

THE EFFECT OF BOOK-TAX DIFFERENCES AND BOARD BUSYNESS
ON EARNINGS QUALITYSeptia Anis Setiyawati¹⁾, Juli Murwani ²⁾, Richo Diana Aviyan³⁾¹Fakultas Ekonomi dan Bisnis, Universitas PGRI Madiunseptiaan645@gmail.com²Fakultas Ekonomi dan Bisnis, Universitas PGRI Madiunjmurwani@unipma.ac.id³Fakultas Ekonomi dan Bisnis, Universitas PGRI Madiunrdiana@unipma.ac.id**Abstrak**

Penelitian ini bertujuan untuk menguji pengaruh *book-tax differences* dan *board busyness* terhadap kualitas laba pada perusahaan sektor infrastruktur yang terdaftar di Bursa Efek Indonesia periode 2021–2025. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan tahunan perusahaan. Pemilihan sampel dilakukan menggunakan metode *purposive sampling*, sehingga diperoleh 62 perusahaan dengan total 287 observasi. Analisis data dilakukan menggunakan regresi linier berganda dengan bantuan SPSS 17. Penelitian ini berlandaskan pada teori agensi yang menjelaskan adanya perbedaan kepentingan antara *prinsipal*, yaitu pemegang saham, dan *agen*, yaitu manajemen perusahaan. Hasil penelitian menunjukkan bahwa *book-tax differences* dan *board busyness* berpengaruh signifikan terhadap kualitas laba. Penelitian selanjutnya disarankan untuk menambahkan variabel lain yang dapat memengaruhi kualitas laba serta memperluas objek dan periode penelitian.

Kata Kunci: *Book-Tax Differences, Board Busyness, Kualitas Laba*

Abstract

This study aims to examine the influence of book-tax differences and board busyness on earnings quality in infrastructure sector companies listed on the Indonesia Stock Exchange during the 2021–2025 period. A quantitative approach was employed using secondary data obtained from company annual reports. The sample was selected using a purposive sampling method, resulting in 62 companies and a total of 287 observations. Data analysis was conducted using multiple linear regression with the aid of SPSS 17. The study is grounded in agency theory, which explains the divergence of interests between principals (shareholders) and agents (corporate management). The findings indicate that book-tax differences and board busyness have a significant effect on earnings quality. Future research is encouraged to incorporate additional variables that may influence earnings quality and to expand the scope and timeframe of the study.

Keywords: *Book-Tax Differences, Board Busyness, Earnings Quality*

A. INTRODUCTION

Earnings quality is a crucial element of financial reporting, as it assists users in assessing corporate performance and making informed decisions (Kristy *et al.*, 2024). High-quality earnings should provide a fair and reliable representation of a company's economic condition (Mulyati *et al.*, 2021). However, management's desire to demonstrate strong performance can lead to opportunistic behavior or earnings manipulation, ultimately compromising the quality of financial information.

In the infrastructure sector, the issue of earnings quality has become increasingly critical due to industry characteristics such as high capital intensity, long-term projects, and the use of accrual-based accounting for revenue recognition. These characteristics mean that reported earnings do not necessarily reflect the company's true financial position. A case illustrating poor earnings quality is that of PT Waskita Karya (Persero) Tbk. The Ministry of State-Owned Enterprises (SOEs) revealed that the company continued to report profits over several years, even though its operating cash flow was negative. This situation was driven by revenue recognition occurring prior to cash receipt, high levels of project receivables, and rising debt burdens that strained the company's financial health. Consequently, the reported earnings did not fully represent the company's economic reality, giving rise to suspicions of earnings management practices. (Katadata.co.id, 2023).

Earnings quality is influenced by various factors related to the financial reporting process and corporate governance mechanisms. One factor that is considered to affect earnings quality is book-tax differences, which refer to the differences between accounting income and taxable income arising from differences in accounting standards and tax regulations (Musshiam & Pramono, 2026). These differences may provide information about the quality of a firm's reported earnings. Another factor is board busyness, which refers to the condition in which board members hold multiple directorships in other companies. A high level of board busyness may reduce the

effectiveness of oversight over the financial reporting process due to limited time and attention devoted to monitoring responsibilities (Oktavia et al., 2023).

Based on this background, this study aims to examine the impact of book-tax differences and board busyness on earnings quality among infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period.

THEORETICAL STUDY AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory explains the contractual relationship between principals (shareholders) and agents (management), in which management is delegated the authority to manage the company with the objective of maximizing shareholders' wealth. However, differences in interests and information asymmetry between the two parties may encourage managers to engage in opportunistic behavior, including in the financial reporting process, which can potentially reduce earnings quality (Jensen & Meckling, 1976). In this study, agency theory is used to explain the relationship between book-tax differences, board busyness, and earnings quality. High book-tax differences may indicate discrepancies between accounting income and taxable income that can affect earnings quality. Meanwhile, high board busyness may reduce the effectiveness of board oversight due to multiple directorships, thereby increasing the likelihood of lower-quality financial reporting.

Earnings quality

Earnings quality refers to the ability of reported earnings to reflect a company's actual economic performance, thereby providing reliable information for investors, creditors, and other stakeholders in making economic decisions. High earnings quality indicates that reported earnings are relevant, reliable, and free from earnings manipulation, whereas low earnings quality may reduce users' confidence in a company's financial performance. In this study, earnings quality is expected to be influenced by internal corporate factors, particularly book-tax differences and board busyness, which are associated with the financial reporting process and the effectiveness of corporate

oversight. According to Daryanto & Santioso, (2021), high earnings quality reflects a lower level of earnings management, resulting in more credible financial information that is useful for decision-making.

Book-Tax Difference

Book-tax differences refer to the differences between accounting income and taxable income arising from the different objectives of financial reporting and tax regulations (Erawati & Janah, 2024). These differences may reflect the flexibility available in financial reporting practices, which can potentially affect a firm's earnings quality. The greater the difference between accounting income and taxable income, the higher the likelihood that reported earnings are influenced by accounting and tax policies, thereby affecting the quality of earnings. Therefore, book-tax differences are frequently used as an indicator for assessing a firm's earnings quality.

Previous studies by Hasna & Aris, (2022); Ramadhani et al., (2022), and Herlambang & Aris, (2025) found that book-tax differences significantly affect earnings quality. These findings suggest that the differences between accounting income and taxable income are associated with the quality of the earnings information reported by firms. Based on the above discussion, the following hypothesis is proposed:

H1: *Book-tax differences affect earnings quality.*

Board Busyness

Board busyness refers to the condition in which board members hold multiple directorships in one or more companies, resulting in a higher level of busyness (Oktavia et al., 2023). This condition may affect the board's effectiveness in overseeing management decisions, including the financial reporting process. Board members with multiple directorships may have limited time to attend meetings, evaluate management performance, and effectively monitor the preparation of financial statements. Conversely, if board members are able to perform their monitoring responsibilities effectively despite holding multiple directorships, the quality of financial reporting can be maintained.

Therefore, board busyness is considered one of the corporate governance mechanisms

that may influence earnings quality. Previous studies by Oktavia et al., (2023) and Trinugroho et al., (2023) found that board busyness significantly affects earnings quality. These findings suggest that the level of board busyness is associated with the effectiveness of the board's monitoring function, which in turn influences the quality of earnings information reported by firms. Based on the above discussion, the following hypothesis is proposed:

H2: *Board busyness affects earnings quality.*

B. METHOD

This study employs a quantitative approach focusing on infrastructure sector companies listed on the Indonesia Stock Exchange during the 2021–2025 period. The study population consists of 62 companies. The sample was selected using a purposive sampling technique, resulting in 287 observations used as data for the analysis.

Tabel 2.1 Operational Measurement of Variables

Variables	Measurement	Scale
Book-Tax Difference (X_1)	$BTD = \frac{\text{Deferred tax expense}}{\text{Average total assets}}$ (Hasna & Aris, 2022)	Ratio
Board Busyness (X_2)	Dummy where: “1” if a member of the board of commissioners holds another position, and “0” if a member of the board of commissioners does not hold another position. (Zaitul <i>et al.</i> , 2022)	Nominal
Earnings Quality (Y)	1) $TACa = NIa - CFO$ 2) $TAit/Ait-1 = \alpha_1 (1/Ait-1) + \alpha_2 (\Delta Revt / Ait-1) + \alpha_3 (PPEt/Ait-1) + e$ 3) $NDAit = \alpha_1 (1/Ait-1) + \alpha_2 ((\Delta Revt - \Delta Rect)/Ait-1) + \alpha_3 (PPEt/Ait-1)$ 4) $DACCit = TAit/Ait-1 - NDAit$ (Daryanto & Santioso, 2021)	Ratio

C. RESULTS AND DISCUSSIONS

The results of data processing show the following test results:

1. DESCRIPTIVE STATISTICAL TEST

Tabel 3.1 Deskriptive statistical test results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Book-Tax Difference	157	-.017223	.007643	-.00279480	.004253001
Board Busyness	157	0	1	.68	.467
Kualitas Laba	157	-.034485	.027189	-.00365247	.012724731
Valid N (listwise)	157				

The book-tax difference variable shows a mean value of -0.00279480, with a maximum of 0.007643 and a minimum of -0.017223. The board busyness variable has a mean value of 0.68, with a maximum of 1 and a minimum of 0, indicating that approximately 68% of the sample companies have boards of commissioners holding concurrent positions at other companies. Meanwhile, the earnings quality variable shows a mean value of -0.00365247, with a maximum of 0.027189 and a minimum of -0.034485, indicating that the discretionary accrual values of the sample companies are relatively low.

2. Classical Assumption Test

a) Normality Test

Tabel 3.2 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		157
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.01264050
Most Extreme Differences	Absolute	.107
	Positive	.070
	Negative	-.107
Kolmogorov-Smirnov Z		1.337
Asymp. Sig. (2-tailed)		.056

a. Test distribution is Normal.

b. Calculated from data.

The significance value of 0.056 is higher than 0.05, which indicates that this data is normally distributed.

b) Multicollinearity Test

**Tabel 3.3 Multicollinearity Test Results
Coefficients^a**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Book-Tax Difference	.942	1.061
Board Busyness	.942	1.061

The multicollinearity results show a tolerance > 0.100 and a VIF <10. Therefore, it can be concluded that the regression model in this study is free from multicollinearity.

c) Heteroscedasticity Test

**Tabel 3.4 Heteroscedasticity Test Results
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.004	.002		-1.942	.054
Book-Tax Difference	-.342	.247	-.114	-1.387	.168
Board Busyness	-.002	.002	-.057	-.692	.490

a. Dependent Variable: Kualitas Laba

Based on the results of the Glejser test, the significance value of all variables is greater than the significance value of 0.05, so it can be concluded that this regression model is free from heteroscedasticity.

d) Autocorrelation Test

**Tabel 3.5 Autocorrelation Test Results
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.106 ^a	.011	-.002	.01261	2.001

a. Predictors: (Constant), Board Busyness, Book-Tax Difference

b. Dependent Variable: Kualitas Laba

The Durbin-Watson value of 2.001 is above the upper limit (1.7649) and below 4 minus the upper limit (2.2351), indicating no autocorrelation in the regression model. The assumption of residual independence is met.

3. Multiple Linier Analysis

Tabel 3.6 Multiple Linier Analysis Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.004	.000		-10.541	.000
Book-Tax Difference	-.783	.029	-.911	-26.957	.000
Board Busyness	-.002	.000	-.164	-4.848	.000

a. Dependent Variable: Kualitas Laba

The book-tax difference variable has a regression coefficient of -0.783, a t-value of -26.957, and a significance value of 0.000 (< 0.05). This indicates that the book-tax difference has a significant effect on earnings quality. The board busyness variable has a regression coefficient of -0.002, a t-value of -4.848, and a significance value of 0.000 (< 0.05). This indicates that board busyness has a significant effect on earnings quality.

4. F Test

Tabel 3.7 F Test Results
ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.005	2	.003	365.547	.000 ^a
Residual	.001	154	.000		
Total	.007	156			

a. Predictors: (Constant), Board Busyness, Book-Tax Difference

b. Dependent Variable: Kualitas Laba

The F-test result shows a value of 365.547 with a significance level of 0.000 ($p < 0.05$). This indicates that the variables Book-Tax Difference and Board Busyness simultaneously have a significant effect on Earnings Quality.

5. T Test

Tabel 3.8 T Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.004	.000		-10.541	.000
Book-Tax Difference	-.783	.029	-.911	-26.957	.000
Board Busyness	-.002	.000	-.164	-4.848	.000

a. Dependent Variable: Kualitas Laba

a) The effect of Book-Tax Difference on Earnings Quality

Based on the *t*-test results, the book-tax differences variable has a regression coefficient of -0.783 with a significance value of 0.000 ($p < 0.05$). These results indicate that book-tax differences have a significant effect on earnings quality; therefore, **H₁ is supported**.

The findings suggest that the differences between accounting income and taxable income are associated with the quality of a firm's reported earnings. These differences arise from discrepancies between accounting standards and tax regulations in the recognition of revenues and expenses. Such differences may reflect variations in financial reporting and tax reporting practices, which can influence the quality of the earnings reported by a company. Therefore, Book-Tax Differences can serve as an important indicator for evaluating the quality of earnings presented in financial statements. These findings are consistent with previous studies by Hasna and Aris (2022), Ramadhani et al. (2022), and Herlambang and Aris (2025), which reported that Book-Tax Differences significantly affect earnings quality.

b) The effect of Board Busyness on earnings quality

Based on the *t*-test results, the Board Busyness variable has a regression coefficient of -0.002 with a significance value of 0.000 ($p < 0.05$). These results indicate that Board Busyness has a significant effect on earnings quality; therefore, **H₂ is supported**.

The findings suggest that the level of board busyness is associated with a firm's earnings quality. Board members who hold multiple directorships are required to divide their time, attention, and responsibilities among different companies, which may affect the effectiveness of their oversight of management. Effective board monitoring plays an important role in ensuring that the financial reporting process is properly conducted and that the reported earnings provide reliable information for stakeholders. Therefore, Board Busyness is considered one of the corporate governance factors that influences earnings quality. These findings are consistent with previous studies by Oktavia et al. (2023) and Trinugroho et al. (2023), which reported that Board Busyness significantly affects earnings quality.

6. R Square Test

Tabel 3.9 R Square Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.909 ^a	.826	.824	.00271

a. Predictors: (Constant), Board Busyness, Book-Tax Difference

Based on the coefficient of determination test results, an R^2 value of 0.824 was obtained. This indicates that the book-tax difference and board busyness variables explain 82.4% of the variation in earnings quality, while the remaining 17.6% is explained by other factors not included in the research model.

D. CONCLUSIONS

This study demonstrates that book-tax differences and board busyness influence earnings quality in infrastructure sector companies listed on the Indonesia Stock Exchange during the 2021–2025 period. The findings indicate that the disparity between accounting profit and taxable income is linked to the earnings quality reported by companies, suggesting that book-tax differences can serve as an indicator of earnings quality. Furthermore, the level of board busyness affects the effectiveness of the board's oversight function, which plays a crucial role in maintaining the quality of financial

reporting. Thus, book-tax differences and board busyness are significant factors to consider when assessing corporate earnings quality.

E. SUGGESTIONS

This study is limited to infrastructure sector companies listed on the Indonesia Stock Exchange during the 2021–2025 period; consequently, the findings cannot be generalized to other industrial sectors. Future research is expected to expand the scope of study by including companies from other sectors to enhance the generalizability of the results. Additionally, it is recommended that future studies incorporate other variables potentially influencing earnings quality—such as profitability, leverage, firm size, corporate governance, or audit quality—and utilize a longer observation period to provide more comprehensive insights into the factors affecting earnings quality.

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