality is 0.1697. Manufacturing companies that are used as samples have an average value of earnings quality of 0.0482 and a standard deviation of 0.0393. The results of the model feasibility test are in Table 2 with a coefficient of determination (R2) of 0.033. This shows that the independent variables, namely gender diversity, age, tenure, educational background, and public ownership, and the control variable return on assets can explain variations in changes in the dependent variable, namely earnings quality, by 3.3%, while the rest is 96.7% is explained by other variables that are not used in this study, and the significance value of the model feasibility test is 0.007. The significance value of 0.007 <0.05 means that the independent variables simultaneously have a significant effect on the dependent variable, so it can be concluded that the regression model in this study is fit or feasible.

Table 1. Descriptive Statistics

Variables	N	Mean	Min	Max	Std. Dev
KL	535	0.0482	0.0001	0.1697	0.0393
GENDER	535	0.1436	0.0000	0.5000	0.1872
AGE	535	0.0790	0.0000	0.5000	0.1555
TENURE	535	0.4453	0.0000	0.8300	0.2453
EDU	535	0.3710	0.0000	0.6000	0.1565
KP	535	0.2477	0.0023	0.7060	0.1532
ROA	535	0.0427	−0.3918	0.5267	0.0909

Source: Processed Data

Table 2. Regression Analysis

Variables	B	T	Sig.	Test Result	Conclusion
Constant	0.220	15.601	0.000	-	-
GENDER	−0.020	−0.956	0.340	No effect	H1 rejected
AGE	0.063	2.529	0.012	Negative effect	H2 rejected
TENURE	0.008	0.506	0.613	No effect	H3 rejected
EDU	−0.028	−1.103	0.270	No effect	H4 rejected
KP	−0.046	−1.781	0.075	Positive effect	H5 not rejected
ROA	−0.085	−1.964	0.050	Positive effect	-
R	= 0.181				
R^2	= 0.033				
F Change	= 2.965				
Sig	= 0.007				

Source: Processed data

Hypothesis testing (t-test) was conducted in this study using the individual parameter significance test (t statistical test). A significance value < 0.1 indicates that an independent variable individually has a significant effect on the dependent variable, while a significance value > 0.1 indicates that the independent variable individually does not significantly affect the dependent variable. The results of hypothesis testing (t-test) can be seen in Table 2.

4.2 Discussion

Table 2 shows that the GENDER variable has a significance of 0.340 with a regression coefficient of −0.020. The significance value is 0.340 > 0.1, and the negative regression coefficient indicates that the GENDER variable does not affect the dependent variable of earnings quality (KL). Therefore, the hypothesis (H1) that gender diversity of the board of directors positively affects earnings quality is rejected. Table 2 also shows that the gender diversity of the board of directors does not affect earnings quality. In manufacturing companies that are listed on the IDX in the 2015–2019 period, not all companies have a female board of directors. This can be seen in Table 1 that the average gender diversity of directors is 0.1436, indicating that there is no large gender diversity in the composition of the board of directors, which means that the company is still dominated by male directors, so it can be found that the diversity of the female board of directors has not shown a significant influence. In determining the quality of earnings of a company. Then, there are traditions or customs in society that have been formed that cause women's powerlessness to fight existing traditions or habits, resulting in women losing self-confidence and being afraid or reluctant to occupy higher positions in a place.

The results of this study are inconsistent with previous research conducted by [15, 30, 31], which found that the gender diversity of the board of directors is positively related to earnings quality. However, the results of this study are consistent with previous research conducted by [20] and [12]. The results of this study are not in line with the resource dependence theory proposed by [28] that gender diversity in the board of directors can provide benefits to the company, one of which is better decision making.

Table 2 shows that the AGE variable has a significance of 0.012 and a regression coefficient of 0.063. The significance value is $0.012 < 0.1$, and the positive regression coefficient indicates that the AGE variable has a negative effect on the dependent variable of earnings quality (KL). Therefore, the hypothesis (H2) that the age diversity of the board of directors has a positive effect on earnings quality is rejected. Table 2 also shows that the age diversity of the board of directors has a negative effect on earnings quality. This indicates that the more diverse the age of the board, the higher the probability of a decline in earnings quality. Age diversity results in a more significant gap between older members and younger members. This is because their perspectives and ways of thinking and working can differ, which leads to a less efficient decision-making process and results in lower earnings quality. Table 1 shows that the average age diversity of the board of directors is 0.0790, which means that not all companies have a young board of directors. The company is still dominated by directors who are the same age or above 40 years.

The results of this study are inconsistent with previous research conducted by [15], which found that the age diversity of the board of directors is positively related to earnings quality. However, the results of this study are consistent with the research conducted by [38]. The results of this study are not in line with the resource dependence theory proposed by [28] that age diversity on the board of directors can provide different perspectives, unique information, or new ideas that make better decisions making.

Table 2 shows that the TENURE variable has a significance of 0.613 and a regression coefficient of 0.008. The significance value is $0.613 > 0.1$, and the positive regression coefficient indicates that the TENURE variable does not affect the dependent variable of earnings quality (KL). Therefore, the hypothesis (H3) that the tenure of the board of directors has a positive effect on earnings quality is rejected. Table 2 also shows that the tenure of the board of directors does not affect earnings quality. In general, the term of the board of directors member is a maximum of 5 (five) years or until the closing of the annual general meeting of shareholders at the end of 1 (one) term of office. However, in practice, several companies have directors who have a term of office of more than 5 years or even decades. There is also not until one period of resignation. This is what makes the effect of tenure on earnings quality not seen significantly. Table 1 shows the average level of diversity of tenure of the board of directors is only 0.4453, which means that the diversity of tenure of the board of directors in a company is still not visible. Some companies are still dominated by someone with a long position, even decades. However, there are also companies dominated by the new board of directors. This study also shows that earnings quality is not influenced by the term of office of the directors because both directors with long and short tenures have the same duties and responsibilities to manage the company.

The results of this study are inconsistent with previous research conducted by [37], which found that the tenure of the board of directors had a positive effect on earnings quality. However, the results of this study are consistent with previous research conducted by [35]. The results of this study are not in line with the resource dependence theory proposed by [3] that the longer the term of office of the board of directors will make the understanding of the company deeper which is expected to be better in decision making and is not in line with the agency theory expressed by [21] that tenure can affect work competence in companies that are expected to be better.

Table 2 shows that the EDU variable has a significance of 0.270 with a regression coefficient of -0.028. The significance value is $0.270 > 0.1$, and the negative regression coefficient indicates that the EDU variable does not affect the dependent variable of earnings quality (KL). Therefore, the hypothesis (H4) that the educational background of the board of directors has a positive effect on earnings quality is rejected. Table 2 also shows that the educational background of the board of directors does not affect earnings quality. In one company, some companies are dominated by business and economic backgrounds, but some do not. It can be seen in Table 1 that the average level of diversity in the educational background of the board of directors is only equal to 0.3710, which means that it is still dominated by those with business and economic education backgrounds, this makes the effect on the quality of company earnings not yet visible. In this case, the board of directors who have a business or economic education background does not guarantee that someone will have competence in managing a business and making business-related decisions. Other factors are needed to support this. It can be stated that manufacturing companies need directors with business and economic backgrounds and can also require technical education backgrounds or other fields. Suppose the company recruits directors who are competent in their field and have an educational background that suits the needs of each division of the company. In that case, it is expected to improve the quality of earnings.

The results of this study are inconsistent with previous research conducted by [15] and Sun et al. [32], which states that the background of the board of directors has a positive effect on earnings quality. However, the results of this study are consistent with previous research conducted by [17]. The results of this study are not in line with the agency theory proposed by [21] that the diversity of educational backgrounds of the board of directors can effectively minimize or overcome agency problems that arise and is not in line with the resource dependence theory expressed by [28] that the diverse educational backgrounds of the board of directors will allow management to gain new and abundant insights, especially in terms of the ability to analyze so that the decisions taken are good so that they are expected to affect earnings quality.

Table 2 shows that the KP variable has a significance of 0.075 with a regression coefficient of -0.046. The significance value is $0.075 < 0.1$, and the negative regression coefficient indicates that the KP variable has a positive effect on the dependent variable of earnings quality (KL). Therefore, the hypothesis (H5) that public ownership positively affects earnings quality is accepted. Table 2 also shows that public ownership positively affects earnings quality. Public shareholders also have an interest in a company so that it shows a positive influence in determining the quality of a company's earnings. The existence of public shareholders makes it easier to monitor or intervene in companies that make their influence significant in improving earnings quality. Investors or the public who want to invest in companies will choose good companies. This will make the company more careful in making decisions and can further improve performance. In the future, it can attract more public interest to invest in the company.

The results of this study are consistent with previous research conducted by Hutagalung, Tanjung, and Basri and Beatty, which found that public ownership has a positive effect on earnings quality. The results of this study are in line with the agency theory expressed by Jensen and [21] that a large ownership structure will actively affect every policy taken by management within the company and is in line with the resource dependence theory expressed by [28].

5 Conclusion

Based on the discussion in this study, it can be concluded that:

a. Gender diversity in the board of directors does not affect the profit quality of manufacturing companies for the 2015–2019 period. This shows that companies that have female boards of directors have not shown a significant influence in determining the earnings quality of a company.
b. The age diversity of the board of directors has a negative effect on the earnings quality of manufacturing companies for the 2015–2019 period. This shows that companies that have a diversity of ages on the board of directors do not guarantee that the company will have good earnings quality because as they age, there is a decrease in the desire to advance their careers in the company.
c. The term of office of the board of directors does not affect the profit quality of manufacturing companies for the 2015–2019 period. This shows that the results of this study indicate that the tenure of the directors does not influence the quality of earnings because both directors with long and short tenures have the same duties and responsibilities to manage the company to have good earnings quality.
d. The educational background of the board of directors does not affect the profit quality of manufacturing companies for the 2015–2019 period. This shows that business and economic education are not the criteria for sitting on the board of directors of a company.

e. Public ownership positively affects earnings quality in manufacturing companies for the 2015–2019 period. This is because public shareholders facilitate supervision within the company, making the company more careful in making decisions and further improving performance. More and more public are interested in investing in the company in the future.
f. Profitability (ROA) as a control variable positively affects the earnings quality of manufacturing companies for the 2015–2019 period. This shows that the higher the ROA, the higher the earnings quality, and vice versa. In addition, the high net profit generated by the company, there will be interest from the financier to invest their capital in the company.

There are several limitations in this study: the measurement of diversity carried out in this study only using the Blau Index, not using other measurements, and measuring earnings quality using only modified Jones. Based on the conclusions and limitations of this study, suggestions that can be given to further researchers include academic suggestions so that further research is expected to be able to use or add other measurements of diversity and earnings quality so that the results obtained are more accurate and suitable. Regarding practical advice, companies can pay attention to the composition of their board of directors related to gender, age, tenure, and educational background so that in the future, they can influence in terms of improving earnings quality. Because public ownership influences the quality of earnings, the company should also pay more attention to the interests of public shareholders so that in the future, more and more people will be interested in investing in the company. As an investor, you should also look at the composition of the diversity of the company's board of directors to be invested. In addition, investors also pay attention to the level of public ownership in the company because the larger the public ownership, the higher the earnings quality.

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