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Does Board Gender Diversity Affect Accounting Conservatism and Financial Performance?

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Abstract

The objective of this study was to determine the effect of Gender Diversity and Age Diversity on Accounting Conservatism. The control variable in this study is Gender Diversity and Age Diversity. The sampling method used was the purposive sampling technique. The number of companies used as the sample in this study was 13 companies. The data used were secondary data. The data analysis method used in this study was SEM-PLS. The results of this study showed that the Gender Diversity of the Board of Directors had a positive effect on Accounting Conservatism and financial performance. Gender Diversity of the Board of Commissioners had a positive effect on Accounting Conservatism and financial performance. Age Diversity of the Board of Directors had a positive effect on Accounting Conservatism And financial performance. Age Diversity of the Board of Commissioners had a positive effect on Accounting Conservatism And financial performance. Even though researchers have discussed gender stereotype change on its various outcomes or consequences, research is less. Hence, this study provides a synthesis of consequences and addresses the gaps in the area.
Keywords: *age diversity; accounting conservatism; financial performance; gender diversity*

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INTRODUCTION

The structure of the board has an influence on the decisions taken by the board and top management which will affect the company's performance. The diversity of the composition of the board of commissioners and directors can encourage transparent, objective and comprehensive decisions because the decisions made are taken from various aspects (Fathonah, 2019). The various compositions of the board of commissioners and directors can be classified based on ethnicity, age and gender (Ramadhani & Adhariani, 2017). Based on the results of a study by the Centre for Governance, Institutions & Organisations (CGIO) National Singapore University Business School (2014), Indonesia was ranked 5th in the Asia

Pacific in 2014, which was 11.1% for the percentage of women in the publicly listed company's Board of Commissioners and Board of Directors on the Indonesia Stock Exchange (IDX). This percentage has an increase of 0.1% from the previous year, which was 11% in 2013. This figure in Indonesia surpassed that of other countries, such as Hong Kong (10.7%), India (8.6%), Singapore (7.7%), Japan (3.3%), and Korea (2.6%). The corporate governance system in Indonesia has two levels which, the board of commissioners advises and oversees the management, which consists of the management of the company. Then consistently have a higher level of gender diversity. With this large combined (13.5 members on average), Indonesian boards have some of the most women in the domain (Tempo Scan Pacific Tbk has nine women and PT Bank Maybank Indonesia Tbk has six), ten of whom have at least at least four female board members of the health sector ranked highest with 28.1%, finance (15%), followed by real estate (18%), energy (10%), materials (6, 1%), consumer goods (12.2%), wire raw materials (5.9%, industry (5.7%), telecommunications services (5.2%), utilities (0%) and information technology (0%). The health care and real estate sectors show the highest proportions of female board members. In a journal study, Puji & Fama (2017) showed that the proportion of women on the board of directors did not have a positive effect on enterprise value, presumably because women were not attached to risk than men, so that women had a lower percentage in several positions than men (Fathonah, 2018). Besides, it can be because women who are active in the public space, have a dual role, including as housewives and career women, so that these roles are thought to affect their performance (Swingly & Sukartha, 2015)**.** This is contrary to the results of a study (Dewi, 2019) which stated that the presence of women on the board of commissioners and directors had a positive effect on enterprise value, which means that the increasing the presence of female board members on the board of commissioners and directors, the higher the enterprise value assessed by investors. This is similar to the results of a study (Anggraeni et al., 2016) which showed that overall it was good, both gender diversity and age diversity on the company's financial performance.

The positions of a male and female board of commissioners and directors will certainly be different. This is because of gender. Gender of the boards of commissioners and directors can lead to differences in decision-making between male and female boards of commissioners and directors. Decision-making between male and female boards of commissioners and directors is different because male boards of commissioners and directors have a masculine character, while female boards of commissioners and directors are more likely to have a feminine character. In addition, when making decisions, the board of commissioners and directors will have full control over the financial statements and minimize imbalances in information by looking at the conservatism principle implemented in the company. One way to minimize information imbalance or a way to overcome fraud is by applying the principle of conservatism. According to (Makhlouf, Jamiel Al-Sufy, et al., 2018)**,** conservatism is a tendency that accountants have by requiring a higher level of verification in recognizing profits than recognizing losses. As a result, profits in the financial statements tend to be understated or too low in the current period and overstated against profits in subsequent periods. In recent decades, the application of accounting conservatism has had an important influence on accounting theory and practice. The application of accounting conservatism is more emphasized on companies to neutralize companies that are

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optimistic about reporting their company finances to attract new potential investors to invest in the company. Accounting conservatism is also used as a policy by companies in the process of refining financial statements. (Chariri & Ghozali, 2007) stated that accounting conservatism means to recognize losses, costs, or liabilities that may be incurred immediately and not recognize profits, revenues, or assets before they actually occur. Based on this statement, it can be explained that the consequences of the use of the principle of accounting conservatism are that the financial statements will produce low profits because they slow down the recognition of revenue and accelerate the recognition of costs. Until now, conservatism is still a debatable principle for companies in accounting. In the International Financial Reporting Standard (IFRS), conservatism is no longer allowed to be used because it is not in accordance with the characteristics of financial statements, which must be unbiased (Dewandari, 2017). Alternatively, there is prudence in IFRS. In the context of conservatism, profit and revenue will be recognized if they have actually been realized, but if it indicates a loss, it will be immediately recognized. (Dewandari, 2017) explained that the concept of prudence occurs when there are increases in profits and revenues or decreases in liabilities and expenses, although not yet realized, they will still be recognized if the criteria for recognition are fulfilled.

Board diversity is supported by two theories, namely agency theory (Jensen & Meckling, 1976 and main resource dependence perspective theory (Pfeffer & Salancik, 1978). The resource dependence perspective theory explains that board diversity has the potential to increase the information provided to managers by the diversity of the board because the existence of such diversity will make existing information more unique. Meanwhile, agency theory shows that diversity within the company's board can reduce existing information asymmetry. will indirectly affect the company's financial performance (Carter, D'Souza, Simkins, & Simpson, 2010).

In a study by Carter et al., (2008), it proved that the diversity of the board of directors had a positive relationship with financial performance. A positive relationship between board diversity and financial performance is that a more diverse board can create value for shareholders and that successful companies have the economic resources to promote diversity based on capital and equity. A diverse board of directors indicates that the organization is aware of diversity and appraises diversity (Kagzi & Guha, 2018)**.** Agency theory explains that diversity in boards can reduce information asymmetry and agency costs, increase the financial flexibility of domestic companies by increasing potential investor groups, and financing opportunities, as well as broaden the flow of knowledge across technological boundaries (Fogel et al., 2013).

This study is in line with (Francis et al., 2014) which proves the relationship between CFO gender diversity and accounting conservatism. However, it is not in line with (Francis et al., 2014) the main measure used in accounting conservatism is based on the models of Ball and Shivakumar (2005, 2006) and Ball et al. (2008) and is consistent with various studies that adopt this model. In addition, both CEO and CFO can affect the quality of reported earnings (Cheng and Warfield, 2005; Bergstresser and Philippon, 2006; Jiang et al., 2010). The Sarbanes - Oxley Act of 2002 requires CEOs and CFOs to certify financial statements. (Francis et al., 2014) found that female CFOs are more conservative in their financial reporting, but the relationship between CEO gender and accounting conservatism has not been studied extensively. This study focuses on gender diversity and age diversity of the board of commissioners and directors. Research on the principle of conservatism has produced varied findings, such as the results of research by (Ho et al., 2015) which proves that there is a positive relationship between female CEOs and accounting conservatism in companies (Boussaid & Hamza, 2015) proved a positive relationship between gender diversity and conditional conservatism. While the results of research by **Noviantari and (Ratnadi., 2015)** show that leverage has a negative effect on accounting conservatism.

Seeing the economic conditions that are in this uncertainty, it becomes a necessity for every company to further improve their performance in order to achieve a company goal both in financial and non-financial terms. One of the ways that a company can achieve its goals is by implementing a good corporate governance system. Grosvold et al. (2007) in Wang and Clift (2009) argue that board diversity will improve the company's financial performance. This is because: first, diversity can promote a better understanding of the market. Second, diversity can increase creativity and innovation. Third, the Effect of Diversity on the Board of Directors diversity can result in more effective problem solving. Fourth, diversity can increase the effectiveness of corporate leadership.

One of the important issues in corporate governance faced managers, directors and shareholders in modern corporations are gender, race, and cultural composition of the board (Carter et al. 2002 in Wicaksana and Astawa, 2011). Many studies and research have been carried out in developed countries such as the United States, Australia, Britain, and other European countries to check whether the sex of council members has a significant influence on company performance.

Research on board diversity and financial performance has shown varied results. For example, there was a study by (Ararat et al., 2010) which researched companies listed on the Istanbul Turkey Stock Exchange with a sample size of 100 companies during 2006. The results showed that board diversity seen from gender and education level had a positive effect on financial performance. The next research was conducted by (Ujunwa, 2012) who obtained that gender diversity was negatively related to financial performance, while the diversity of education levels had a positive effect on financial performance. However (Kilic's, 2015) research conducted on the banking industry in Turkey during 2008-2012 showed different results. There was a negative relationship between board diversity as seen from the gender on financial performance.

The latest research by (Kagzi & Guha, 2018) used a sample of the top 200 intensive companies listed on the National Stock Exchange in India. The results showed that board diversity as seen by age had a positive effect on financial performance, while diversity in education levels had a negative effect, and gender diversity had no significant effect. According to (Ararat et al., 2015) , research on the effect of demographic diversity on firm performance in emerging markets are very rare and lacks statistical significance or focus on a single dimension of diversity, such as gender or race. This is because this kind of study has indeed been carried out a lot, however, only in a few developed countries (Darmadi, 2011).
The novelty of this study was, first, proposing Gender Diversity and Age Diversity as factors that influence accounting conservatism and financial performance. The second novelty was to bring together two Diversity theories, consisting of Gender Diversity and Age Diversity with Accounting Conservatism and financial performance. The two theories are expected to complement each other in explaining the factors that influence accounting conservatism and

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financial performance. With a research model that is processed using statistical calculation techniques. And the data used is secondary data in the form of financial statements of conventional banking companies obtained from the Indonesia Stock Exchange (IDX). With the background that has been explained above, the researchers are interested in conducting this study entitled "Gender Diversity and Age Diversity on Accounting Conservatism and Financial Performance."

This research is useful for company policy in determining the diversity of board members as part of the implementation of good corporate governance because the application of conservatism in a company is influenced by management behavior in implementing policies and their impact on financial performance.

RESEARCH METHOD

This study used quantitative methods with an explanatory research design by applying secondary data. This type of explanatory research was a research type that aimed to provide an explanation of the effect of causality between the variables studied by testing the hypotheses according to the previous formula (Singarimbun & Effendi, 2006).

The data selection was empirical research on conventional banking companies that are listed on the IDX (Indonesia Stock Exchange). The banking industry on the IDX was selected as the object of the study because the required data were easy to obtain, could be accessed at any time, and reliability was guaranteed. Companies in the conventional banking sector, based on their ownership, are divided into state-owned and private banking enterprises. In this study, state-owned and private banking enterprises were used because the state-owned enterprises have different ownership structures and regulations that can affect the company's financial performance. This empirical study used secondary data obtained from www.idx.co.id and then thoroughly processed and analyzed. The population of this study was all companies listed on the IDX. The sampling method used was the purposive sampling technique.

Gender Diversity of the Board of Commissioners

Gender diversity describes the distribution of men and women who occupy board member positions (Anggraeni et al., 2014). The indicators for calculating gender diversity are as follows:

$$Gender\ Diversity\ = \frac{Number\ of\ female\ Commissioner(s)}{number\ of\ board\ members}$$

Gender Diversity of the Board of Directors

Gender diversity describes the distribution of men and women who occupy board member positions (Anggraeni et al., 2014). The indicators for calculating gender diversity are as follows:

$$Gender\ Diversity\ = \frac{Number\ of\ female\ Director(s)}{number\ of\ board\ members}$$

Age Diversity of the Board of Commissioners

Age Diversity describes the age distribution of board members in the company's board structure (Anggraeni et al., 2014). The indicators for calculating age diversity are as follows:

$$Age\ Diversity = Max\ \ Commissioner(s)\ age - \min Commissioner(s)\ age$$

Age Diversity of the Board of Directors

Age diversity describes the age distribution of board members in the company's board structure (Anggraeni et al., 2014). The indicators for calculating age diversity are as follows:

$$Age\ Diversity\ = Max\ \ Director(s)age - \min director(s)\ age$$

Accounting Conservatism

Accounting conservatism is an act of prudence by recognizing costs or losses that tend to occur, but not immediately recognizing future revenues or profits even though they tend to occur. The formula for measuring accrual-based conservatism according to (Givoly & Hayn, 2000) is as follows:

CONACC = [(NI + DEP + CPO) / Total Aset] x (-1)

Notes: CONACC = Level of accounting conservatism ; NI = Net income – depreciation; CFO = Cash flows of the operations; TA = Total asset

Financial Performance

The financial performance of a company reflects the condition of the company for how to manage existing assets and those that are profitable for investment. The measurement of financial performance uses ROA. ROA is a form of profitability ratio that is intended to measure the overall ability of a company with funds invested in assets used for company operations to generate profits (Hamzah, 2018).

$$ROA = \frac{Net\ Income}{Total\ Assets}\ x\ 100\%$$

This study used quantitative data which can be processed or analyzed using statistical calculation techniques. The data used in this study were the annual reports of companies listed on the Indonesia Stock Exchange (IDX) which reported financial statements and were published in the Indonesia Capital Market Directory (ICMD). This study used secondary data from annual reports for 5 periods from 2015 to 2019. The secondary data in this study were in the form of conventional banking company financial statements obtained from the Indonesia Stock Exchange (IDX) www.idx.co.id. PLS (Partial Least Square) is a method with the use of samples that don't have to be large, namely the number of samples can be below 100 so that it makes analysis easier.

RESULTS AND DISCUSSION

Table 1. Inner Model

	R-Square	Adjusted R-Square
Accounting Conservatism	0.143	0.086
ROA	0.098	0.037

Source: SmartPLS output

The results of data processing using SmartPLS can be seen in Table 1. The R-square value for Accounting Conservatism was 0.143, meaning that the effect of independent

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variables on Accounting Conservatism was 14.3%. A percentage of 14.3% of the independent variables could explain the dependent variable, while the remaining 85.7% was explained by other variables not included in the research model. The R-square value for financial performance was 0.098, meaning that the effect of independent variables on financial performance was 9.8%. A percentage of 9.8% of the independent variables could explain the dependent variable, while the remaining 90.2% was explained by other variables not included in the research model.

Table 2. Path Coefficients

Relationships Between the Variables		Path Coefficients
Gender Diversity of the Board of Directors	Accounting Conservatism	0.282
Gender Diversity of the Board of Directors	ROA	0.172
Gender Diversity of the Board of Commissioners	Accounting Conservatism	0.233
Gender Diversity of the Board of Commissioners	ROA	0.175
Age Diversity of the Board of Directors	Accounting Conservatism	0.172
Age Diversity of the Board of Directors	ROA	0.163
Age Diversity of the Board of Commissioners	Accounting Conservatism	0.171
Age Diversity of the Board of Commissioners	ROA	0.204

Source: SmartPLS output

The direct effect from the hypothesis testing between variables can be seen in Table and Figure , when the bootstrapping results using SmartPLS 3.2 are as follow:

Table 3. Direct Effect

	Original Sample	Sample Mean	Std Deviation	t-statistic	P Values
Age Diversity of the Board of Directors -> Accounting Conservatism	0.172	-0.103	0.135	2.279	0.002
Age Diversity of the Board of Directors -> ROA	0.163	0.189	0.076	2.146	0.032
Age Diversity of the Board of Commissioners -> Accounting Conservatism	0.171	0.039	0.326	3.526	0.009
Age Diversity of the Board of Commissioners -> ROA	0.204	-0.164	0.178	3.149	0.001
Gender Diversity of the Board of Directors -> Accounting Conservatism	0.282	0.087	0.325	3.867	0.006
Gender Diversity of the Board of Directors -> ROA	0.172	-0.171	0.061	2.802	0.005
Gender Diversity of the Board of Commissioners -> Accounting Conservatism	0.233	-0.143	0.169	2.381	0.008
Gender Diversity of the Board of Commissioners -> ROA	0.175	-0.186	0.072	2.441	0.015

Source: SmartPLS output

Agency theory simply cannot provide a clear prediction regarding the relationship between the diversity of the board and accounting conservatism, but there is a belief that the relationship between the two is positive (Weisbach, 2000). Average age indicates that younger members tend to be prepared to take greater risks and make significant structural changes to increase the company's future opportunities, whereas older members prefer investments that provide quick returns.

The process of interaction between board members is a significant demographic characteristic with base age, and thus has a strong impact on decision making with different backgrounds and experiences of members (Makhlouf et al., 2015). Age diversity between older and younger members is considered an asset to the board and as part of human capital, considering that age reflects experience and risk-taking

According to Makhlouf et al., (2018), there was a positive relationship between the average age of directors and accounting conservatism. This study is not in line with Kusumastuti et al., (2007) who found that the age of board members had no effect on enterprise value. This is presumably because the older person will experience health problems that cause a decline in their intellectual abilities.

The role of women in the company has a huge impact on the company, where the presence of women can assist the process of improving company performance. Based on studies conducted by a number of researchers, it is explained that the carefulness and thoroughness characteristics of women help companies enhance their performance, where women with these characteristics avoid high risks and prefer lower and safer risks for the company. Therefore, companies that have female board members will strongly help neutralize the nature of male members who are more likely to take high risks for the company (Abdullah, 2014), (Ramadhani & Adhariani, 2015), (Wiley & Monllor-Tormos, 2018).

Gender diversity within the company today, besides helping to enhance company performance, can also minimize agency problems that occur within the company. In agency theory, it is explained that there are differences in interests between the principal or company's owner with the agent or manager of the company, where the agent is more focused on their personal interests than the interests and goals of the company. Within this framework, gender diversity of the board acts as a better control because a wider range of views and opinions can increase the independence of the board. Gender diversity can be a mechanism to assist reduce problem agency. Agency problems can be reduced or suppressed with strong corporate governance, so that this can assist companies to enhance their company performance (Hamdani & Hatane, 2015), (Ionascu et al., 2018), (Isidro & Sobral, 2015), (Luckerath-Rovers, 2013), and (Terjesen et al., 2016).

Agency theory explains that there are differences in interests between the principal and the agent in a company which can cause agency problems. According to Jensen & Meckling (1976), a company is a collection of contracts (nexus of contract) between the owner of economic resources (principal) and the manager (agent) who takes care of the use and control of these resources. This agency problem occurs when the agent in the company, that is the management, is more concerned with their personal interests than the interests of the company, and this can be disadvantageous to the company (Shogren et al., 2017). One way to balance or minimize agency problems in the company is by enhancing the quality of corporate governance. To enhance the quality of corporate governance, one of which is the existence of a diversity of the board in the company. This diversity of the board can enhance the quality of monitoring and control within the company because the more diverse members

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of the company board can increase board independence. This shows that diverse board members can overcome agency problems in different ways and perspectives (Darmadi, 2011).

In agency theory, it can be assumed that having women on the board of directors of the company can make the company's board of directors more independent and effective in monitoring company managers. However, the presence of women on the company board is often excluded from important company activities. This can have an impact on company performance because limiting the activities that women can participate in leads the company to lose the potential values of female members. In fact, these potential values are very helpful in the process of monitoring and controlling company managers (Ionascu et al., 2018), (Lückerath-Rovers, 2013) and (Terjesen et al., 2016).

Gender diversity is closely related to the work environment today, in which men and women are employed at the same level, paid the same salary for the same job, and promoted at the same level. Gender diversity is very crucial for any workplace. This is because men and women have different point of views, ideas, and market insights, which enable better problem solving (Ionascu et al., 2018; Low et al., 2015; and Wahid, 2018).

A study conducted by Gallup found that employing different demographics of the workforce can improve a company's financial performance. The study also explained that gender diversity in teams had better performance than those with a single type of gender, because men and women have different perspectives, ideas, and market insights, as explained previously. Workforce with gender diversity provides easier access to resources, such as various sources of credit, various sources of information, and wider industry knowledge. Workforce with gender diversity also enables companies to serve an increasingly diverse customer base as well. Gender diversity assists companies attract and maintain talented women. For these and other reasons, it makes sense for businesses to make gender diversity a priority (Isti & Adhariani, 2017; Lückerath-Rovers, 2013; and Terjesen et al., 2016).

Gender diversity in top management has a positive effect when applied. Besides improving the quality of corporate governance, this gender diversity can have a positive effect on company performance as well, and with this gender diversity, it can minimize agency problems that occur within the company. Some studies provided results that support this argument, where gender diversity provided several advantages that can prosper companies. The reason why gender diversity is required in companies is that there are diverse perspectives between men and women that can create innovation and trigger creativity that can help companies find and seize new opportunities (Ionascu et al., 2018; Kılıc & Kuzey, 2016; LückerathRovers, 2013; Mensi-Klarbach, 2014; and Terjesen et al., 2016).

As explained before, the role of the board of directors in running the company by carrying out duties is an important component that can help in improving the company's financial performance. With gender diversity on the board of directors, it can help improve company performance, where the gender diversity on the board of directors can mutually complement the weaknesses of each member, both women and men. Thus, the process of supervision of the board of directors is more optimal than that with no women at all (Bart & McQueen, 2013; Mensi-Klarbach, 2014), and (Wiley & Monllor-Tormos, 2018).

Agency theory explains that an agency relationship arises when one or more owners (principal) employ other people (agents) to provide a service, then delegate decision-making authority to the agent. The principal supervises the agent to carry out a more efficient performance and the principal tries to be neutral over the risk while the agent tries to reject effort and risk (Jensen & Meckling, 1976). Based on agency theory, it asserts that the presence of female members on the board of commissioners improves monitoring mechanisms and aligns the interests of managers with those of shareholders. There is a positive and strong relationship between the gender of the board of commissioners and accounting conservatism. They argued that female boards of commissioners are more ethical and risk-averse, tend to report more conservative revenues, and have the ability to recognize bad news in reported profits in a more timely manner. Gender diversity is the part of the diversity of the board of commissioners that is most frequently studied. This diversity focuses on the presence of female board members in the company. There is still a very low number of women on board in the business world (Hassan & Marimuthu, 2016). The presence of a small number of women on the board of commissioners may be due to different views on women and men in leading a company. Besides, it is related to differences between men and women in dealing with risk preferences. Women who tend to be risk-averse compared to men who tend to take risks (risk taker) will make more correct decisions and have lower risks. (Makhlouf et al., 2018) found that there was a positive relationship between gender diversity and accounting conservatism. This positive relationship shows that the female board of commissioners monitors the good news in the financial statements. The presence of women on the board of commissioners means that the company will be able to have a better performance than companies that do not have a female board of commissioners (Johansson et al., 2019).

The results of the analysis show that the Gender Diversity of the Board of Commissioners had an effect on Financial Performance. Earley and Mosakowski argued (2000) that women are considered to have the ability to facilitate information dissemination (Earley and Mosakowski, 2000). They are also considered "tough" because they have to encounter various challenges before occupying a position on the board, so that they will also receive great appreciation from the surrounding environment if they succeed in obtaining the position (Krishnan and Park, 2005).

However, there are other opinions based on the study by Lau and Murnighan (1998), Campbell and Minguez-Vera (2008) who argued that greater gender diversity among board members led to more diverse opinions and diverse critical thinking, thus causing decision making more time consuming and less effective. Williams and O'Reilly (1998) also argued that gender diversity could bring more conflict and employee turnover, but accompanied by an improvement in creativity and innovation due to the increasing number of different personalities and characters on the company's board.

Agency theory suggests that there is a possibility that multiple directors allow for better supervision from management, but there is no clear relationship that multiple directors can enhance company performance. Social Psychological Theory also proposed that diverse directors may not have influence over decisions made by company boards. Although the more diverse members of the board allow creative and innovative ideas to raise, decision-making will be much slower.

Regarding the decision-making in the investment process, there is evidence showing that gender diversity has an effect on company decisions. This is based on the opinion of

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(Adams and Ferreira, 2009) who provided evidence that CEO turnover was more strongly correlated with poor company performance when the board of directors had a more diverse gender. (Ahern and Dittmar, 2012) stated that the introduction of gender quotas on company board members resulted in an increase in acquisitions and a decrease in performance in public companies in Norway. (Weber and Zulehner, 2010) also stated that female employees displayed a higher probability of survival.

However, there was very little evidence to conclude that these differences cover the company's decision-makers. This was due to a very small number of women who were top managers in public companies. Although there was evidence that women were more risk-averse than men, considering the specific combination and skills required to move up to high management positions, there should be no differences between men and women among top executives. Furthermore, there was no direct evidence to suggest that risk-taking that was influenced by gender differences can lead to misallocation of capital (Faccio, Marchica, and Mura, 2012), (Yang et al., 2019).

Agency relationship exists when one or more owners have another person to provide a service that will be delegated to the authorities for the decision is an explanation of agency theory. Agents are supported by principals in order to have more efficient performance and the principle of striving has a neutral attitude towards risk and risk (Jensen & Meckling, 1976). Based on agency theory, it asserts that the presence of female members on the board of commissioners improves monitoring mechanisms and aligns the interests of managers with those of shareholders. There is a positive and strong relationship between CEO gender and accounting conservatism. They argued that female CEOs were more ethical and risk-averse, tended to report more conservative revenues and they had the ability to recognize bad news in reported profits in a more timely manner.

Gender diversity is the part of the diversity of the board that is most frequently studied. This diversity focused on the presence of female board members in the company. The presence of women on the boards was still very low in the business world (Hassan & Marimuthu, 2016). The existence of a small number of women on the board may be due to different views on women and men in leading a company. It is also because of the differences between men and women in dealing with risk preferences. Women who tend to be risk-averse compared to men who tend to take risks (risk taker) will make more correct decisions and have lower risks.

Makhlouf et al. (2018) found that there was a positive relationship between gender diversity and accounting conservatism. A study by Boussaid et al. (2015) found a positive relationship between gender diversity and conditional conservatism. This positive relationship indicated that the female director monitored the good news in the financial statements. With the presence of women on the board, the company will be able to have a better performance than companies that do not have female members on the board.

Companies that have employees with diverse age demographics will create an environment where each generation brings different thoughts, skills, and talents to the company. (Anggraeni, 2016) stated that young employees were more likely to have a stronger understanding of the use of high technology, business media, such as social networks, online product demonstrations, and webcasting. In addition, senior employees often have exceptional interpersonal skills and perform well in environments where traditional communication is used.

Heterogeneous boards of directors can bring other perspectives on many issues and greater access to information that leads to creative problem solving (Erhardt, Werbel, & Shrader in Kilic, 2015). Age distribution in the board of directors can benefit a company that supports a multi-generational demographic so that it can be used to improve the company's financial performance. Age diversity can create cooperation in boards of directors with different ages and different perspectives in coordination. This is supported by the study of (Ferrero et al., 2015) in (Kahar, 2016) which found that age diversity had a positive effect on the company's financial performance.

Diverse representations of various generations can prevent group thinking and direct to better performance by balancing risk-taking, which is related to younger directors. Meanwhile, the attitude of carefulness and reluctance to take risks, also the depth of experience, are related to older directors (Ararat et al., 2010).

(Tarus & Federico 2014) suggested that younger boards of directors tended to engage in risky strategies than older boards of directors. This was because the behavior of the younger board of directors was a risk seeker. Besides, their flexibility, physical, mental stamina, and information processing capacity can help them in providing strategic recommendations and decisions.

The same thing was stated by (Akisimire et al., 2016) that young board members were more proactive and innovative and thus able to bring new perspectives and create value to the board. Moreover, young leaders were considered ambitious and risk-takers. Ideally, being proactive and innovative should be related to high performance, considering that these attributes are meant to increase efficiency.

However, they may not have sufficient experience to construct the decisions taken (Tarus & Federico, 2014). The young age group associated with their underperformance was highly fluctuating and because of this, they tended to make hasty investment decisions without thorough calculations and evaluating the consequences. Moreover, such decisions often turn into large expenses which consequently reduce the company's profits and finances (Akisimire et al., 2016).

On the other side, the older board members tended to be conservative and more resilient to change. The age diversity will bring together different knowledge and skill foundations. Thus, there needs to be a diversity of ages because older members of the board can provide experience and wisdom, while younger members have the energy and encouragement to succeed (Tarus & Federico, 2014).

Age diversity on the board increases the group's ability to complete tasks of high complexity which in turn suggests that diverse age groups should be utilized, particularly for innovation or solving complex problems (Dagsson, 2011). In line with this statement, results of studies, such as by (Darmadi, 2011), (Dagsson, 2011), (Ararat et al., 2015), (Akisimire et al. 2016), (Kagzi & Mahua Guha 2018), found that age diversity of the board of directors has a positive effect on company performance.

Agency theory simply cannot provide a clear prediction regarding the relationship between the age diversity of the board of commissioners and accounting conservatism, but there is a belief that the two are related positively (Wang, 2015). Age diversity indicates that younger members of the board of directors tend to be prepared to take on higher risks and make significant structural changes to increase the future opportunities of the company,

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whereas older members prefer investments that provide quick returns. The board of commissioners is a significant demographic characteristic related to the interaction process between members of the board of commissioners, and as a consequence, it has a strong effect on decision making through differences in the backgrounds and experiences of the members (Makhlouf, Al-sufy, et al., 2018). Age diversity between older and younger members is considered an asset to the board of commissioners and as part of human capital, considering that age reflects experience and risk-taking. According to (Makhlouf, Al-sufy, et al., 2018) there was a positive relationship between the average age of the board of commissioners and accounting conservatism. This study is not in line with (Kusumastuti et al., 2007) who found that the age of the board of commissioners had no effect on enterprise value, in which they stated that the age of the board did not affect enterprise value. This is presumably because the older person will experience health problems that cause a decline in their intellectual abilities.

According to Hurlock (1999), an individual's adulthood can be divided into three stages, consisting of early adulthood starting at the age of 18-40 years, middle adulthood starting at the age of 40-60 years, and late adulthood starting at age 60 until death. At the age of 40 years, an individual will reach the age of their career. Middle adulthood is a time of decreasing physical skills and increasing responsibilities, also a period when people achieve and maintain career satisfaction (Santrock 1995). Levinson and Peskin (1981), as cited by Santrock (1995), stated that the age of 34-50 years is the healthiest, calmest, most self-controlling, and most responsible age group. By the age of 40–45, an individual has climbed the career ladder as far as they can afford and has reached a stable place in their career by the age of 40 years. This statement is like a proverb of "life begins at 40 years". In late adulthood, an individual's speed for processing information has decreased, and they are less able to retrieve information that has been stored in their memory. This is why when an individual enters old adulthood, they prepare for retirement. According to Brandstadter and Renner (in Santrock 1995), one thing to be considered in relation to late adulthood is the increase in wisdom when an individual gets older. Based on the explanation above, the age of board members is related to the wisdom they have. The older, the wiser. When viewed from an individual's adulthood stage related to performance, someone who is in the middle adulthood age group is in a time to achieve and maintain career satisfaction, in which they tend to focus on work rather than moving from one company to another. This shows that age can affect an individual's performance in the company which can then affect financial performance. Moreover, older workers usually show more loyalty to the company than younger ones (Dessler 1997), (Priyashantha et al., 2021).

CONCLUSION

Based on the discussion previously explained, it can be concluded that the gender and age diversity of the board of directors and commissioner had a positive effect on accounting conservatism and company's performance. The limitation of this study was that this study only focused on the conventional banking sector, so it could not be generalized to other sectors. This study only examined some of the diversity factors, including the diversity of age and gender. The R-Square Adjusted value was only 0.143 or only 14.3% and 0.98 or only 9.8%. This means that the ability of the independent variable to explain the dependent variable in this study was only 14.3% and 9.8%. Based on the limitations of the study described above, the following were suggestions for further research: for further research, the research object should be expanded, for example, using all sectors listed on the IDX. They are recommended to add other independent variables on the diversity that have not been included in this study, such as race, ethnicity, and nationality. Besides, they can add control variables, such as board size and company size by using different analysis tools (other than PLS). In this section, author present brief conclusions from the results of research with suggestions for advanced researchers or general readers. A conclusion may review the main points of the paper, do not replicate the abstract as the conclusion. Not only do author write down the major flaws and limitations of the study, which can reduce the validity of the writing, thus raising questions from the readers (whether, or in what way), the limits in his studies may have affected the results and conclusions.

AUTHORSHIP CONTRIBUTION STATEMENT

All authors contributed to this article by compiling content, analyzing data, and making conclusions.

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