

ABSTRACT

This study aims to examine the effect of board size, the proportion of women on the board, board independence, and political connection on earnings management in manufacturing companies in Indonesia and Malaysia. In addition, this study investigates the role of governance quality, proxied by control of corruption, as a moderating variable in the relationship between corporate governance mechanisms and political connection on earnings management. Earnings management is defined as a managerial action that utilizes flexibility in financial reporting to influence the perception of a company's performance, making it an important issue to be examined within a cross-country corporate governance context.

*The data used in this study are secondary data obtained from financial statements and annual reports of manufacturing companies for the period 2019–2023, comprising 48 companies in Indonesia and 33 companies in Malaysia. The analytical method employed is panel data regression, using the Random Effect Model (REM) for Indonesia and the Common Effect Model (CEM) for Malaysia. The analysis includes descriptive statistics, model selection tests, hypothesis testing (*t*-test and *F*-test), and Moderated Regression Analysis (MRA) to examine the moderating effect of governance quality.*

The results indicate that in Indonesia, only board independence has a significant effect on earnings management, while board size, the proportion of women on the board, and political connection have no significant effect. In Malaysia, all independent variables are found to have no significant effect on earnings management. Furthermore, governance quality is not able to moderate the relationship between all variables and earnings management in Indonesia. However, in Malaysia, governance quality moderates the effect of board size, the proportion of women on the board, and board independence, but not political connection.

Keywords: *earnings management, board size, proportion of women on the board, board independence, political connection, governance quality as a moderating variable*