

Board of Directors Characteristics and Financial Restatements: An Empirical Study of Indonesian Listed Firm

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ABSTRACT

Purpose : The study examines the impact of key corporate board characteristics board tenure, size, independence, gender diversity, educational background, accounting expertise, and dual board appointments on the likelihood of financial restatements.

Method : The study uses data from companies listed on the Indonesia Stock Exchange over the 2021–2023 period. A purposive sampling technique resulted in a sample of 640 firms. Logistic regression analysis was conducted using SPSS.

Findings : The results show that a larger board and a higher proportion of independent board significantly reduce the likelihood of financial restatements, reflecting stronger governance and monitoring effectiveness. In contrast, longer board tenure and female board are positively associated with restatement incidence. Other factors, such as the presence of foreign board, higher educational, accounting expertise, and dual board positions, do not demonstrate a significant effect on restatement behavior.

Novelty : Unlike previous studies that focus on particular industries, this research covers all publicly listed firms in Indonesia and emphasizes the role of individual board member characteristics in influencing financial reporting quality. By examining personal, professional, and demographic dimensions, the study offers new empirical insights into financial restatement behavior and fills an important gap in the governance literature.

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INTRODUCTION

A financial restatement is when a company revises its past financial statements to fix mistakes or incorrect information that was in earlier reports. (Ketut et al., 2021; Mao, 2018). Restatement is carried out when material errors are found in published financial statements, whether intentional errors, such as accounting errors, inaccuracies in financial data, or changes in the accounting principles applied. When a company performs a restatement, it means that they acknowledge that the financial statements they have previously published are inaccurate and need to be corrected. Restatements can be avoided by implementing good corporate governance (GCG) (Rasyid & Cenik Ardana, 2014). The implementation of GCG can minimize financial restatements in companies. The principles of GCG are implemented so that the company's operational processes run effectively (Kusmayadi et al., 2015).

The phenomenon of restatement in Indonesia was previously carried out by PT Waskita Karya Tbk (WSKT), which conducted a financial restatement of its 2019 and 2020 financial statements due to the recording of fictitious revenue, delaying the recognition of expenses, and accelerating the recognition of assets (insight.kontan, 2022). Additionally, PT PP Persero Tbk also conducted a financial restatement of its 2023 financial statements. The corrections were made due to errors in revenue recognition (Tvonenews, 2024). When a company's board of directors doesn't properly watch over the management team and fail to look out for the shareholders' best interests, it can lead to financial restatements. This has caused big losses for the company and all the people affected by the financial restatement (Hasnan & Marzuki, 2017).

Older boards with more time in their position have more experience and can show they are reliable by doing their jobs well, which helps them watch over things more effectively (Gupta et al., 2021). The board of directors holds a pivotal role in guiding corporate decision-making, with the quality of its leadership heavily shaped by the

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expertise and attributes of its individual members (Besar et al., 2017). A well-defined separation of duties between the board of commissioners and the board of directors strengthens the directors' capacity to monitor, control, and allocate organizational resources effectively. This separation of duties reinforces the functional boundaries between the two governing bodies, promoting more effective governance and accountability. This arrangement can be worrisome because supervisors may find it difficult to supervise leaders due to their equal positions. Due to this situation, directors are given greater authority regarding the distribution of financial reports (Rustiarini et al., 2023).

In Hambrick & Mason (1984) The upper echelon theory suggests that the personal characteristics of top leaders, including directors, have a significant influence on corporate strategy and performance. When directors have diverse backgrounds, such as gender, ethnicity, education, and work experience, it helps them make fairer and more careful decisions. The strategic decisions made by the board appear to be influenced by the specific views and experiences of each member, making their personal characteristics and work history extremely important in changing the strategic direction of the company and its overall performance.

Furthermore, the board's capacity to uphold sound corporate governance practices is closely linked to the composition and qualitative characteristics of its members (Besar et al., 2017). Top management has a huge influence on company performance, and the factors that must be considered are crucial issues (Liu, 2023). The board of directors is responsible for making important decisions for the company, and the personal qualities of its members affect how well they work together and communicate. These abilities are essential for good corporate governance (Abbott et al., 2012).

According to Simon (1947) it is stated that the responsibility to make decisions is closely linked to the responsibility to take action. A comprehensive theory of administration should not only include guidelines for making sound decisions but also provide principles for executing those decisions effectively. In other words, decision-making theory says that making decisions is very important and needs to happen quickly to prevent harm to the organization's goals.

A leader may be faced with complex decision-making even under certain conditions because various influencing variables are considered to be known (to be known without questions). However, in real life, not everything is known with certainty. Nevertheless, decision-making under certain conditions can still be complex, so in this academic work, it will be easier to explain if we start with the topic of decision-making under certain conditions (to be known), namely certainty. Such decision-making is carried out by a manager or administrator. The decision-making process involves identifying the problem, searching for alternative solutions, evaluating those alternatives, and selecting the best decision alternative (Pasolong, 2023; Scott, 2015).

Tenure shows how committed a board member is, how much experience they have, and how they usually make decisions (Altarawneh et al., 2020). The length of time the board works in their position can affect how well they perform their job. A board that has been in place for a longer period is better at understanding the company's business environment and accounting policies than a board that is newly appointed (Hasnan & Marzuki, 2017). Older boards with more time in their position have more experience and can show they are reliable by doing their jobs well, which helps them watch over things more effectively (Jovani et al., 2022).

Thus, if oversight is carried out properly, management will prepare financial statements as they are, so the company does not need to perform a financial restatement. This is supported by research by Hasnan et al. (2021) Jovani et al. (2022), and Rustiarini et al. (2023) which shows that board tenure has a negative effect on financial restatement. Different results are shown in the research by Hasnan & Marzuki (2017), this suggests that how long someone stays on the board doesn't influence the need for financial restatements. Because of this disagreement, a new idea comes up:

H₁: Board tenure reduces the occurrence of financial restatements

The size of the board can influence how good the financial reports are. According to the upper echelon theory, a bigger board usually has more access to outside resources. Also, many directors bring extra knowledge and skills that can help make the financial reports better (Hasnan & Marzuki, 2017). A smaller size is feared to hinder the supervisory function because all board responsibilities will be delegated to a small number of board (Jovani et al., 2022).

Thus, if the directors supervision of management improves, financial restatement will not occur because management will prepare financial statements as they are. This is supported by research by Hasnan & Marzuki (2017) and Rustiarini et al. (2023), which shows that board size has a negative effect on financial restatement. Different results are shown in the research by Ketut et al. (2021) and (Jovani et al. (2022), It seems that the size of the board does not influence the occurrence of financial restatements. Because of this inconsistency, a new hypothesis comes up:

H₂: Board size reduces the occurrence of financial restatements

Board independence plays a key role in making sure the company operates in line with relevant laws and regulations. Because independent directors are not involved in day to day management, they are better positioned to provide unbiased evaluations and make impartial decisions (Riyadh et al., 2019). Board independence is expected to have the courage to resist management pressure, especially regarding the financial reporting process (Butar, 2018).

Independent directors are free from psychological or financial connections that might interfere with their responsibilities (Abbott et al., 2012). Their presence on the board can improve the quality and reliability of financial reporting, while also lowering the risk of financial restatements (Hasnan et al., 2021). This is supported by research by Hasnan et al. (2021), Ketut et al. (2021) and Rustiarini et al. (2023), which shows that board independence has a negative effect on financial restatement. Different results are shown in the studies by Hasnan & Marzuki (2017) and Jovani et al. (2022), which indicate that board independence does not affect financial restatement. Based on this inconsistency, the following hypothesis emerges:

H₃: Board independence reduces the occurrence of financial restatements

The quality of financial reporting is closely connected to having a diverse board, especially when women are included as directors. Research in sociology shows that groups with different backgrounds often make better decisions because their varied viewpoints bring important benefits to the decision-making process (Rustiarini et al., 2023). Female boards can more easily identify indications of financial statement manipulation by management, thereby preventing management from engaging in opportunistic behavior for personal gain (Jovani et al., 2022). Women often tend to be more careful, less ready to take chances, and less okay with acting in ways that take advantage of situations (Chen et al., 2016). According to Chang et al. (2020) we show that people are less likely to choose candidates whose gender would increase group diversity when making personnel selections in isolation (i.e., when they are responsible for selecting a single group member, gender diversity can lead to women becoming a minority, potentially facing isolation and slowing down integration into the team.

Gender diversity in top management teams (TMTs) can influence team cognitive processes. Research shows that gender diversity can introduce different perspectives and thinking styles, which, while enriching discussions, may also slow down decision-making processes due to the increased need to reach consensus and manage differences. Having women on the board has been linked to a higher chance of financial restatements (Abbott et al., 2012). Moreover, having female members on the board is seen as an advantage, as their presence encourages management to produce financial reports that more accurately represent the company's true financial position (Jovani et al., 2022). This is supported by research by Jovani et al. (2022), Ketut et al. (2021) and Rustiarini et al. (2023), which shows that female board members have a negative effect on financial restatement. Different results were shown in the research by Hasnan & Marzuki (2017), which indicated that female board members do not influence financial restatement. Based on this inconsistency, the following hypothesis was formulated:

H₄: Female board members reduce the occurrence of financial restatements

Globalization means that companies operating in many countries need to create strategies that work worldwide. Because of this, companies are more likely to hire board members from other countries. (Rustiarini et al., 2023). Foreign board members often bring cultural values that prioritize transparency, which can help lower the risk of financial misstatements. However, they are sometimes less likely to attend board meetings, which can hinder effective decision-making. When they are absent, the chances of errors or misstatements in financial reporting may increase (Dobija & Puławska, 2022; Hasnan & Marzuki, 2017; Oxelheim & Randøy, 2003).

Foreign members on the board are expected to strengthen the board's oversight role by contributing valuable experience and specialized knowledge gained from their previous professional backgrounds and involvement in other organizations. Since financial restatements stem from accounting irregularities and errors in applying proper accounting policies, the more foreign board members there are, the lower the likelihood of financial restatements occurring (Butar, 2018) the results show that audit committee with financial expertise is negatively related to financial restatements. On the other hand, no significant results found for board of commissioners and institutional ownership. The second part of this study focuses on the impact of financial restatement on management turnover. Management turnover refers to the likelihood of chief director (president director). This is supported by research by Hasnan & Marzuki (2017) and Rustiarini et al. (2023) which shows that foreign board members do not influence financial restatements. Based on this, the following hypothesis emerges:

H₅: Foreign board members reduce the occurrence of financial restatements

Education refers to the process of gaining knowledge, developing skills, and acquiring technical competencies (Besar et al., 2017). A well-educated board is generally better equipped to comprehend, assess, and address complex issues (Jiang et al., 2016). Their educational background also enables them to share knowledge with other board members, which can have a positive impact on the company's overall performance (Terjesen et al., 2016). Good education helps board members make more accurate and strategic decisions.

Educated board members place greater value on ethics and integrity in financial reporting. This is supported by research by (Rustiarini et al., 2023), which found that board level education does not affect financial restatements. In contrast, research by Besar et al. (2017) shows that board level education has a positive effect on financial restatements. Additionally, research by Altarawneh et al. (2020) shows that board level education has a negative effect on financial restatements. Based on this inconsistency, the following hypothesis emerges:

H₆: Board level education reduces the occurrence of financial restatements

Board members with accounting expertise possess a strong grasp of accounting principles and practices, and they typically take a more cautious approach when presenting financial statements. Their ability to share insights on complex accounting matters helps minimize the risk of errors or misstatements (Rustiarini et al., 2023). According to upper echelon theory, a manager’s personal traits such as their expertise shape how they perceive and respond to various issues and situations (Hambrick & Mason, 1984). When financial statements contain errors, the board of directors often uses their accounting knowledge and reasoning to justify or explain those inaccuracies (Rezaee et al., 2021).

Having accounting experts on the board of directors can enhance the effectiveness of communication between company management and external auditors. They can act as liaisons to ensure that auditors’ questions and concerns are addressed appropriately, so that accounting issues can be resolved before financial statements are audited and published (Altarawneh et al., 2020). This is supported by research by Altarawneh et al. (2020) and Rustiarini et al. (2023), which shows that board accounting expertise has a negative effect on financial restatements. Different results are shown in the research by Hasnan & Marzuki (2017), which indicates that board accounting expertise does not affect financial restatement. Based on this inconsistency, the following hypothesis emerges:

H₇: Board accounting expertise reduces the occurrence of financial restatements

The practice of holding dual board positions can have both positive and negative impacts. Dual roles lead to high activity levels, preventing directors from effectively performing their monitoring functions (Emmanuel et al., 2014). On the one hand, dual roles provide directors with a wealth of experience to improve their ability to manage and make corporate decisions (Fama & Jensen, 1983). When individuals hold dual roles on the board, their in-depth knowledge of the company’s operations can lead to more effective monitoring of financial reports, helping to minimize the risk of mistakes or inaccuracies.

Holding dual board positions gives individuals broader access to key information, which can lead to more informed decision-making and help lower the chances of mistakes in financial reporting. This is supported by research conducted by Hasnan & Marzuki (2017) and Jovani et al. (2022), which shows that the dual board position does not affect financial restatement. Different results are shown in the research by Rustiarini et al. (2023), which indicates that dual board positions have a positive effect on financial restatements. Based on this inconsistency, the following hypothesis emerges:

H₈: Dual board positions increase the occurrence of financial restatements

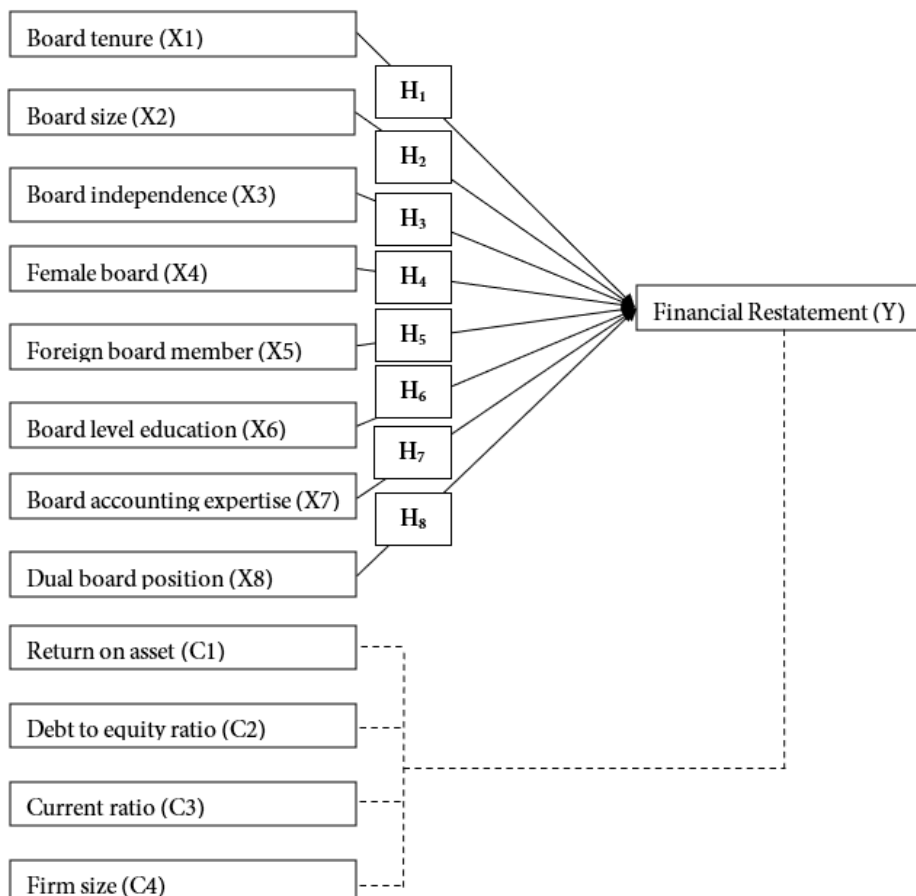


Figure 1. Conceptual Framework

RESEARCH METHODS

This study focuses on publicly listed companies on the Indonesia Stock Exchange (IDX) during the 2021–2023 period, with an initial population comprising 902 firms. Through purposive sampling based on specific inclusion criteria, 262 firms were excluded due to incomplete submission of annual reports within the observation period. As a result, a final sample of 640 companies meeting all necessary requirements was selected for empirical analysis (Table 1). The primary variable of interest is financial restatement, alongside a range of board characteristics including board tenure, board size, board independence, gender and nationality diversity, educational qualifications, accounting expertise, and dual board roles. To enhance the robustness of the analysis, four financial variables return on assets, debt-to-equity ratio, current ratio, and firm size are incorporated as control variables. Operational definitions and measurement details for each variable are presented in Table 2.

The study employs a systematic analytical approach. It begins with descriptive statistics to provide a comprehensive overview of the dataset. All statistical analyses are conducted using SPSS software. Hypotheses are tested using the Wald test, which assesses the statistical significance of each independent variable in relation to the dependent variable. The model’s explanatory power is evaluated through the R Square value, indicating the extent to which the independent variables account for variance in the dependent variable. Finally, a goodness-of-fit test is performed to assess the adequacy of the logistic regression model in representing the empirical data. The regression model used in the study is presented in Equation 1 as follows:

$$FR = \alpha + \beta_1 BT + \beta_2 BS + \beta_3 BI + \beta_4 FB + \beta_5 FBM + \beta_6 BLE + \beta_7 BAE + \beta_8 DBP + \beta_9 ROA + \beta_{10} DER + \beta_{11} CR + \beta_{12} FS + e \dots\dots\dots 1$$

RESULTS AND DISCUSSIONS

Table 3 presents the study’s descriptive statistics, organized into two panels: Panel A and Panel B. Panel A summarizes the continuous variables, reporting the mean, standard deviation, mean difference, and corresponding t-values. Panel B outlines the frequency and percentage distributions for binary (dichotomous) variables. The results in Panel A show that firms issuing financial restatements tend to have board members with longer average tenures compared to those that do not. On the other hand, companies without restatements generally exhibit marginally larger board sizes. Both differences in mean values are statistically significant. Panel B indicates that firms with financial restatements have a higher proportion of female directors, board members with advanced educational attainment, those possessing accounting expertise, and individuals serving in dual board roles. In contrast, such firms tend to have lower levels of board independence and fewer foreign directors compared to firms that did not restate their financial statements. All reported differences are statistically significant, reflecting substantive distinctions between the two groups.

Before evaluating the study’s hypotheses, the model’s adequacy was first examined using the Hosmer and Lemeshow goodness-of-fit test. As shown in Table 4, the chi-square value is 12.325 with a significance level of 0.137, indicating that the logistic regression model fits the observed data satisfactorily. The table also includes both the initial and final Log-Likelihood (-2LL) values, which further support the model’s appropriateness and reliability for investigating the relationship between the independent variables and financial restatement as the dependent variable. Furthermore, the Nagelkerke R Square value is 0.079, suggesting that the model explains 7.9% of the variation in financial restatement, while the remaining 93.1% is attributed to factors not included in the analysis. The model also demonstrates a predictive accuracy of 77.9% in identifying instances of financial restatement.

The logistic regression outcomes in Table 4 provide coefficient estimates and significance levels for each independent variable. The results indicate that board size, board independence, and board accounting expertise are significantly and negatively correlated with financial restatement, implying that these characteristics contribute to a lower likelihood of restatement. In contrast, longer board tenure and a higher proportion of female directors are positively associated with the occurrence of restatements. Other variables, including board education, multiple board appointments, return on assets, debt-to-equity ratio, current ratio, and firm size, do not show a statistically significant relationship with financial restatement.

Table 1. Sample Selection Process

Sample Criteria	Total
Companies listed on the Indonesia Stock Exchange (IDX) up to 2023	902
Companies that did not publish financial reports during the 2021-2023 period	(262)
Companies that have complete data for the 2021-2023 research period and are included in the research sample	640
Total data for the 3-year research period (640 x 3)	1,920

Source: Processed secondary data (2025)

Table 2. Description and Measurement of Variables

Variable	Definition	Indicator
Financial restatement (Y)	Financial restatement is a revision of a company's previous financial statements to correct errors. This is regulated in the Financial Accounting Standards Statement (PSAK) 25 of 2018.	Dichotomous variable, with a value of 1 for companies that perform financial restatement and a value of 0 if they do not. (Abbott et al., 2012; Hasnan et al., 2021; Hasnan & Marzuki, 2017; Rustiarini et al., 2023)
Board tenure (X ₁)	Board tenure is an indicator of company stability, as a longer tenure or stability of the board indicates that shareholders have consistently appointed and retained a board with diverse and appropriate expertise (Suprpto, 2024).	Average number of years of tenure for the board of directors. (Hasnan et al., 2021; Hasnan & Marzuki, 2017; Rustiarini et al., 2023)
Board size (X ₂)	Board size is the number of board members working in the company (Kalsie & Shrivastav, 2016).	Likert scale 1 to 4: 1 = < 4 members, 2 = < 8 members, 3 = < 12 members, and 4 = > 12 board members. (Hasnan & Hussain, 2015)
Board independence (X ₃)	Board independence plays a crucial role in oversight functions to enhance corporate transparency and accountability (Butar, 2018).	Dichotomous variable, with a value of 1 if the company has at least one independent director and 0 if not. (Hasnan et al., 2021; Rustiarini et al., 2023)
Female board (X ₄)	Female board refers to female representation on the board of directors (Abbott et al., 2012).	Dichotomous variable, with a value of 1 if the company has at least one female director and 0 if not. (Abbott et al., 2012; Hasnan et al., 2021; Hasnan & Marzuki, 2017; Rustiarini et al., 2023)
Foreign board member (X ₅)	Foreign board member refers to a board member from another country (Oxelheim & Randøy, 2003).	Dichotomous variable, with a value of 1 if the company has at least one foreign director and 0 if not. (Rustiarini et al., 2023)
Board level education (X ₆)	Board level education is the level of education possessed by board members (Rustiarini et al., 2023).	Dichotomous variable, with a value of 1 if the company has at least one director with a post-graduate degree and 0 if not. (Besar et al., 2017)
Board accounting expertise (X ₇)	Board accounting expertise refers to board members who have expertise in accounting (Rustiarini et al., 2023).	Dichotomous variable is a value of 1 if the company has at least one director with education or experience in accounting and 0 if not. (Hasnan et al., 2021; Hasnan & Marzuki, 2017; Rustiarini et al., 2023)
Dual board position (X ₈)	Dual board position is a situation where a board member holds a position on more than one company board simultaneously (Rustiarini et al., 2023).	Dichotomous variable, with a value of 1 if at least one director holds multiple positions in other companies and 0 if not. (Hasnan et al., 2021; Hasnan & Marzuki, 2017; Rustiarini et al., 2023)
Return on asset (C ₁)	Return on assets is a ratio used to assess a company's ability to generate profits (Kasmir, 2015).	Net income divided by total assets. (Kasmir, 2015; Ketut et al., 2021; Rustiarini et al., 2023)
Debt to equity ratio (C ₂)	Debt to equity ratio is a ratio used to assess debt relative to equity (Kasmir, 2015).	Total debt divided by total equity. (Kasmir, 2015; Ketut et al., 2021; Rustiarini et al., 2023)
Current ratio (C ₃)	The current ratio is a measure that shows how well a company can pay its short-term debts when they are due and need to be paid in full (Kasmir, 2015).	Current assets divided by current liabilities. (Kasmir, 2015; Rustiarini et al., 2023)
Firm size (C ₄)	Firm size is a scale that describes how large a company is (Kasmir, 2015).	Total assets of the company. (Altarawneh et al., 2020; Kasmir, 2015; Rustiarini et al., 2023)

Source: Previous reseacrh (2025)

Table 3. Descriptive Statistics**Panel A:** Continuous Variables

Variable	Financial Restatement Firms (N=430)		Non Financial Restatement Firms (N=1490)		Mean Diff	t-value
	Mean	Std. Dev.	Mean	Std. Dev.		
Board tenure	6.7872	4.35082	5.7426	3.49277	5.977	70.273
Board size	1.33	0.585	1.47	0.606	1.438	104.254
Return on asset	-2.3443	55.62391	-0.546	41.45765	-0.324	-0.426
Debt to equity ratio	1.0494	9.63365	2.5289	42.60736	1.417	18.165
Current ratio	14.264	145.8655	28.1475	608.1175	4.169	25.958
Firm size	10,488.05	24,190.02	27,585.22	13,8827.1	23,756.22	8.461

Panel B: Dichotomous Variables

Variable	Frequency of "1" (%)	Frequency of "0" (%)	Mean of FR	Mean Non FR	Mean Diff	t-value
Board Independence	132 (6.9%)	1,788 (93.1%)	0.09	0.06	0.069	11.903
Female board	990 (51.6%)	930 (48.4%)	0.43	0.54	0.516	45.197
Foreign board member	417 (21.7%)	1,503 (78.3%)	0.21	0.22	0.217	23.074
Board level education	1,910 (99.5%)	10 (0.5%)	0.99	1	0.995	605.416
Board accounting expertise	1,910 (99.5%)	10 (0.5%)	1	1	0.995	605.416
Dual board position	987 (51.4%)	933 (48.6%)	0.46	0.53	0.514	45.056

Source: Data processed using SPSS, processed by the researcher (2025)

Board Tenure Increase the Occurrence of Financial Restatements

The findings from the first hypothesis test (H_1) suggest that longer board tenure is positively associated with the likelihood of financial restatements. The duration of service of board members is considered to influence their overall performance. A long-serving board is generally assumed to possess a more comprehensive understanding of the firm's operations and accounting practices compared to newly formed boards (Hasnan & Marzuki, 2017). However, extended tenure may weaken the board's monitoring function, potentially encouraging earnings management practices that result in subsequent restatements (Altarawneh et al., 2020; Asad et al., 2024; Bravo & Reguera-alvarado, 2017; Lin et al., 2014; Sun & Bhuiyan, 2020). While accumulated experience over time could contribute to better financial oversight, overly lengthy tenures may lead to complacency, reduced innovation, and a decline in

Table 4. Hypothesis Test Results

Variable	B	S.E.	Wald	Sig.	Information
Board Tenure (X_1)	0.059	0.017	12.122	0.000	Accepted
Board Size (X_2)	-0.506	0.140	13.027	0.000	Accepted
Board Independence (X_3)	-0.500	0.202	6.100	0.014	Accepted
Female Board (X_4)	0.302	0.117	6.699	0.010	Accepted
Foreign Board Member (X_5)	0.004	0.152	0.001	0.978	Rejected
Board Level Education (X_6)	1.488	0.810	3.370	0.066	Rejected
Board Accounting Expertise (X_7)	-0.609	0.822	0.549	0.459	Rejected
Dual Board Position (X_8)	0.074	0.113	0.429	0.512	Rejected
Return On Asset (C_1)	0.001	0.002	0.136	0.712	
Debt To Equity Ratio (C_2)	0.007	0.017	0.155	0.694	
Current Ratio (C_3)	0.006	0.007	0.592	0.442	
Firm Size (C_4)	0.000	0.000	0.763	0.383	
Chi-Square		12.325		0.137	
-2 Log Likelihood (Blok Number = 0)		2,042.390			
-2 Log Likelihood (Blok Number = 1)		1,940.098			
Nagelkerke R Square		0.079			
Overall Percentage (%)		77.9			

Source: Data processed using SPSS, processed by the researcher (2025)

reporting quality (Livnat et al., 2021). Although upper echelon and decision-making theories posit that greater experience should enhance decision-making effectiveness by improving understanding of organizational complexities, this study contradicts that notion, aligning instead with Altarawneh et al. (2020), who argue that longer tenure can increase the risk of restatements. These results diverge from studies by Hasnan et al. (2021); Jovani et al. (2022); Rustiarini et al. (2023), who report the opposite effect, and from Hasnan & Marzuki (2017), who found no significant relationship.

Board Size Reduces the Occurrence of Financial Restatements

The second hypothesis test (H_2) indicates that larger board size is associated with a reduced likelihood of financial restatements. Board size is closely linked to upper echelon theory, as it reflects the diversity of perspectives and expertise in strategic decision-making. A larger board brings broader experience, varied backgrounds, and more extensive networks, enhancing the board's monitoring capacity and decision-making quality. Hasnan & Marzuki (2017) argue that increased board membership provides access to greater knowledge and governance capabilities. Jovani et al. (2022) further suggest that smaller boards may overburden individual members, weakening oversight and increasing reporting errors. The negative correlation between board size and restatements supports the need for a well-balanced board structure that fosters thorough and participatory decision-making. These findings are consistent with Hasnan & Marzuki (2017) and Rustiarini et al. (2023), though they differ from Jovani et al. (2022) and Ketut et al. (2021), who found no significant relationship.

Board Independence Reduces the Occurrence of Financial Restatements

The third hypothesis test (H_3) finds that board independence significantly reduces the likelihood of financial restatements. Independent directors play a critical role in ensuring compliance with legal and regulatory standards, providing objective judgment free from managerial influence (Riyadh et al., 2019). As highlighted by Abbott et al. (2012) and Butar (2018), independence allows directors to resist management pressure and maintain impartiality in financial reporting. Their detachment from executive functions enables more rational and critical evaluations, contributing to the production of accurate and credible financial reports. These findings align with studies by Hasnan et al. (2021), Ketut et al. (2021) and Rustiarini et al. (2023), though they differ from Hasnan & Marzuki (2017) and Jovani et al. (2022), who did not find a significant association.

Female Board Members Increase the Occurrence of Financial Restatements

The fourth hypothesis test (H_4) reveals that the presence of female board members is positively associated with financial restatements. Although gender diversity is often credited with improving detection of financial misstatements and limiting managerial opportunism (Jovani et al., 2022), its impact is context-dependent. According to Chang et al. (2020), female board members, often in the minority, may experience social isolation and difficulty integrating into decision-making processes. While women tend to be more risk-averse and less tolerant of opportunism, these traits may not translate into effective influence in male-dominated boards. Structural barriers and limited influence can diminish their ability to prevent misreporting. These findings support Altarawneh et al. (2020) but contrast with studies by Jovani et al. (2022), Ketut et al. (2021) and Rustiarini et al. (2023), who reported a negative relationship, and with Hasnan & Marzuki (2017), who found no significant association.

Foreign Board Members Have No Relationship with the Occurrence of Financial Restatements

The fifth hypothesis test (H_5) demonstrates that foreign board members do not significantly influence the occurrence of financial restatements. While foreign directors are expected to contribute valuable international perspectives and strengthen oversight due to their experience and expertise (Butar, 2018), their limited participation in meetings may hinder effective decision-making (Dobija & Puławska, 2022; Hasnan & Marzuki, 2017; Oxelheim & Randøy, 2003). Cultural, geographic, and communication barriers may reduce their active engagement, weakening their potential impact on corporate governance. This finding aligns with the studies of Hasnan & Marzuki (2017) and Rustiarini et al. (2023), suggesting that foreign board presence alone may not be sufficient to influence financial reporting outcomes.

Board-Level Education Has No Relationship with the Occurrence of Financial Restatements

The sixth hypothesis test (H_6) indicates no significant relationship between board-level education and financial restatements. Although a higher educational background is generally associated with stronger analytical abilities and improved problem-solving skills (Jiang et al., 2016; Terjesen et al., 2016), formal education does not necessarily translate into practical effectiveness in overseeing financial reporting. Decision-making in this context depends not only on individual knowledge but also on interpersonal dynamics, transparency, and organizational culture. Thus, even highly educated board members may not prevent financial reporting errors if effective systems of communication and evaluation are absent. This result supports Rustiarini et al. (2023) but contrasts with Besar et al. (2017), who found a positive relationship, and Altarawneh et al. (2020), who reported a negative relationship.

Board Accounting Expertise Has No Relationship with the Occurrence of Financial Restatements

The seventh hypothesis test (H_7) finds that board members with accounting expertise do not significantly affect the likelihood of financial restatements. While such members are typically more cautious in financial reporting and possess greater knowledge of complex accounting practices (Rustiarini et al., 2023), their presence does not necessarily guarantee improved reporting accuracy. According to upper echelon theory, individual expertise shapes how managers interpret and respond to challenges (Hambrick & Mason, 1984). However, even with relevant expertise, financial misstatements may still occur, and directors may resort to technical justifications (Rezaee et al., 2021). These members can serve as liaisons between management and auditors, but their influence may be limited without systemic support. This result aligns with Hasnan & Marzuki (2017), yet contrasts with Altarawneh et al. (2020) and Rustiarini et al. (2023), who reported a mitigating effect of accounting expertise on restatements.

Dual Board Positions Have No Relationship with the Occurrence of Financial Restatements

The final hypothesis test (H_8) shows that holding dual board positions is not significantly associated with financial restatements. Dual roles present a double-edged sword: while they may bring broader experience and deeper understanding of company operations (Fama & Jensen, 1983), they can also lead to excessive workloads that diminish directors' ability to monitor effectively (Emmanuel et al., 2014). This contradiction highlights that experience alone does not ensure effective oversight. In practice, holding multiple roles may reduce focus and efficiency, weakening decision-making and oversight functions. These findings are consistent with Hasnan & Marzuki (2017) and Jovani et al. (2022), but differ from Rustiarini et al. (2023), who found a positive relationship between dual board roles and restatement risk.

CONCLUSIONS

The results show that board size and board independence are significantly associated with a lower likelihood of financial restatements, indicating that the related hypotheses are accepted. In contrast, board tenure and female board representation are positively associated with financial restatements, and thus their hypotheses are also accepted. Meanwhile, hypotheses related to the presence of foreign board members, educational background, accounting expertise, and multiple board appointments are rejected, as these variables do not have a significant effect on the likelihood of financial restatements.

This study provides empirical evidence supporting upper echelon theory by demonstrating that certain personal and structural characteristics of board members influence financial reporting outcomes. The findings highlight that larger and more independent boards are more effective in overseeing financial reporting, thereby reducing restatement risk, while extended board tenure and gender diversity may increase such risk if not properly managed. Practically, the results emphasize the importance of balanced board composition, effective engagement, and inclusive governance practices to enhance financial reporting quality. The study also offers insights for regulators and firms in strengthening corporate governance mechanisms to improve transparency and reliability in financial disclosures.

This study has several limitations. First, the lack of variability in board members' educational background and accounting expertise across sampled firms limited their statistical influence. Future research is encouraged to include additional individual-level characteristics, such as political affiliations or military backgrounds, to provide deeper insights. Second, the relatively short observation restricts the ability to capture long-term trends. Future studies should consider longer time horizons and examine different sectors or stock index groups to enhance the generalizability of the findings.

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