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The Influence of Financial Report Quality, CEO Career Concern, and CEO Gender on Investment Efficiency with Good Governance as a Moderating Variable

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Abstract
This study aims to examine the effect of Financial Report Quality, CEO Career Concern, and CEO Gender on Investment Efficiency with Good Governance as a Moderating variable. This research method uses Moderated Regression Analysis (MRA) with Eviews statistical tools. This study uses a sample of 680 observations of non-financial companies in Indonesia during 2022 using panel regression. The results showed that the quality of financial statements has no effect on investment efficiency. The quality of financial statements that has no effect is possible because the overinvestment scenario also has no effect. In this condition, the quality of financial statements has not been able to mitigate the occurrence of overinvestment due to the high agency level. Meanwhile, in underinvestment conditions, the quality of financial reporting has a significant positive effect, which means that the quality of financial reporting can reduce underinvestment because the quality of financial reporting can be used to attract external funds so that the company avoids underinvestment conditions. The career concern variable of the president director has no effect on investment efficiency, this is possible because in underinvestment conditions it also has no effect because most sample companies do not experience funding constraints so that the career concern of the president director does not mitigate underinvestment. Meanwhile, in overinvestment conditions, it has a positive effect. Thus, the concern of the CEO can reduce the occurrence of overinvestment. Good governance variables affect investment efficiency.

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Abstrak
Penelitian ini bertujuan menguji pengaruh Pengaruh Kualitas Laporan Keuangan, *Career Concern CEO*, dan *Gender CEO* terhadap Efisiensi Investasi dengan *Good Governance* sebagai variabel Moderasi. Metode penelitian ini menggunakan Moderated Regression Analysis (MRA) dengan alat statistik Eviews. Penelitian ini menggunakan sampel sebanyak 680 observasi perusahaan non-keuangan di *Indonesia* selama tahun 2022 dengan menggunakan regresi panel. Hasil penelitian menunjukkan bahwa kualitas laporan keuangan tidak berpengaruh terhadap efisiensi investasi. Kualitas laporan keuangan yang tidak berpengaruh ini dimungkinkan karena skenario overinvestment juga tidak berpengaruh. Pada kondisi ini, kualitas laporan keuangan belum mampu memitigasi terjadinya overinvestment karena tingkat keagenan yang tinggi. Sedangkan pada kondisi underinvestment, kualitas pelaporan keuangan berpengaruh positif signifikan yang berarti kualitas pelaporan keuangan dapat mengurangi terjadinya underinvestment karena kualitas pelaporan keuangan dapat digunakan untuk menarik dana dari eksternal sehingga perusahaan terhindar dari kondisi underinvestment. Variabel career concern presiden direktur tidak berpengaruh terhadap efisiensi investasi, hal ini dimungkinkan karena pada kondisi underinvestment juga tidak berpengaruh karena sebagian besar perusahaan sampel tidak mengalami kendala pendanaan sehingga career concern presiden direktur tidak memitigasi underinvestment. Sedangkan pada kondisi overinvestment berpengaruh positif. Dengan demikian, kepedulian direktur utama dapat mengurangi terjadinya overinvestment. Variabel good governance berpengaruh terhadap efisiensi investasi.

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1. INTRODUCTION

Investment activities will encourage a country's economic activity, absorb labor, increase output, save foreign exchange or even increase foreign exchange. Therefore, it is hoped that companies can utilize the resources they have to achieve efficient investment or avoid conditions of investment inefficiency (underinvestment/overinvestment). There are many factors that influence investment efficiency, namely financial and non-financial factors. One of the financial factors is the quality of financial reports.

Part A large body of literature says that to reduce information asymmetry, one way that can be done is to improve the level of quality of financial reports [5]. [6] Also argue that, information asymmetry is minimized by improving the quality of financial reports, due to increased supervision.

Apart from the quality of financial reports, non-financial factors also influence investment efficiency. UU no. 40 of 2007 concerning PT, especially regarding company policies regarding company investment. Based on this law, it is stated that the director is responsible for losses to the PT caused by the director not carrying out the management of the PT in accordance with the articles of association. Therefore, this research includes the role of the main director in determining investment decisions, especially related to career concerns and gender of the main director as well as corporate governance regarding investment efficiency.

[2] Age and appointment have an influence on a company's investment decisions. Other research also states that the longer the main director serves, the more efficient he is in investing because he has experience. [3] Shows that female chief directors are more efficient in making investment decisions. Apart from that, this research also considers Good Governance which influences investment efficiency. Good governance is expected to increase investment efficiency in the company [7].

Based on the explanation above, the research that will be carried out is "The Influence of Financial Report Quality, CEO Career Concern, and CEO Gender on Investment Efficiency with Good Governance as a Moderating Variable". This research is important because there is no research that links each of the variables studied.

2. RESEARCH METHOD

Population in this research, namely non-financial companies listed on the Indonesia Stock Exchange using a purposive sampling method, based on criteria namely:

a. Non-financial companies listed on the Indonesia Stock Exchange (BEI) in 2022 will consistently publish financial reports.
b. The company publishes its annual report for the period ending December 31, 2022
c. The required research variable data is available in full in the annual report for the 2022 research period.

There is a more detailed explanation of the variables used in this research:

1. Quality of Financial Reporting and Investment Efficiency
   Investment efficiency can be increased by improving the quality of financial reports [8]. This opinion is also supported by [1] if a company wants to be more efficient in its investments, then the way that can be done is by improving or improving the quality of financial reports.
   H1: The quality of financial reports influences investment efficiency
2. *Career Concern CEO*and Investment Efficiency
   According to [9] the career concerns of the main director have an effect on investment decisions with the assumption that the main director at a young age is driven by the desire to build a good reputation, the desire to change the asset base of a company by entering new business segments.
   H2: CEO Career Concern influences investment efficiency
3. *CEO Gender*and Investment Efficiency
   Previous studies show that female leadership helps reduce information asymmetry and agency conflicts between principals and agents
   [10] The presence of gender diversity improves monitoring of managerial activities, reduces agency problems, and improves financial performance, and increases innovation and high quality performance.
   H3: CEO gender influences investment efficiency
4. *Good governance*and Investment Efficiency
   Research [7] states that good governance will increase better supervision thereby reducing information asymmetry.
   H4: The quality of financial reports influences investment efficiency with Good Governance as a moderating variable

H5: CEO Career Concern influences investment efficiency with Good Governance as a moderating variable
H6: CEO gender influences investment efficiency with Good Governance as a moderating variable.

3. RESEARCH RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

	INV	NIC	AGE	APPOINTMENT	GENDER_CEO	BDSIZE
Mean	-2.21E+30	4.85E+12	0.590491	0.095092	0.067485	2.786810
Median	4.10E+15	-0.000869	1,000000	0.000000	0.000000	2,000000
Maximum	4.93E+31	1.60E+15	1,000000	1,000000	1,000000	14,00000
Minimum	-4.39E+32	-5.83E+09	0.000000	0.000000	0.000000	0.000000
Std. Dev.	2.35E+31	8.75E+13	0.492121	0.293567	0.251052	1.866252
Skewness	-1,362,994	17.97860	-0.368041	2.760655	3.448268	1.536211
Kurtosis	218.7231	324.3061	1.135454	8.621214	12.89055	6.779091
Jarque-Bera	1284428.	2839746.	109.1651	1686.585	3949.631	644.4289
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	-1.44E+33	3.16E+15	385,0000	62,00000	44,00000	1817,000
Sum Sq. Dev.	3.59E+65	4.98E+30	157.6610	56.10429	41.03067	2267.367
Observations	652	652	652	652	652	652

Table 2. Correlation Coefficient between Variables

	INV	NIC	AGE	APPOINTMENT	GENDER_CEO	BDSIZE
INV	1.0					
NIC	-0.01460620965918984	1.0				

AGE	-0.01308364611394053	-0.009346621701894565	1.0			
APPOINTMENT	0.01712577894622486	-0.01798052092585042	-0.03838827634586242	1.0		
GENDER_CEO	0.02100954184466249	0.09731008690585922	-0.09923689438288122	0.03784876594463726	1.0	
BDSIZE	-0.1225513505882443	-0.03849574958439205	0.1305890739186599	0.01462944302226892	-0.04137437898765822	1.0
CEOD	0.005628006580609186	0.003076739664699216	0.06660902146205518	0.01798159279012521	0.01492220039998553	0.07545867201188344
INDB	0.005628006580609192	0.003076739664699218	0.06660902146205522	0.0179815927901252	0.01492220039998542	0.07545867201188344

Based on table 2, the correlation coefficient between variables states that there is no correlation between variables. A variable is said to be indicated if it has a correlation matrix coefficient greater than 0.9. In table 2show correlation coefficient between variables used in this research. It can be concluded that the variables used in this research do not have a coefficient value of more than 0.9.

Regression Results

Variables	**InvEff**	
	Coef	**Prob**
FRQ	-3.92	**0.7097**
Age	-6.31	0.7356
Appointment	1.37	0.663
Gender_CEO	1.96	0.592
BDSIZE	-1.52	**0.001*** **
C		
		0.213
R-square	0.014	
F-statistic	9,741	
Prob>F	0.0018	
Obs	653	

,*,*** Indicates significance levels at alpha 10%, 5%, and 1%. InEff= investment inefficiency, FRQ=quality of financial reports, Age= age of main director, Appointment=appointment of main director, Gender= gender of CEO, BDSize= number of directors serving on the board of

Based on the regression table above, it is proven that the quality of financial reports has no effect on investment efficiency. This is in line with FRQ research proxy by the model developed by Nichols and Stuben (2008), the results of the research show that the quality of financial reporting does not have a significant effect on investment efficiency. This is not in accordance with the research hypothesis which states that the quality of financial reporting has a positive effect on investment efficiency, which means it rejects hypothesis 1 (H1). According to Dwiwana (2012), the proxies used to measure the quality of financial reports still have limitations. Dwiwana (2012) uses the FOG proxy which is a formula compiled by Gunning (1958) in Li (2008) to determine the readability level of a company's annual report. The results of his research indicate that the level of readability of the quality of financial reports influences the company's possibility of not carrying out underinvestment and overinvestment significantly. For example, the quality of financial reporting is said to be quality if it can reduce information asymmetry between management and external parties. In the case of companies experiencing a lack of funds, high quality financial reporting can attract external funds, but if conditions occur where external parties misinterpret the quality of financial reporting, then companies that should receive external funds will not be able to obtain funds from external parties, Underinvestment. It can be concluded that hypothesis 1 which states that the quality of financial reporting has a positive effect on investment efficiency is rejected. The second variable in this research is the career concern of the president director, namely age and the second is appointment. The regression results show that the president director's career concern variable, denoted by CC, has no significant effect on investment efficiency as measured by age and appointment. To find out the more specific influence of the president director's career concern on investment efficiency. This insignificant result is likely caused by underinvestment conditions which also show insignificant results. The insignificant results on underinvestment conditions can be attributed to descriptive statistics which indicate that the majority of sample companies are not constrained by funding problems as indicated by the high number of fixed assets owned by the company, so that the main director's career concerns are mainly related to age and appointment of underinvestment. Therefore, research conducted by Xie (2015) which stated that the older and longer the president director has served, the president director tends to maintain the status quo and is inefficient in making investments. But on the other hand, based on the theory of Lie et al.

Then, the CEO gender variable was also rejected in this study. This shows that gender has no influence on investment decisions. Then, the good governance variable, which is measured by the size of the board of directors, has an effect on investment efficiency.

4. CONCLUSION

The quality of financial reporting does not have a significant effect on investment efficiency. In the overinvestment scenario, the quality of financial reporting does not have a significant effect on investment effectiveness, but in the underinvestment scenario it has a significant positive effect, which means that the quality of reporting can be used to reduce underinvestment. This can be caused by high agency conflicts, so that the quality of financial reporting is not able to mitigate investment efficiency. In contrast to underinvestment conditions, the quality of financial reporting has a significant positive effect. High quality financial reports can be used by companies to attract funds from external sources, so that companies will avoid underinvestment conditions. The main director's career is proxy by age and position. The research results show that the career concerns of the main director do not have a significant effect on investment efficiency.

For regulators, because the quality of financial reporting plays a very important role in investment activities, regulators can make regulations that can improve the quality of financial reporting. Because investment activities are very beneficial for the economy as a whole, regulators play an important role in regulatory reform. For example, making rules that can minimize the possibility of management to manipulate financial reports. For future academics or researchers, it is hoped that they can expand research related to investment efficiency, with other influencing factors. The variables age and appointment (career concern) have no effect on investment efficiency. Then the good governance variable which is measured by the size of the board of directors has no effect on investment efficiency.

This research only uses non-financial companies listed on the IDX. So if later the research object uses a financial company, special treatment will be needed in calculating the variables that will be used. It is hoped that further research can expand the sample period for example between countries. This research is limited to the use of proxies to measure investment inefficiency. For further research, other proxies can be used to measure investment inefficiency. This research also uses three proxies to measure the quality of financial reporting and it is possible that these three proxies are still insufficient in influencing investment inefficiencies, especially those related to earnings and accrual earnings management, therefore this research can use other proxies to measure the quality of financial reporting, for example the readability factor. Financial reporting (Biddle, 2009) and this research can use other non-financial variables, such as the ASEAN CG Scorecard.

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