

Gender and conservatism: a cross-countries study

Putri Anindya Listya Purwa and Doddy Setiawan
*Faculty of Economics and Business, Universitas Sebelas Maret,
Surakarta, Indonesia*

Abstract

Purpose – This paper aims to investigate the relation between gender and accounting conservatism in banking industry using cross-countries study.

Design/methodology/approach – The study use cross-country data in banking industry. Sample of the study consists of 202 banks from 24 countries in the period 2016–2017.

Findings – The result of the study indicates that banks that operate in high masculine society are less conservative than banks that operate in low masculine society (feminine).

Originality/value – This research suggests that investors could consider investing in a country that has low masculinity (feminine) because it is more concerned with the protection of other society members through conservative choice as a protection from misleading decisions made based on too optimistic financial report.

Keywords Gender, Banking, Cross-country study, Accounting conservatism

Paper type Research paper

Introduction

Banking industry is important to national and global economies and is treated differently from other industries (Quttainah *et al.*, 2013). Banking industry is considered as the mirror of economic growth and can contribute to economic development by increasing balance sheet items and through financing. Despite its importance, banks around the world have been found to manage their earnings (Shen and Chih, 2005; Cornett *et al.*, 2009). Several allegations of international case of accounting fraud at Enron, followed by similar allegations at WorldCom, Xerox, Royal Ahold, HealthSouth and so on, have triggered a closer examination of the topic of earnings management. Recent allegation in Indonesia is Garuda Indonesia found guilty after it had changed the company's financial position from loss to profit. In banking industry, for example US Wells Fargo, the large American bank got caught with millions of fake accounts in an instance of employees trying to meet quotas through cross-selling. Other examples include Danske Bank that got caught with the money laundering scandal; Bank of Montreal that ran an "abusive" tax avoidance scheme and inflated its losses by \$288m using foreign shell companies; and Sterling Financial that was subjected to a significant, sophisticated loan scheme. The cases above are in line with Kanagaretnam *et al.* (2011, 2014) that in managing their earnings, banks' financial reporting is likely to be influenced by several factors, including differences in ownership structure,



bank regulation, bank monitoring and institutional factors such as creditor rights, as well as by softer dimensions such as national culture. Additionally, differences in national culture also influence a country's adoption of accounting systems (Gray, 1988; Khlif, 2016; Armstrong *et al.*, 2010). The differences became apparent in the recession of 2008, which had a considerably larger effect on banks in certain countries (USA) than in others (Australia, Canada and Singapore) (Kanagaretnam *et al.*, 2014). Given the cases, this paper tries to examine the influence of national culture on financial reporting system.

This study focuses on accounting conservatism as the country's financial reporting system. Basu (1997) states that conservatism is viewed to recognize bad news more quickly than good news in terms of earning. On the other hand, conservatism is a verification for recognizing good news rather than bad news in financial statements (Basu, 1997; Khan and Watts, 2009). Prior studies found that the more masculine the society, the lower the accounting conservatism practice, and the more feminine the society, the higher the accounting conservatism practices (Kanagaretnam *et al.*, 2014; Salter *et al.*, 2013). Moreover, Gray (1988) in his model posits that culture dimension may influence the degree of conservatism (income increasing, loss recognition or income decreasing).

This study focuses on dimension of national culture identified by Hofstede (2001). First, Hofstede (2001) defines culture as a collective mind program that distinguishes members from one group or category of people from another. Hofstede (2001) divides national culture into five dimensions. Individualism and collectivism describe the relationship between individuals and collectivities that apply in certain societies. Uncertainty avoidance refers to the degree to which people tolerate uncertainty and ambiguity in one country. Power distance focuses on how people receive uneven power distribution in one country. Long-term orientation refers to the time dimension of a decision. Masculinity is about the allocation of roles in one country based on sex.

Among the five dimension, Hofstede (2001) stated that masculinity focuses on expected gender role in a given society, gender has the same meaning with culture because it dictated people how to behave in certain way in accordance to their expected role. In other words, gender is an involuntary characteristic that defines human mental programming. Gender as the dimension of the national culture is divided into two categories: masculinity and femininity. Masculinity means the social gender roles between men and women in the society are clearly defined, men are expected to be tougher and ambitious; and women are expected to be tenderer, modest and concerned with quality of life. Femininity means the social gender roles between men and women in the society are overlapping, men and women have the same expected behavior such as tough, ambitious and concerned with quality of life (Hofstede, 2001).

Given the explanation, this study primarily focuses on masculinity as the dimension of national culture, which may relate to countries financial reporting system. Masculinity and femininity as the part of national culture may influence countries financial reporting system (Zarzeski, 1996; Gray, 1988). Gray (1988) posits that the higher the masculinity, the more likely it is to rank highly in terms of accounting conservatism and secrecy. Khlif (2016) found that countries with high levels of masculinity are associated with aggressive accounting manipulations and masculinity might influence country's accounting system. In the same vein, Kanagaretnam *et al.* (2011) states that high masculinity is also associated with earning management in banking industry despite being highly regulated industry. In addition, Salter *et al.* (2013) also found that femininity is linked with high accounting conservatism.

This study differs from [Kanagaretnam et al. \(2014\)](#) that solely focus on uncertainty avoidance and individualism as the national culture's dimension, the study did not explore in detail about gender's influence on accounting conservatism. Unlike [Kanagaretnam et al. \(2014\)](#), this research attempts to explore the influence of gender on accounting conservatism in banking industry.

This paper contributes to the literature in several ways. First, this paper extends prior research on the relation between gender and accounting conservatism to the banking industry. Second, this research is expected to present the evidence concerning with gender influence on accounting conservatism in banking industry from cross-countries case studies. The result can be used as consideration in terms of investment choice for investor.

Literature review

Institutional theory considers that a societal framework of norms, values and taken-for-granted assumptions has an influence on how organization is operated ([Oliver, 1997](#)). [Meyer and Rowan \(1977\)](#) proposed that institutional environment might affect the adoption of structure and management practice in an organization. The process of adopting structure and practice is denoted as organizational imprinting. Organizational imprinting is how organization adopts certain structure features based on the way things are done instead of rational decisions ([Scott, 1987](#)). As a consequence, particular organizational practices such as how to record uncertain events and estimates is adopted because they are socially accepted method rather than rationally decided.

The socially accepted methods refer to normative expectations which have positive and negative impact toward organizations' behavior. [DiMaggio and Powell \(1983\)](#) illustrated those expectations as "iron cage" that leads to institutional isomorphism. Institutional isomorphism is defined as the process of imprinting the same practices and/or structures in response to institutional pressure. In explaining the process, [DiMaggio and Powell \(1983\)](#) suggested three mechanisms which are: coercive that arises from political influence and cultural expectations; mimetic which resulted from uncertainty; and normative that is associated with professionalization.

Cultural value is considered as the cause of isomorphism. In organizational settings, strand of studies have investigated how culture affects company's reporting system. [Gray and Vint \(1995\)](#), [Zarzeski \(1996\)](#) and [Jaggi and Low \(2000\)](#) state that national culture is associated with firm disclosure practices. [Schultz and Lopez \(2001\)](#), [Doupnik and Richter \(2004\)](#) and [Chand et al. \(2012\)](#) found national culture influenced the accountants interpretation of accounting standards. [Guan and Pourjalali \(2010\)](#), [Nabar and Boonlert-U-Thai \(2007\)](#), [Doupnik \(2008\)](#), [Gray et al. \(2015\)](#), [Han et al. \(2010\)](#) and [Kanagaretnam et al. \(2011, 2014\)](#) revealed that earning management practices in firms are influenced by national culture. [Khelif et al. \(2015\)](#) discover that national culture has effect on social and environmental reporting. It can be concluded that accounting is a product of its environment ([Armstrong et al., 2010](#)). Therefore, culture is a substantial factor in the environment as well as differences in cultural values may have a material influence on accounting and audit practices ([Khelif, 2016](#)).

Gender as the fundamental value of cultural dimensions plays an important role in how cultural value is constructed. [Eagly et al. \(2000\)](#) revealed that gender encompasses difference expectations toward men and women that lead to gender roles. Gender roles created patterns in which way individual would act to conform the cultural value. [Hofstede \(2001\)](#) introduced masculinity and femininity as the gender role patterns that prevail in both modern and traditional society. Masculine society emphasize on the achievement ([Kanagaretnam et al., 2014](#)).

Feminine society is concerned with the protection of the members of society and social issues (Hussein, 1996).

The difference in gender role pattern affects the decision-making process. The decision-making process in corporate is reflected in their reporting policy. Gray (1988) argued that cultural value might affect the development of accounting system. It was argued that masculinity as one of the cultural values might influence the level of conservatism: the more masculine the society, the lower the conservatism. Khlif (2016) reviewed the extant research of Hofstede's cultural dimensions in accounting research from 1995 to 2015. It was found that masculinity might influence the country's accounting system. In particular, Kanagaretnam *et al.* (2011) studied how culture could affect conservatism and banks risk-taking in cross-countries study. They tested uncertainty avoidance and individualism as the main cultural value and later masculinity and power distance as additional proxies. They found that societies with lower masculinity are more conservative than societies with higher masculinity. In details, they found that lower masculine societies recognize more timelier loan loss provision and loan loss allowance (LLA) as the measurement for accounting conservatism. In addition, Salter *et al.* (2013) analyzed the influence of masculinity on accounting conservatism in 22 countries in 1989–2006 period. They concluded that in low masculine (feminine) countries, the level of conservatism is high.

Gray's (1988) conceptual framework demonstrated that masculinity or femininity as the dimension of national culture might influence accounting conservatism. Salter *et al.* (2013) found that in feminine societies, the level of accounting conservatism is higher because of their concerns about protection of the weaker members of society, therefore managers and accountants act to reduce the risk that those members may invest poorly using overly optimistic reporting. On the other hand, Kanagaretnam *et al.* (2014) found evidence that as masculine societies emphasize achievements and competitiveness, it might lead to lower accounting conservatism. This leads to hypothesize that:

H1. Gender is associated with the level of accounting conservatism in banks.

Method

This paper draws on a wider study on how gender affects accounting conservatism levels in banks from cross-countries setting. Following Kanagaretnam *et al.* (2014) and Nichols *et al.* (2009), accounting conservatism will be measured using bank loan loss accounting through LLA. Bank loan loss accounting reflects banks' credit risk management activities, which are central to their profitability and risk, and can create substantial information asymmetry between owners and managers. In addition, loan loss accounting has a material effect on banks' earnings and balance sheet amounts and requires a substantial degree of estimation and judgment. Thus, loan loss accounting should be the best place to observe bank managers' preferences for conservative accounting (Nichols *et al.*, 2009). The following model is used to examine the relation between accounting conservatism and gender:

$$\begin{aligned} \text{LLA} = & \alpha + \beta_1 \text{HOOFS} + \beta_2 \text{CR} + \beta_3 \text{IR} + \beta_4 \text{GROWTH} + \beta_5 \text{LNSIZE} \\ & + \beta_6 \text{SEX RAT} + \beta_7 \text{LOANRATIO} + \beta_8 \text{ROA} + \beta_9 \text{CAPRAT} + e \end{aligned} \quad (1)$$

The detailed definitions of variables are presented below in the list of variables definition. The model includes bank-level variable and country-level variable.

This study used financial data of the banks for the 2016–2017 period obtained through each bank’s website. This study selects sample countries from the 53 countries listed in Hofstede (2001). The final sample comprises 24 countries. Table 1 reports the number of banks and the number of bank-year observations by country. Table 2 reports measures of institutional variables on each country.

Variables definition:

- HOOFS = Gender as measured by Hofstede’s (2001) country masculinity score;
- LLA = Loan loss allowance at the end of year t divided by total loans at the end of year $t - 1$;
- Bank level variables
- LOANRATIO = Loan ratio is measured by total loans at the end of year t divided by total asset at the end of year $t - 1$;
- GROWTH = Asset growth is measured by total asset at the end of year t divided by total asset at the end of year $t - 1$;
- LNSIZE = Natural logarithm of total asset;
- CAPRAT = Total capital as reported in annual report;
- ROA = Net income divided by average total assets
- Institutional level variables;
- SEXRAT = The ratio of male and female population in a country.

Table 1.
Sample distribution

| Country | No. of banks | Total observations | (%) |
|-----------------|--------------|--------------------|-------|
| Australia | 8 | 16 | 3.96 |
| Austria | 3 | 6 | 1.49 |
| Brazil | 3 | 4 | 0.99 |
| Canada | 8 | 16 | 3.96 |
| China | 10 | 20 | 4.95 |
| Denmark | 4 | 8 | 1.98 |
| Egypt | 7 | 14 | 3.47 |
| Hong Kong | 8 | 16 | 3.96 |
| Indonesia | 44 | 88 | 21.78 |
| Japan | 6 | 12 | 2.97 |
| Kuwait | 6 | 12 | 2.97 |
| Malaysia | 10 | 20 | 4.95 |
| Namibia | 1 | 2 | 0.50 |
| The Netherlands | 2 | 4 | 0.99 |
| Nigeria | 7 | 14 | 3.47 |
| Philippines | 13 | 26 | 6.44 |
| Qatar | 6 | 12 | 2.97 |
| Singapore | 3 | 6 | 1.49 |
| South Korea | 4 | 8 | 1.98 |
| Spain | 2 | 4 | 0.99 |
| Sweden | 2 | 6 | 1.49 |
| Thailand | 11 | 22 | 5.45 |
| Turkey | 8 | 16 | 3.96 |
| USA | 26 | 52 | 12.87 |
| Total | 202 | 404 | 100 |

| | | | | | | Gender and conservatism |
|----------------------|------|------|-------|--------|----------------------------|-------------------------|
| Country | IR | CR | MAS | SEXRAT | MEAN GDP (In US\$ million) | |
| Australia | 5.7 | 3 | 61 | 99.28 | 1,265,730 | |
| Austria | 6.3 | 3 | 79 | 96.13 | 403,698 | |
| Brazil | 6.5 | 1 | 49 | 96.67 | 1,924,747 | |
| Canada | 7.7 | 1 | 52 | 98.47 | 1,594,405 | |
| China | 4.3 | 2 | 57 | 106.30 | 11,714,347 | |
| Denmark | 6.8 | 3 | 16 | 98.95 | 315,886 | |
| Egypt | 4.5 | 2 | 53 | 102.27 | 284,148 | |
| Hong Kong | 5.7 | 4 | 57 | 85.33 | 331,165 | |
| Indonesia | 5.3 | 2 | 46 | 101.41 | 973,898 | |
| Japan | 6.3 | 2 | 95 | 95.47 | 4,910,705 | |
| Kuwait | 5.7 | 3 | 53 | 134.88 | 115,519 | |
| Malaysia | 7.8 | 3 | 50 | 106.79 | 305,732 | |
| Namibia | 5.7 | 2 | 66 | 96.84 | 12,267 | |
| The Netherlands | 5.7 | 3 | 14 | 98.98 | 801,714 | |
| Nigeria | 6.8 | 4 | 46 | 102.71 | 390,198 | |
| Philippines | 3.8 | 1 | 64 | 101.36 | 309,242 | |
| Qatar | 4.5 | 2 | 53 | 302.48 | 159,330 | |
| Singapore | 8.3 | 3 | 48 | 97.65 | 316,836 | |
| South Korea | 7.3 | 3 | 39 | 100.17 | 1,472,778 | |
| Spain | 6.5 | 2 | 42 | 96.22 | 1,274,288 | |
| Sweden | 7.2 | 1 | 5 | 100.11 | 526,250 | |
| Thailand | 6.3 | 2 | 34 | 95.24 | 433,529 | |
| Turkey | 6.8 | 2 | 45 | 96.98 | 857,636 | |
| USA | 6.5 | 1 | 62 | 97.98 | 19,007,540 | |
| All countries (mean) | 6.25 | 2.29 | 49.42 | 108.69 | 207,089,950 | |

Table 2.
Institutional variable

CR = Creditor right uses Djankov *et al.* (2007) index, which range from 0 to 4; and

IR = Investor protection index will be measured with World Bank Index on strength of investor protection.

Findings

Before detailing the findings, [Tables 3](#) and [4](#) show the descriptive statistic of variables used in accounting conservatism test. For each variable, [Tables 3](#) and [4](#) report the distribution of the variable, number of countries with available data and number of bank-year observations. In [Table 3](#), the mean value of LLA is 2.8% of total loan. [Table 4](#) reports descriptive statistics for the country-level variables. Gender (HOOF) has means (standard

| Variables | Mean | Median | Max | Min | SD | No. of countries | No. of observation |
|-----------|--------|--------|-------|--------|-------|------------------|--------------------|
| ROA | 0.009 | 0.010 | 0.042 | −0.097 | 0.011 | 24 | 404 |
| LOANRATIO | 0.677 | 0.681 | 1.433 | 0.092 | 0.159 | 24 | 404 |
| LNSIZE | 23.948 | 23.938 | 29.02 | 16.930 | 2.370 | 24 | 404 |
| LLA | 0.028 | 0.018 | 0.720 | 9.040 | 0.043 | 24 | 404 |
| GROWTH | 0.090 | 0.064 | 1.145 | −0.290 | 0.138 | 24 | 404 |
| CAPRAT | 0.173 | 0.162 | 0.870 | 0.089 | 0.060 | 24 | 404 |

Table 3.
Bank-level variables

deviations) of 49.13 (15.39). In addition, [Tables 5 and 6](#) show the correlation for variable used in accounting conservatism test.

The result shown in [Table 7](#) indicates that in Model (1), gender has negatively significant effect on conservatism. In Model (2), bank-level control variable is included and the result is still significant. In Model (3), bank-level and country control variable is included and the result also is significant. For bank-level variables, in Models (2) and (3), GROWTH and ROA are significantly associated with conservatism. For country-level variables, in Model (3), IR is negatively associated with conservatism, while CR is positively associated and SEXRAT is not significant. Therefore, *H1* is supported and it can be concluded that gender is negatively associated with conservatism. [Kanagaretnam et al. \(2014\)](#) also stated that low masculine societies recognize timelier LLA than societies with higher masculinity.

The result is supported by previous studies by [Kanagaretnam et al. \(2014\)](#) and [Salter et al. \(2013\)](#) that found that the level of accounting conservatism is associated by gender. The more masculine the society, the lower the level of accounting conservatism. [Kanagaretnam et al. \(2014\)](#) state that high masculine societies concern on achievements and competitiveness that might have resulted in less accounting conservatism. In addition, low masculine societies recognize timelier LLA ([Kanagaretnam et al., 2014](#)). In this regard, [Salter et al. \(2013\)](#) also stated that lower masculine (feminine) societies are more concerned with care and protection of other members of society, therefore they might lead to higher conservatism to reduce risk in decision-making based on too propitious reporting.

This study also conducts several additional tests to assess the robustness of the findings. First, in [Table 8](#), HOOF as the measurement of gender is replaced by gender equality (IGR) as the second measurement of gender. IGR is gender equality score

Table 4.
Institutional-level
variables

| Variables | Mean | Median | Max | Min | SD | No. of countries | No. of observation |
|-----------|---------|--------|-------|--------|--------|------------------|--------------------|
| SEXRAT | 106.600 | 101.31 | 303.7 | 85.134 | 35.080 | 24 | 404 |
| IR | 6.006 | 6.300 | 8.300 | 3.800 | 1.201 | 24 | 404 |
| HOOFS | 49.138 | 48.500 | 95.00 | 5.000 | 15.399 | 24 | 404 |
| CR | 2.087 | 2 | 4 | 1 | 0.863 | 24 | 404 |

Table 5.
Correlation test for
variable used in
accounting
conservatism test

| Variable | CAPRAT | GROWTH | ROA | LNSIZE | LOANRATIO |
|-----------|--------|--------|-------|--------|-----------|
| CAPRAT | 1.000 | | | | |
| GROWTH | −0.046 | 1.000 | | | |
| ROA | −0.021 | 0.030 | 1.000 | | |
| LNSIZE | 0.071 | −0.132 | 0.002 | 1.000 | |
| LOANRATIO | 0.024 | 0.459 | 0.036 | −0.189 | 1.000 |

Table 6.
Correlation test for
variable used in
accounting
conservatism test

| Variable | SEXRAT | IR | CR |
|----------|--------|-------|-------|
| SEXRAT | 1.000 | | |
| IR | −0.277 | 1.000 | |
| CR | −0.002 | 0.356 | 1.000 |

| | | | | Gender and conservatism |
|--|-------------------|--------------------|--------------------|---|
| Variables | (1) LLA | (2) LLA | (3) LLA | |
| HOOFS | −0.0004 0.052* | −0.0003 0.0919* | −0.0005 0.030** | 189 |
| CAPRAT | | −0.043 0.3181 | −0.049 0.2623 | |
| LNSIZE | | −0.003 0.013** | −0.002 0.151 | |
| LOANRATIO | | −1.06E−05 0.801 | −2.00E−05 0.630 | |
| GROWTH | | 0.026 0.030** | 0.024 0.049** | |
| ROA | | −0.411 0.027** | −0.414 0.025** | |
| IR | | | −0.010 0.001*** | |
| CR | | | 0.006 0.080* | |
| SEXRAT | | | −7.56E−05 0.360 | |
| <i>N</i> | 404 | 404 | 404 | |
| Adj. <i>R</i> ² | 0.007 | 0.036 | 0.058 | |
| <i>F</i> -statistic | 3.834 | 3.527 | 3.767 | |
| Prob (<i>F</i> -statistic) | 0.051 | 0.002 | 0.000 | |
| Note: Significance at the 10%, 5% and 1% levels is indicated by *, ** and ***, respectively | | | | Table 7. Regression result for accounting conservatism test |

| Variables | (1) LLA | (2) LLA | (3) LLA | 189 |
|--|-----------------|---------------------|--------------------|---|
| IGR | −0.071 0.110 | 0.005 0.928 | −0.064 0.1474 | |
| CAPRAT | | −0.089 0.418 | −0.043 0.317 | |
| LNSIZE | | −0.034 0.036 | −0.003 0.059* | |
| LOANRATIO | | −8.89E−06 0.950 | −2.43E−05 0.557 | |
| GROWTH | | 0.027 0.058* | 0.023 0.058* | |
| ROA | | −0.683 0.0061*** | −0.393 0.033** | |
| IR | | | −0.008 0.002*** | |
| CR | | | 0.006 0.101 | |
| SEXRAT | | | −8.45E−05 0.309 | |
| <i>N</i> | 404 | 404 | 404 | |
| Adj. <i>R</i> ² | 0.004 | 0.075 | 0.052 | |
| <i>F</i> -statistic | 2.549 | 6.681 | 3.453 | |
| Prob (<i>F</i> -statistic) | 0.111 | 0.000 | 0.000 | |
| Note: Significance at the 10%, 5% and 1% levels is indicated by *, ** and ***, respectively | | | | Table 8. Regression result for accounting conservatism test |

index obtained from Global Gender Gap Report by World Economic Forum that measures gender equality index around the world. The Global Gender Gap Index examines the gap between men and women on a scale from 0 (disparity) to 1 (parity) across four fundamental categories: economic participation and opportunity; educational attainment; health and survival; and political empowerment. The Global Gender Gap Index provides country rankings that allow for effective comparisons across and within regions and income groups. The ranking is designed to create global awareness of the challenges posed by gender disparities, and opportunities created by reducing them. The methodology and quantitative analysis behind the ranking are intended to serve as a basis for designing effective measures to reduce gender disparities. Second, in Table 9, this study separates the high and low sex ratio countries to examine the effect of sex ratio on gender and accounting conservatism. Third, in Table 10, this study also separates the sample countries according to law origin examining the effect of legal origin on gender and accounting conservatism. The classification of legal origins is obtained from Porta *et al.* (1998).

As shown in Table 8, in Models (1), (2) and (3), IGR is not significantly associated with accounting conservatism. The result in Table 9 shows that in both low sex ratio and high sex countries, the relation between gender and accounting conservatism is significant. In low sex ratio countries, gender is negatively associated with accounting conservatism, while in high sex ratio countries, gender is positively associated. Table 10 shows that in English, German and French law origin countries, gender is not significantly associated with accounting conservatism.

| Variables | Low sex ratio | High sex ratio |
|---------------------|--------------------|--------------------|
| HOOF | −0.005 0.042** | 0.003 0.083* |
| CAPRAT | −0.049 0.288 | 0.147 0.128 |
| LNSIZE | −0.002 0.154 | 0.001 0.961 |
| LOANRATIO | −1.96E−05 0.652 | 0.096 0.027** |
| GROWTH | 0.026 0.048 | −0.054 0.049** |
| ROA | −0.410 0.037 | −0.336 0.660 |
| IR | −0.009 0.003 | 0.029 0.183 |
| CR | 0.006 0.127 | −0.007 0.002*** |
| N | 360 | 44 |
| Adj. R ² | 0.055 | 0.983 |
| F-statistic | 3.609 | 84.412 |
| Prob (F-statistic) | 0.001 | 0.000 |

Table 9.
Regression result for
accounting
conservatism test

Notes: Significance at the 10%, 5% and 1% levels is indicated by *, ** and ***, respectively. High sex ratio means there are more male population than female population. Meanwhile, low sex ratio means there are more female population than male population

| Variables | Gender and conservatism | | |
|-----------------------------|-------------------------|--------------------|-------------------|
| | English law origin | French law origin | German law origin |
| HOOF | −0.005 0.698 | 0.001 0.678 | 0.007 0.233 |
| CAPRAT | 0.005 0.889 | −0.288 0.024** | 0.168 0.379 |
| LNSIZE | 0.009 0.118 | 0.002 0.757 | −0.015 0.070* |
| LOANRATIO | 0.002 0.904 | −2.38E−05 0.708 | −0.066 0.411 |
| GROWTH | −0.004 0.728 | 0.042 0.111 | 0.043 0.200 |
| ROA | −0.105 0.555 | −0.513 0.127 | 0.165 0.912 |
| IR | 0.016 0.717 | 0.010 0.606 | 0.002 0.913 |
| CR | 0.001 0.733 | 0.002 0.8903 | −0.002 0.6519 |
| SEXRAT | −0.001893 0.593 | 0.009 0.316 | −0.010 0.626 |
| <i>N</i> | 162 | 156 | 26 |
| Adj. <i>R</i> ² | 0.976 | 0.027 | 0.984 |
| <i>F</i> -statistic | 75.863 | 1.479 | 72.368 |
| Prob (<i>F</i> -statistic) | 0.000 | 0.161 | 0.001 |

191

Table 10. Regression result for accounting conservatism test

Notes: Significance at the 10%, 5% and 1% levels is indicated by *, ** and ***, respectively. English law-origin countries are Australia, Canada, Hong Kong, Malaysia, Nigeria, Singapore, Thailand and USA. German law-origin countries are Austria, Japan and South Korea. French law-origin countries are Brazil, Egypt, Indonesia, The Netherlands, Philippines, Spain and Turkey

Concluding comments

The research questions addressed in this study are whether and how gender influence bank accounting conservatism and earning management. This study addresses these questions by analyzing a sample of banks from 24 countries over the period 2016–2017. In additional tests, this study explores the effect of sex ratio and law origin on the relation between gender and earning management or accounting conservatism.

The empirical results indicate that the relation between gender and earning management is not significant. In the test of accounting conservatism, the result shows that banks in low masculine societies report earnings more conservatively than banks in high masculine societies. Additionally, the result indicates that sex ratio has an effect on the relation between gender and accounting conservatism. Lastly, this study finds that law origin has an effect on the relation between gender and earning management.

The result implies that gender has no important effect on bank earnings quality. On the other hand, the relation between gender and accounting conservatism through LLA is significant. The result implies that gender has important effects on conservative accounting choice in banks. The result indicates that in terms of investment, investor could consider to invest in country that has low masculinity (feminine) because it is more concerned with the protection of other society members through conservative choice as a protection from misleading decisions made based on too optimistic financial report.

This study is subject to several limitations. First, Hofstede's cultural variables are measured at the country level whereas our tests are primarily based on bank-level analysis.

This study still assumes that the Hofstede measures are constant over time, in particular, over two years' sample period. Second, this study only use loan loss provision as the measurement of earning management and LLA as the measurement of accounting conservatism. Based on the limitations, the future research agenda could add the sample of the study to find the relation between gender and earnings quality. Future research could use several measurements of earning management in banks industry such as loss avoidance and loan loss provision or loan charge off for the accounting conservatism. Also, future research could analyze more detailed relation between country's law origin with gender, earning management or accounting conservatism. Comparison studies between country's law origins are also encouraged. The current study focuses on how gender affects conservatism using banking industry. There is an opportunity to use other dimension cultures of Hofstede (2001) such as power distance, uncertainty avoidance, individualism and long-term orientation related to conservatism.

References

- Armstrong, C., Guay, W. and Weber, J. (2010), "The role of information and financial reporting in corporate governance and debt contracting", *Journal of Accounting and Economics*, Vol. 50 Nos 2/3, pp. 179-234.
- Basu, S. (1997), "The conservatism principle and the asymmetric timeliness of earnings1", *Journal of Accounting and Economics*, Vol. 24 No. 1, pp. 3-37.
- Chand, P., Cummings, L. and Patel, C. (2012), "The effect of accounting education and national culture on accounting judgments: a comparative study of Anglo-Celtic and Chinese culture", *European Accounting Review*, Vol. 21 No. 1, pp. 153-182.
- Cornett, M., McNutt, J. and Tehranian, H. (2009), "Corporate governance and earnings management at large US bank holding companies", *Journal of Corporate Finance*, Vol. 15 No. 4, pp. 412-430.
- DiMaggio, P.J. and Powell, W.W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160.
- Djankov, S., McLiesh, C. and Shleifer, A. (2007), "Private credit in 129 countries", *Journal of Financial Economics*, Vol. 84 No. 2, pp. 299-329.
- Doupnik, T.S. (2008), "Influence of culture on earnings management: a note", *Abacus*, Vol. 44 No. 3, pp. 317-340.
- Doupnik, T.S. and Richter, M. (2004), "The impact of culture on the interpretation of 'in context' verbal probability expressions", *Journal of International Accounting Research*, Vol. 3 No. 1, pp. 1-20.
- Eagly, A.H., Wood, W. and Diekmann, A.B. (2000), "Social role theory of sex differences and similarities: a current appraisal", *The Developmental Social Psychology of Gender*, Vol. 12, p. 174.
- Gray, S. (1988), "Towards a theory of cultural influence on the development of accounting systems internationally", *Abacus*, Vol. 24 No. 1, pp. 1-15.
- Gray, S.J., Kang, T., Lin, Z. and Tang, Q. (2015), "Earnings management in Europe post IFRS: do cultural influences persist?", *Management International Review*, Vol. 55 No. 6, pp. 827-856.
- Gray, S.J. and Vint, H.M. (1995), "The impact of culture on accounting disclosures: some international evidence", *Asia-Pacific Journal of Accounting*, Vol. 2 No. 1, pp. 33-43.
- Guan, L. and Pourjalali, H. (2010), "Effect of cultural environmental and accounting regulation on earnings management: a multiple year-country analysis", *Asia-Pacific Journal of Accounting and Economics*, Vol. 17 No. 2, pp. 99-127.
- Han, S., Kang, T., Salter, S. and Yoo, Y.K. (2010), "A cross-country study on the effects of national culture on earnings management", *Journal of International Business Studies*, Vol. 41 No. 1, pp. 123-141.

- Hofstede, G. (2001), *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations*, Sage publications.
- Hussein, M.E. (1996), "A comparative study of cultural influences on financial reporting in the US and The Netherlands", *The International Journal of Accounting*, Vol. 31 No. 1, pp. 95-120.
- Jaggi, B. and Low, P.Y. (2000), "Impact of culture, market forces, and legal system on financial disclosures", *The International Journal of Accounting*, Vol. 35 No. 4, pp. 495-519.
- Kanagaretnam, K., Lim, C. and Lobo, G. (2011), "Effects of national culture on earnings quality of banks", *Journal of International Business Studies*, Vol. 42 No. 6, pp. 853-874.
- Kanagaretnam, K., Lim, C. and Lobo, G. (2014), "Influence of national culture on accounting conservatism and risk-taking in the banking industry", *The Accounting Review*, Vol. 89 No. 3, pp. 1115-1149.
- Khan, M. and Watts, R. (2009), "Estimation and empirical properties of a firm-year measure of accounting conservatism", *Journal of Accounting and Economics*, Vol. 48 Nos 2/3, pp. 132-150.
- Khlif, H. (2016), "Hofstede's cultural dimensions in accounting research: a review", *Meditari Accountancy Research*, Vol. 24 No. 4, pp. 545-573.
- Khlif, H., Hussainey, K. and Acheh, I. (2015), "The effect of national culture on the association between profitability and corporate social and environmental disclosure: a meta-analysis", *Meditari Accountancy Research*, Vol. 23 No. 3, pp. 296-321.
- Meyer, J.W. and Rowan, B. (1977), "Institutionalized organizations: formal structure as myth and ceremony", *American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363.
- Nabar, S. and Boonlert-U-Thai, K.K. (2007), "Earnings management, investor protection, and national culture", *Journal of International Accounting Research*, Vol. 6 No. 2, pp. 35-54.
- Nichols, D.C., Wahlen, J.M. and Wieland, M.M. (2009), "Publicly traded versus privately held: implications for conditional conservatism in bank accounting", *Review of Accounting Studies*, Vol. 14 No. 1, pp. 88-122.
- Oliver, C. (1997), "Sustainable competitive advantage: combining institutional and resource-based views", *Strategic Management Journal*, Vol. 18 No. 9, pp. 697-713.
- Porta, R.L., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R.W. (1998), "Law and finance", *Journal of Political Economy*, Vol. 106 No. 6, pp. 1113-1155.
- Quttainah, M., Song, L. and Wu, Q. (2013), "Do Islamic banks employ less earnings management?", *Journal of International Financial Management and Accounting*, Vol. 24 No. 3, pp. 203-233.
- Salter, S., Kang, T., Gotti, G. and Douppnik, T. (2013), "Erratum to: the role of social values, accounting values and institutions in determining accounting conservatism", *Management International Review*, Vol. 53 No. 4, pp. 633-633.
- Schultz, J.J., Jr and Lopez, T.J. (2001), "The impact of national influence on accounting estimates: implications for international accounting standard-setters", *The International Journal of Accounting*, Vol. 36 No. 3, pp. 271-290.
- Scott, W.R. (1987), "The adolescence of institutional theory", *Administrative Science Quarterly*, Vol. 32 No. 4, pp. 493-511.
- Shen, C. and Chih, H. (2005), "Investor protection, prospect theory, and earnings management: an international comparison of the banking industry", *Journal of Banking and Finance*, Vol. 29 No. 10, pp. 2675-2697.

Further reading

- Fraud Magazine (2018), "Fraud magazine", available at: www.fraud-magazine.com/2018Top5Frauds/ (accessed 18 May 2019).
- Jakarta Post (2019), Two Commissioners Object to Garuda's 2018 Financial Report, The Jakarta Post, Jakarta, available at: www.thejakartapost.com/news/2019/04/25/two-commissioners-object-to-garudas-2018-financial-report.html (accessed 8 June 2019).

- Jensen, T. (2019), *Danske Bank Auditor EY Reported to Fraud Squad over 2014 Report*, Thomson Reuters, London, available at: www.reuters.com/article/us-danske-bk-moneylaundering-ernst-young/danske-bank-auditor-ey-reported-to-fraud-squad-over-2014-report-idUSKCN1ROOX7 (accessed 17 July 2019).
- Michaels, M. (2018), "The most notable - and expensive - financial fraud cases of all time", *Business Insider Singapore*, Singapore, available at: www.businessinsider.sg/fraud-financial-scandals-notable-and-expensive-2018-4/?r=US&IR=T (accessed 18 June 2019).
- Neate, R. (2018), "Danske Bank Chief resigns over €200bn money-laundering scandal", *The Guardian*, available at: www.theguardian.com/business/2018/sep/19/danske-bank-chief-resigns-over-money-laundering-scandal (accessed 16 April.2019).
- TCdata360 "Strength of investor protection", available at: tcdata360.worldbank.org/indicators/h2e15b0d6?country=BRA&indicator=647&viz=line_chart&years=2007%2C2017
- Tsakumis, G.T. (2007), "The influence of culture on accountants' application of financial reporting rules", *Abacus*, Vol. 43 No. 1, pp. 27-48.
- World Economic Forum (2016), *Global Gender Gap Report 2016*, World Economic Forum, Geneva, available at: www.weforum.org/reports/global-gender-gap-report-2016 (accessed 16 January 2019).
- World Economic Forum (2017a), *The Global Competitiveness Report 2016-2017*, World Economic Forum, Geneva, available at: www3.weforum.org/docs/GCR20162017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf (accessed 16 January 2019).
- World Economic Forum (2017b), *Global Gender Gap Report 2017*, World Economic Forum, Geneva, available at: www.weforum.org/reports/global-gender-gap-report-2017 (accessed 16 January 2019).
- Zarzeski, M.T. (1996), "Spontaneous harmonization effects of culture and market forces on accounting disclosure practices", *Accounting Horizons*, Vol. 10 No. 1, pp. 18-37.

Corresponding author

Doddy Setiawan can be contacted at: doddy.setiawan@staff.uns.ac.id