Journal of Economics, Finance and Management Studies
ISSN (print): 2644-0490, ISSN (online): 2644-0504
Volume 6 Issue 1 January 2023
Article DOI: 10.47191/jefms/v6-i1-51, Impact Factor: 6.274
Page No. 466-482

The Effect of Opportunistic Behavior, Board Gender Diversity, Financial Distress, & Political Connections on Real Earning Management

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ABSTRACT: The desire to earn profit is one of the forms of business established by a company. Profit plays an important role for the company because profit is one of the indicators to evaluate the company's performance and help investors in making investment decisions. Investors generally do not focus too much on management in obtaining their company's profit. This makes management try to practice earnings management so that the company's financial statements look good and are able to influence investor perceptions. Currently, there has been a shift in the application of accrual earnings management to real earnings management because to avoid company losses during accounting period, to avoid investigations conducted by auditors when conducting the company's annual audit. This study aims to test and analyst the effect of opportunistic behavior, board gender diversity, financial distress, audit quality, and political connections on real earnings management.

This study is quantitative research with hypothesis testing. The type of data used is the company's annual report. The object of study is manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2021. The data collection method is documentation. The samples used in this study were 160 manufacturing companies selected using purpose sampling technique. The results showed that the more diverse the board of directors, the tendency of management to perform real earnings management techniques proxied by abnormal cash flow, abnormal production costs, and abnormal discretionary costs is getting smaller; the higher the financial distress, the tendency of management to perform real earnings management techniques both proxied by abnormal operating cash flow, abnormal production costs, and abnormal discretionary costs is increasing; the more management behaves opportunistically, the tendency of management to perform real earnings management techniques proxied by abnormal operating cash flow is higher; the higher the audit quality, the tendency of management to perform low real earnings management both proxied by abnormal operating cash flow, abnormal production costs, and abnormal discretionary costs; the higher the political connections built, the lower the tendency of management to perform real earnings management techniques proxied by abnormal operating cash flow, abnormal production costs, and abnormal discretionary costs.

KEYWORDS: Board gender diversity, financial distress, opportunistic behavior, audit quality, political connection.

1. INTRODUCTION

The desire to earn profits is one form of business establishment of a company. Profit plays an important role for the company because profit is an indicator to evaluate company performance and assist investors in making investment decisions. In general, the company has the motivation to provide information on the profits it earns not only to internal parties but also to external parties. Profit reporting is very important for companies to do because it provides information about the company's financial condition to users of financial statements. Investors or other report users are not too focused on the process carried out by companies in obtaining profits, so this opens up opportunities for management to practice earnings management. In addition, companies carry out earnings management because they want their financial reports to look good and be able to influence investor perceptions (Wati and Gultom, 2022).

Earnings management is an action by company management to change profit figures, causing profit information to be distorted from actual profit figures, then causing information asymmetry for users of financial statements (Priharta, Rustiana, Rahayu, Maryati and Hadiansah, 2022). Earnings management can occur not only in companies in the financial sector, but also in the non-financial sector. Earnings management carried out by management is not only due to the information gap between investors and management, but also the emergence of financial difficulties in the company and political connections. Earnings management carried out by management can be detrimental to users of financial statements because the information presented is biased. This biased information will have an impact on erroneous decision making, thereby reducing the trust of stakeholders in the company. The existence of negative company coverage from the media is a form of decreasing stakeholder trust in the company and this can arouse suspicion from investors and increase agency costs (Priharta, Rustiana, Rahayu, Maryati and Hadiansah, 2022).

There are two types of earnings management that can be carried out by management, namely accrual and real. Accrual earnings management is carried out by management by engineering discretionary accruals which do not affect cash flow directly and are carried out at the end of the accounting period. This is different from real earnings management which is carried out during the accounting period through three ways, namely sales manipulation by offering product price discounts excessively or by providing more lenient credit terms; decrease in discretionary expenses such as research and development, advertising, sales, administration and general expenses, especially in periods where these expenditures do not directly result in revenue and profit, and produce more than needed. Real earnings management uses three measurement proxies, namely abnormal operating cash flow, abnormal production costs and abnormal discretionary costs. There is a shift in the application of accrual earnings management by management to real earnings management, namely to avoid company losses during an accounting period, to avoid investigations conducted by auditors when conducting company annual audits, to avoid pressure due to political connections and to avoid difficulties corporate finance (Silviana and Sambuaga, 2022). Braam, Nandy, Weitzel and Lodh (2015) explained that companies experiencing financial difficulties and/or political connections are more prone to take real earnings management actions than accrual earnings management. This is because politically connected companies will receive stricker supervision from the public, thus the risk of detection will be high so that companies prefer real earnings management to make it difficult to detect.

The agency theory explains that earnings management occurs due to differences in the interests of company owners and management which causes management as an agent to have more information and to engage in opportunistic behavior. To minimize management's opportunistic behavior, the company owner appoints a board of directors to reduce agency problems. Management's opportunistic behavior in this study is associated with free cash flow (Sari and Meiranto, 2017). Sari and Meiranto (2017) explains that there is a negatif relationship between opportunistic behavior and earnings management. This indicates that management will practice earnings management when opportunistic behavior is low. At the time the Covid-19 Pandemic, which had started to spread since the end of 2019, hampered the economy in all countries, including indonesia

This adds pressure to management in using the company's free cash flow so as not to experience financial difficulties that can lead to bankruptcy. In a global scope, problems resulting from earnings management practices by management occurred in several companies, such as WorldCom, Enron, Rite Aid, HealthSouth, Global Crossing, Toshiba, Mitsubishi Electric and Nissan. Management's opportunistic behavior in practicing earnings management also occurs in large Indonesian companies. One of the earnings management cases was carried out by PT Garuda Indonesia (Persero) Tbk, which posted a larger 2018 profit of USD 239.94 million. PT Garuda Indonesia (Persero) Tbk recognized at the same time revenue from PT Mahata Aero Technology worth USD 211.94 million and from PT Sri Wijaya Air worth USD 28 million. The case above is an accounting engineering to make company reports look better than they actually are (Putri and Arkananta, 2019).

The main focus of the company at this time should not only be to get the maximum profit, but also need to implement an effective governance mechanism. Corporate governance is a concept to improve company performance through monitoring of management activities. Corporate governance is measured using mechanisms that are divided into internal and external mechanisms. Internal mechanisms include board diversity, management ownership and exclusive compensation. External mechanisms include institutional ownership, levels of funding with debt and audit quality (Kusumaningrum and Achmad, 2022). Kusumaningrum and Achmad (2022) explains that there is a negative relationship between board diversity, especially the presence of directors with female gender in the composition of the board of directors on earnings management practices. In this study using board gender diversity proxies to represent board diversity. This is due to professionalism and responsibility related to gender. From the side of men and women there are differences in how to act in dealing with a condition. Not only that, women and men also differ in leadership profiles, ways of dealing with risks, levels of conservatism, and communication styles in decision-making. In a corporate environment, women are less likely to do things that are unethical, for example related to finance. Compared to male directors, female directors tend to be more ethical because they have a more stakeholder-focused orientation. Thus, it is possible that women prefer to have relationships with stakeholders and reduce information asymmetry (Jusup and Sambuaga, 2022). The majority of the board of directors is still dominated by a certain gender, thus motivating this study to test whether the involvement of women in companies, especially on the board of directors, can reduce the tendency for real eaninngs management to occurs in companies. The presence of a board of directors can be ineffective in limited management's opportunistic behavior in real earnings management because it depends on the characteristics of the board of directors, one of which is gender diversity. Gender diversity is generally associated with the representation of women to serve on the board directors (Zgarni and Fedhila, 2022).

Financial distress is one of the conditions that makes the company's board of directors face difficulties in paying off obligations caused by the company's total assets can no longer cover obligations to creditors which, if this condition is left unchecked, can lead the company towards financial difficulties, thereby triggering management to manipulate financial reports (Silviana and Sambuaga, 2022). In this study, referring to
Silviana and Sambuaga (2022) using Altman's Z-score model. Silviana and Sambuaga (2022) explain that company financial difficulties do not motivate management to practice earnings management.

A politically connected board of commissioners is one of the political connection steps taken by shareholders to limit management's opportunistic behavior in managing earnings (Putri and Supatmi, 2022). Putri and Supatmi (2022) explain that the more the number of commissioners who are politically connected in a company, the higher the practice of real earnings management is carried out by the company management through abnormal discretionary expenses, but the lower the practice of real earnings management is carried out by company management through abnormal production. Furthermore, the board of commissioners who are politically connected is not proven to have an effect on real earnings management which is proxied by abnormal cash flow operations. Political connections in this study refer to Putri and Supatmi (2022) using politically connected commissioners. Members of the commissioners who are politically connected have previously served or worked in a government agency/state-owned company.

Earnings quality is also related to audit quality. Audit quality is considered as the central point of external party monitoring because audit quality is considered to be one of the main things that can determine the occurrence of earnings management (Kusumaningrum and Achmad, 2022). The big four Public Accounting Firms (KAPs) are considered to be able to provide better audit quality than other KAPs other than the big four, because the big four KAPs are considered to have more qualified auditors. In Kusumaningrum and Achmad (2022) explains that audit quality has a significant positive effect on accrual earnings management.

This study is different from previous studies, because 1) it will explain the effect of board gender diversity on real earnings management; 2) there are still few studies using political connections as proxies and audit quality as independent variables that affect real earnings management using regression analysis techniques; 3) this study emphasizes the period after the 2018 presidential election of the Republic of Indonesia and the period of the covid-19 pandemic outbreak. Through this period, we want to see whether this has an effect on company management to carry out real earnings management

The object of this study is a manufacturing company listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. Companies in the manufacturing sector were chosen to be the object of study because between 2018 and 2021, they were one of the sectors most affected by the Covid-19 pandemic outbreak. Then the size of companies in the manufacturing sector is large compared to companies in other sectors, earnings management practices are often carried out to show that companies have good financial performance. Manufacturing companies were also chosen because they use a lot of natural resources as raw materials and use a large number of human resources. This is closely related to the continuity of the company's business in the manufacturing sector in order to be able to anticipate financial difficulties during the Covid-19 pandemic.

The remaining paper is organized in the following way. Section 2 contains a discussion on the theoretical framework developed based on formulated hypotheses. The research methodology employed in the paper and econometric model are discussed in Section 3. Results followed by discussion are reported in Section 4 and the conclusions is given in Section 5

2. THEORETICAL FRAMEWORK

2.1 Board gender diversity and real earning management

The management function of the company is held by the board of directors, so that the board of directors is directly involved in the process of managing the company, making important decisions and is involved and responsible for the company's financial reporting (Kusumaningrum and Achmad, 2022). Agency theory states that one of the occurrences of earnings management is because there is information asymmetry and conflicts of interest between shareholders and management, this requires a strategy that can overcome this. The strategy that can be implemented by shareholders through the General Meeting of Shareholders to reduce information asymmetry and conflict of interest is to implement board diversity, especially on the board of directors. Board diversity is defined based on certain attributes. For example, the demographic diversity of the board includes age, gender, nationality, and education (Ararat, Aksu, and Cetin, 2015).

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This study focuses on measuring board gender diversity because based on agency theory it explains that the more diverse gender of directors on the board of directors can limit management from taking earnings management actions. Gender differences on the board of directors can lead to different outcomes in decision making as they are influenced by ethical sensitivity and risk aversion. This can improve the quality of information and can reduce earnings management practices. The results of Kusumaningrum and Achmad's research (2022) explain that board gender diversity has a significant negative effect on earnings management practices carried out by management. Based on the description above, the first hypothesis (H1) can be formulated as follows:

H1: The more diverse the board's gender diversity, the less the management's tendency to manage real earnings

2.2 Financial distress and real earning management

Financial Distress causes management to be unable to meet investors' expectations which can affect the company's image and this triggers earnings management. Financial Distress is divided into two, namely those caused by internal companies and external companies. Financial Distress caused by internal company is usually caused because the product is not selling well in the market. Financial Distress caused by external companies is usually caused by a financial crisis, especially a global one or a financial crisis that arises as a result of a disease outbreak. Covid-19 is a disease that eventually becomes a pandemic epidemic. A pandemic is an epidemic that has spread to different continents and countries, generally affecting many people. The Covid-19 pandemic itself started in Wuhan (China). Based on the World Health Organization (WHO) report, the first official case occurred on December 31, 2019. The Covid-19 pandemic has had an impact on financial markets and financial difficulties for companies (Ruiz Estrada, Koutronas, and Lee, 2020).

Agency theory states that one of the occurrences of earnings management is due to management's actions in taking advantage of the company's difficult conditions as an information asymmetry to shareholders. Management performs real earnings management to influence the company's cash flow by using actual business transactions so that it is more difficult to detect. Real profit management is carried out by company management by manipulating real activities related to company operations, such as cash flow, production activities, and discretionary expenses so that it requires greater resources and costs in its implementation, while companies that are in a condition of financial difficulties have resources. limited resources and costs so that the implementation of real earnings management will actually be more burdensome for companies that are in a condition of Financial Distress (Silviana and Sambuaga, 2022). Agency theory explains that companies that do not have financial difficulties make management more opportunistic in investing in order to get maximum personal gain. This is what makes management take real earnings management actions. The Covid-19 pandemic that occurred has forced companies that do not have financial difficulties to manage their operational cash flow so that one of them postpones principal + interest loan payments to the bank. Therefore, management regulates the existing values in sales items and production costs so that the bank agrees to the scheme for delaying the proposed principal and interest loan payments. The results of Silviana and Sambuaga's research (2022) explain that financial distress influences real earnings management in a significant positive way so that the higher the financial distress, the higher the real earnings management practices carried out by management. Based on the description above, the second hypothesis (H2) can be formulated as follows:

H2: The more a company faces financial distress, the higher management performs real earnings management.

2.3 Opportunistic behavior and real earning management

The amount of free cash flow owned by a company can indicate that the company is in a healthy condition. With the remaining funds, management tends to have opportunistic behavior by using them to increase company revenue by creating new projects. A successful project can provide benefits for the company and management. Management can be judged to have good performance if successful. Management must reduce its opportunistic behavior if the new project is not successful because it can harm the company and reduce management performance. To cover the impact that arises from these errors, real earnings management is carried out (Priharta, Rustiana, Rahayu, Maryati and Hadiansah, 2022). The research results of Priharta, Rustiana, Rahayu, Maryati and Hadiansah (2022) explain that opportunistic behavior has a positive effect on real earnings management. This explains that the free cash flow owned by the company can be used optimally by management to get additional income. With regular control from the directors and good corporate governance, it can reduce management's opportunistic behavior in manipulating real profits.

Agency theory states that management behaves opportunistically and provides information asymmetry to shareholders so that management can make investment decisions according to their wishes in the hope of obtaining maximum personal returns. Based on the description above, the third hypothesis (H3) can be formulated as follows: **H3**: The higher the opportunistic behavior, the higher the tendency of management to manage real earnings.

2.4 Audit quality and real earning management

Hadi and Tifani (2020) explain that audit quality is how likely an auditor is to find an intentional error or unintentional error in a company's financial statements and to include the findings in an audit opinion. Audit quality depends on two things, namely the technical ability of the auditor which is represented in experience and professional education and the quality of the auditor in maintaining his mental attitude. In this study using KAP size measurements to explain audit quality. It is known that the big four Public Accounting Firms (KAP) have more expertise in detecting fraud in the financial statements of the companies they audit than non-big four KAPs (Kusumaningrum and Achmad.,2022). The current study develops the results of Kusumaningrum and Achmad (2022) which explains that audit quality has a significant negative effect on earnings management. Based on the description above, the fourth hypothesis (H4) can be formulated as follows:

H4: The higher the quality of the audit by the big four public accounting firms, the lower the management's tendency to manage real earnings.

2.5 Political connection and real earning management

Political connection is a condition in which a relationship is established between the board of directors/board of commissioners/shareholders and parties who have an interest in government politics that are used to achieve certain things that can benefit both parties (Putri and Supatmi, 2022). Political connection in this study places more emphasis on politically connected commissioners (KP), because it is one of the steps taken by political connections to limit management's opportunistic behavior in managing earnings and overseeing the board of directors so that they do not get together with management. carry out earnings management (Putri and Supatmi, 2022). Putri and Supatmi (2022) explain that the more the number of commissioners who are politically connected in a company, the higher the practice of real earnings management is carried out by company management. These findings support agency theory, where when the board of commissioners is politically connected it will encourage management to maximize profits by reducing discretionary costs. Based on the description above, the fifth hypothesis (H5) can be formulated as follows:

H5: The more diverse political connections the board of commissioners has, the higher the management's tendency to manage real earnings.

3. RESEARCH METHODOLOGY

3.1 Data Collection

The object of the current study uses manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. The total number of manufacturing sector companies listed on the Indonesia Stock Exchange during the 2018-2021 period is 171 companies. Based on predetermined sample criteria, 160 companies were obtained with a total of 4 years of observation so that there were a total of 640 observational data. In obtaining observation data, it can be explained, 1) there are 11 manufacturing companies that have received suspension from the IDX from 2018-2021. 2) all manufacturing sector companies for the 2018-2021 period have information related to research variables.

3.2 Research model

Data analysis used simple linear regression analysis with SPSS 24 statistical application.

The research model is as presented in Figure 1

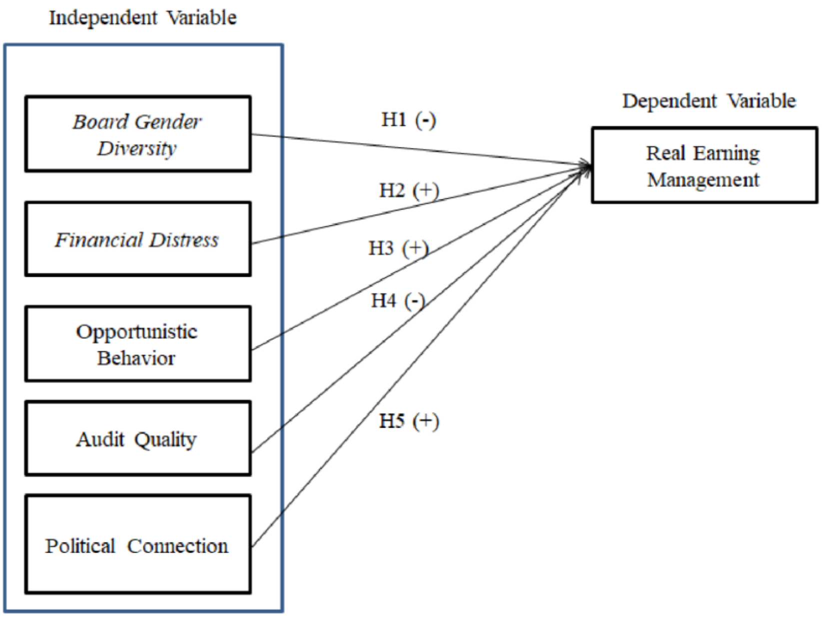

Figure 1. Research Model

3.3 Econometric model

There are 4 models of the regression equation, namely:1)the first model with real earnings management dependent variable proxied by abnormal operating cash flow ($ACFO = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$); 2)the second model with the dependent variable of real earnings management proxied by abnormal production costs ($APROD = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$); 3)the third model with the dependent variable of real earnings management proxied by abnormal discretionary costs; 4) the fourth model with the dependent variable of real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs ($REM = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$). Notes: ACFO = real earnings management technique through abnormal operating cash flow; APROD = real earnings management technique through abnormal production costs; DISEXP = real earnings management technique through abnormal discretionary costs; REM = real earnings management technique through abnormal operating cash flow, abnormal production costs, abnormal discretionary costs; BGD=diversity of the board directors; FD=financial distress; PO = management opportunistic behavior; KA=audit quality; KP=political connection; α = constant; β = regression coefficient; ε=error. This regression equation is to test the effect of diversity of boards of directors, financial distress, opportunistic behavior, audit quality, and politically connected boards of commissioners on real earnings management. In this equation, we will look for constant values and variable regression coefficient values, then we will see whether they have an influence on the REM/ACFO/APROD/DISEXP variables. The higher the value of REM/ACFO/APROD/DISEXP, the company under study for its management performs real earnings management and the smaller the value of REM/ACFO/APROD/DISEXP, the company under study for its management performs real earnings management. The variables' construction is given in Tabel 1.

Table 1. Variable's description.

Name of Variable	Label of Variable	Nature of variable	Description
Dependent Variable s			
Real earning management	ACFO	Numerical	ACFO is the residual value of the equation. If the ACFO value is close to 0 and below 1, it indicates a low level of earnings management. An ACFO value above 1 indicates a high level of earnings management.
	APROD	Numerical	APROD is the residual value of the equation. If the APROD value is close to 0 and below 1, it indicates a low level of earnings management.

			An APROD value above 1 indicates a high level of earnings management.
	DISEXP	Numerical	DISEXP is the residual value of the equation. If the DISEXP value is close to 0 and below 1, it indicates a low level of earnings management. An DISEXP value above 1 indicates a high level of earnings management.
	REM	Numerical	REM is the residual value of the equation. If the REM value is close to 0 and below 1, it indicates a low level of earnings management. An REM value above 1 indicates a high level
Name of Variable	**Label of Variable**	**Nature of variable**	**Description**
			of earnings management.
Independent Variab les			
Board gender diversity	BGD	Numerical	Calculated by the number of female directors divided by the total number of directors
Financial distress	FD	Numerical	The condition of the company facing financial difficulties in paying off obligations due to poor cash flow and profitability. FD shows a score of <1.23, so the company has the potential to go bankrupt. In addition, if the FD value shows a score of 1.23-2.90, the company has the potential to experience financial difficulties. And if the FD value shows a score > 2.90 then the company has no potential for bankruptcy.
Opportunistic behavior	PO	Numerical	Calculated by net cash flow from operating activities minus capital expenditures and dividend, then divided by total assets. The results of the calculation of the PO variable show that the closer the PO value is to 1, the more opportunistic behavior management tends to have, and conversely, the closer the PO value is to 0, the more opportunistic behavior management tends to have.
Audit quality	KA	Numerical	Audit quality is proxied by a condition when the company is audited by big four KAPs then it is given a value of 1 or if it is audited by non-big four KAPs it is given a value of 0. (Explanation using a dummy variable 0 or 1, explaining quality audit quality or non-quality audit quality. Many big four KAPs commit fraud than non-big four KAPs). The reason for
Name of Variable	**Label of Variable**	**Nature of variable**	**Description**
			using a dummy variable as a proxy for audit quality is because researchers want to show that if the value is 1 it indicates the existence of audit quality produced by the big four KAPs and if the value is 0 it indicates there is no audit quality produced by non-big four KAPs.
Political connection	KP	Numerical	Calculated by total members of the board of commissioners who are politically connected divided by total members of the board of commissioners

4. RESULTS

4.1 Descriptive statistics

KA is a dummy variable. Table 2 will explain the frequency value, minimum value, maximum value, and standard deviation of the KA.

Tabel 2. Results of Data Frequency on Audit Quality Variable.

KA-Quality audit					
		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	0=Not quality	432	67,2	67,5	67,5
	1=Quality	208	32,3	32,5	100,0
	Total	640	99,5	100,0	
Missing	System	3	0,5		
Total		643	100,0		
Standard Deviation		0,47			
Minimum		0			
Maximum		1,00			

In the descriptive statistics of this study, it explains that the independent variables and the dependent variables used in this study are real earnings management (REM), board gender diversity (BGD), financial distress (FD), opportunistic behavior (PO), and political connections (KP).). Table 4.3 will explain the minimum value, maximum value, average value, and standard deviation of each variable.

Table 3. Descriptive Statistic

	N	Minimum	Maximum	Average	Standard deviation
BGD	640	0	0,7500	0,2069	0,1742
FD	640	0,0300	3,4800	2,1075	0,9292
PO	640	(0,6412)	1,0976	0,0419	0,1667
KP	640	0	0,6667	0,1679	0,1626
ACFO	640	(0,1428)	0,3132	0,0618	0,0326
APROD	640	(0,0915)	8,6301	0,8081	0,6813
DISEXP	640	0,1040	0,3714	0,1295	0,0210
REM	640	0,0484	4,1562	0,9808	0,5723
Valid N (listwise)	640				

4.2 Determination coefficient test (R^2)

The coefficient of determination (R^2) measures how far the model's ability to explain the variation of the independent variables. Table 4 describes the results of the coefficient of determination test on the four regression equation models.

Table 4. Determination Coefficient Test Results

Model	Dependent Variables	*Adjusted R Square*
First regression equation	ACFO	0,120
Second regression equation	APROD	0,122
Third regression equation	DISEXP	0,148
Fourth regression equation	REM	0,150

The test results for the coefficient of determination in Table 4 show that 1) the variance of the independent variables (BGD, FD, PO, KA, and KP) simultaneously (together) can explain and influence the dependent variable (real earnings management techniques through abnormal operating cash flows that proxied as ACFO), 2) the variance of the independent variables (BGD, FD, PO, KA, and KP) simultaneously (together) can explain and influence the dependent variable (real earnings management techniques through abnormal production costs proxied as APROD), 3) the variance of the independent variables (BGD, FD, PO, KA, and KP) simultaneously (together) can explain and affect the dependent variable (real earnings management technique through abnormal discretionary costs proxied as DISEXP), 4) the variance of the independent variables (BGD, FD, PO, KA, and KP) simultaneously (together) can explain and influence the dependent variable (real earnings management techniques through abnormal operational cash flows, product costs abnormal ction, and abnormal discretionary costs proxied as REM).

4.3 F test

The F test is used to test the feasibility of a regression model. The results of the F statistical test can be presented in table 5.

Table 5. Statistical Test Results F

Equation models	**F**	**Significance**
First regression equation	18,441	0,000
Second regression equation	18,771	0,000
Third regression equation	23,158	0,000
Fourth regression equation	23,485	0,000

Based on table 5, the results of the F test show a significance value of F of 0.000. This shows that the four regression models in testing the hypotheses of the effect of BGD, FD, PO, KA, and KP on real earnings management are models that are fit or feasible to use because they have a significance value of F less than 0.05.

4.4 Hypothesis testing

Hypothesis testing in this study was conducted to test whether the independent variables significantly influence the dependent variable and how far the independent variables influence the dependent variable. Table 6 describes the results of the first regression model's t test.

Table 6. First Regression Model t Test Results With Real Earnings Management proxied by Abnormal Operational Cash Flow
($ACFO = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$**)**

Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypothesis Test Results
	B	Std. Error				
(Constant)	0,050	0,004	13,560	0,000		
BGD	(0,016)	0,007	(2,303)	0,022	Negative sign	Accepted
FD	0,004	0,001	3,215	0,001	Positive sign	Accepted
Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypothesis Test Results
	B	Std. Error				
PO	0,017	0,007	2,305	0,022	Positive sign	Accepted
KA	0,019	0,003	7,232	0,000	Positive sign	Rejected
KP	(0,004)	0,007	(0,472)	0,637	No effect	Rejected

Based on the results of the t-test equation in table 6, the regression equation that is formed is as follows:

$ACFO = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$

$ACFO = 0{,}050 - 0{,}016BGD + 0{,}004FD - 0{,}017PO + 0{,}019KA - 0{,}004KP + \varepsilon$

Table 7. Second Regression Model t Test Results With Real Earnings Management proxied by Abnormal Production Costs.
($APROD = \alpha + \beta_1 BGD + \beta_2 FD + \beta_3 PO + \beta_4 KA + \beta_5 KP + \varepsilon$**)**

Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypotesis Test Results
	B	Std. Error				
(Constant)	0,528	0,077	6,867	0,000		
BGD	(0,343)	0,146	(2,354)	0,019	Negative sign	Accepted

FD	0,197	0,028	7,120	0,000	Positive sign	Accepted
PO	(0,710)	0,154	(4,611)	0,000	Negative sign	Rejected
KA	0,156	0,055	2,838	0,005	Positive sign	Rejected
KP	(0,504)	0,156	(3,230)	0,001	Negative sign	Rejected

Based on the results of the t-test equation in table 7, the regression equation that is formed is as follows:

APROD= α + β1BGD + β2FD + β3PO + β4KA + β5KP + ε

APROD= 0,528 – 0,343BGD + 0,197FD – 0,710PO + 0,156KA – 0,504KP + ε

Table 8. Third Regression Model t Test Results With Real Earnings Management proxied by Abnormal Discretioner Costs.

(DISEXP = α + β1BGD + β2FD + β3PO + β4KA + β5KP + ε**)**

Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypothesis test results
	B	Std. Error				
(Constant)	0,122	0,002	52,504	0,000		
BGD	(0,008)	0,004	(1,837)	0,067	No effect	Rejected
Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypothesis test results
	B	Std. Error				
FD	0,006	0,001	7,358	0,000	Positive sign	Accepted
PO	(0,034)	0,005	(7,342)	0,000	Negative sign	Rejected
KA	0,000	0,002	0,134	0,893	No effect	Rejected
KP	(0,017)	0,005	(3,659)	0,000	Negative sign	Rejected

Based on the results of the t-test equation in table 8, the regression equation that is formed is as follows:

DISEXP= α + β1BGD + β2FD + β3PO + β4KA + β5KP + ε

DISEXP= 0,122 – 0,008BGD + 0,006FD – 0,034PO + 0,000KA – 0,017KP + ε

Table 9. Fourth Regression Model t Test Results With Real Earnings Management proxied by The sum of Abnormal Operating Cash Flows, Abnormal Production Costs, and Abnormal discretionary costs.

(REM = α + β1BGD + β2FD + β3PO + β4KA + β5KP + ε**)**

Variables	*Unstandardized Coef.*		T	Sig.	Sign Predictions	Hypothesis test results
	B	Std. Error				
(Constant)	0,676	0,064	10,642	0,000		
BGD	(0,244)	0,120	(2,023)	0,043	Negative sign	Accepted
FD	0,190	0,023	8,301	0,000	Positive sign	Accepted
PO	(0,497)	0,127	(3,899)	0,000	Negative sign	Rejected
KA	0,171	0,045	3,765	0,000	Positive sign	Rejected
KP	(0,474)	0,129	(3,674)	0,000	Negative sign	Rejected

Based on the results of the t-test equation in table 9, the regression equation that is formed is as follows:

REM = α + β1BGD + β2FD + β3PO + β4KA + β5KP + ε

REM = 0,676 - 0,244BGD + 0,190FD – 0,497PO + 0,171KA – 0,474KP + ε

4.5 Explanation of the first hypothesis

The first hypothesis reveals that board gender diversity (BGD) has a negative effect on real earnings management. In the first hypothesis test with real earnings management proxied by abnormal operating cash flows, it shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Kusumaningrum and Achmad (2022). The results of this hypothesis test indicate that the more diverse members of the board of directors are predicted to be able to limit management from taking real earnings management actions using abnormal operating cash flows. The presence of female directors, especially in the manufacturing industry, which is generally dominated by male directors, makes real earnings management practices using abnormal operating cash flows lower. The results of this hypothesis test confirm the agency theory because agency theory will motivate shareholders to be able to reduce information asymmetry. The existence of gender diversity of the board of directors is considered to reduce information asymmetry because female directors are considered to be more ethical and more active in management oversight roles.

In the first hypothesis test with real earnings management proxied by abnormal production costs, it shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Kusumaningrum and Achmad (2022). The results of this hypothesis test indicate that the more diverse members of the board of directors are predicted to be able to limit management from taking real earnings management actions using abnormal production costs. The presence of female directors, especially in the manufacturing industry, which is generally dominated by male directors, makes real earnings management practices using abnormal production costs lower. The results of this hypothesis test confirm the agency theory because agency theory will motivate shareholders to be able to reduce information asymmetry. The existence of gender diversity of the board of directors is considered to reduce information asymmetry because female directors are considered to be more ethical and more active in oversight roles.

In the first hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of research conducted by Kusumaningrum and Achmad (2022). The results of this hypothesis test confirm the research conducted by Fatimah (2019). The results of this hypothesis test explain that the presence of female directors, especially in the manufacturing industry, which is generally dominated by male directors, is predicted not to affect management in taking real earnings management actions through abnormal discretionary costs. Members of the board of directors have the role of supervising management so as not to overcharge discretionary costs in the same period as the costs incurred.

In the first hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Kusumaningrum and Achmad (2022).

The results of this hypothesis test explain that the more diverse members of the board of directors are predicted to be able to limit management from taking real earnings management actions using abnormal cash flows, abnormal production costs, and abnormal discretionary costs. The presence of female directors, especially in the manufacturing industry, which is generally dominated by male directors, makes real earnings management practices lower. The results of this hypothesis test confirm the agency theory because agency theory will motivate shareholders to be able to reduce information asymmetry. The existence of gender diversity of the board of directors is considered to reduce information asymmetry because female directors are considered to be more ethical and more active in oversight roles.

4.6 Explanation of the second hypothesis

The second hypothesis reveals that Financial Distress (FD) has a positive effect on real earnings management. In the second hypothesis test with real earnings management proxied by abnormal operating cash flows shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Silviana and Sambuaga (2022). The results of this hypothesis test explain that the more a company experiences financial difficulties, the more it is predicted that management will take real earnings management actions using abnormal operational cash flows. Management will take actions such as speeding up sales time and or obtaining additional sales through price discounts and lighter credit. The results of this hypothesis test confirm the agency theory because management presents financial statements in good condition when the company experiences financial difficulties. Management still wants to get appreciation for performance achievements from shareholders even though the company is experiencing financial difficulties.

In the second hypothesis test with real earnings management proxied by abnormal production costs shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Silviana and Sambuaga (2022). The results of this study indicate that the more companies experience financial difficulties, the more predictable management will take real earnings management actions using abnormal production costs. Management will take actions such as producing a lot of goods so that fixed overhead costs can be allocated to a larger number of units so that the fixed costs per unit will be lower. As long as this reduction in fixed cost per unit is not offset by an increase in marginal cost, the total cost per unit will decrease. The results of this hypothesis test do not confirm the agency theory because management presents financial reports in good condition when the company is experiencing financial difficulties. Management still wants to get appreciation for performance achievements from shareholders even though the company is experiencing financial difficulties. Therefore, in order for management's real actions to be reflected in the financial statements, management uses real earnings management techniques through abnormal production costs.

In the second hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Silviana and Sambuaga (2022). The results of this hypothesis test explain that the more a company experiences financial difficulties, the more it is predicted that management will take real earnings management actions using abnormal discretionary costs. Management will take actions such as reducing discretionary costs on advertising costs, research and development costs, partnership costs with contractors/vendors. The results of this hypothesis test confirm the agency theory because management presents financial statements in good condition when the company is experiencing financial difficulties. Management still wants to get appreciation for performance achievements from shareholders even though the company is experiencing financial difficulties. Therefore, in order for management's real actions to be reflected in the financial statements, management uses real earnings management techniques through abnormal discretionary fees.

In the second hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of research conducted by Silviana and Sambuaga (2022). The results of this hypothesis test explain that the more a company experiences financial difficulties, it is predicted that management will take real earnings management actions using abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs. The results of this hypothesis test confirm the agency theory because management presents financial statements in good condition when the company is experiencing financial difficulties. Management still wants to get appreciation for performance achievements from shareholders even though the company is experiencing financial difficulties. Therefore, in order for management's real actions to be reflected in the financial statements, management uses real earnings management techniques.

4.7 Explanation of the third hypothesis

The third hypothesis reveals that Opportunistic Behavior (PO) has a positive effect on real earnings management. In the third hypothesis test with real earnings management proxied by abnormal operating cash flows, it shows that the hypothesis is accepted. The results of this hypothesis test confirm the research conducted by Priharta, Rustiana, Rahayu, Maryati and Hadiansah (2022). The results of this hypothesis test explain that management will practice real earnings management with abnormal operating cash flows when opportunistic behavior is high. Management will take actions such as speeding up sales time and or obtaining additional sales through price discounts and lighter credit. The results of this hypothesis test confirm agency theory because management tries to cover up its actions through opportunistic behavior to gain personal gain resulting in information asymmetry obtained by shareholders.

In the third hypothesis test with real earnings management proxied by abnormal production costs, it shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of testing in research conducted by Priharta, Rustiana, Rahayu, Maryati and Hadiansah (2022). The results of this hypothesis test confirm the results of testing in research conducted by Kodriyah and Fitri (2017). The results of this hypothesis test explain that management will practice real earnings management with abnormal production costs when opportunistic behavior is low. The existence of low operational cash flow makes management have to arrange ways so that the report performance remains good at the end of the year. Therefore management performs real earnings management. Management will take actions such as producing a lot of goods so that fixed overhead costs can be allocated to a larger number of units so that the fixed costs per unit will be lower. As long as this reduction in fixed cost per unit is not offset by an increase in marginal cost, the total cost per unit will decrease.

In the third hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of testing in research conducted by Priharta, Rustiana, Rahayu, Maryati and Hadiansah (2022). The results of this hypothesis test confirm the results of testing in research conducted by Kodriyah and Fitri (2017). The results of this hypothesis test explain that management will practice real earnings management with abnormal discretionary costs when opportunistic behavior is low. The existence of low operational cash flow makes management have to arrange ways so that the report performance remains good at the end of the year. Therefore management performs real earnings management. Management will take actions such as reducing discretionary costs.

In the third hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is accepted. The results of this hypothesis test confirm the results of testing in research conducted by Priharta, Rustiana, Rahayu, Maryati and Hadiansah (2022). The results of this hypothesis test explain that management will practice real earnings management when opportunistic behavior is high. The results of this hypothesis test confirm agency theory because management tries to cover up its actions through opportunistic behavior to gain personal gain resulting in information asymmetry obtained by shareholders.

4.8 Explanation of the fourth hypothesis

The fourth hypothesis reveals that Audit Quality (KA) has a negative effect on real earnings management. In the fourth hypothesis test with real earnings management proxied by abnormal operational cash flow shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the research conducted by Kusumaningrum and Achmad (2022). The results of this hypothesis test confirm the results of testing in a study conducted by Zalata (2022). The results of this hypothesis test explain that audit quality at the big four public accounting firms reduces the level of accrual earnings management and encourages company management to carry out earnings management through real activities with abnormal cash flows. Real earnings management attracts less attention from the auditor than accrual-based earnings management because real activity manipulation is an operational decision made by a company regarding product pricing that is not the responsibility of the auditor. Therefore, it can be alleged that a qualified auditor is unable to detect the motivation behind the policies implemented by the company's management. High audit quality is still not able to limit earnings management practices because the companies audited by the Big Four Public Accounting Firms only aim to increase the credibility of their financial statements. The results of this hypothesis test confirm the agency theory because the big four public accounting firms do not obtain complete evidence during the audit process, resulting in information asymmetry and indications that the auditor partner may provide an inaccurate opinion.

In the fourth hypothesis test with real earnings management proxied by abnormal production costs shows that the hypothesis is accepted. The results of this hypothesis test do not confirm the research conducted by Kusumaningrum and Achmad (2022). The results of this hypothesis test confirm the results of testing in a study conducted by Zalata (2022). The results of this hypothesis test explain that audit quality at the big four Public Accounting Firms reduces the level of accrual earnings management and encourages company management to carry out earnings management through real activities with abnormal production costs. Real earnings management attracts less attention from the auditor than accrual-based earnings management because real activity manipulation is an operational decision made by a company regarding product pricing that is not the responsibility of the auditor. Therefore, it can be alleged that a qualified auditor is unable to detect the motivation behind the policies implemented by the company's management. High audit quality is still not able to limit earnings management practices because the companies audited by the Big Four Public Accounting Firms only aim to increase the credibility of their financial statements. The results of this test confirm the agency theory because the big four Public Accounting Firms do not obtain complete evidence during the audit process, resulting in information asymmetry and indications that the auditor partner may provide an inaccurate opinion.

4.9 Explanation of the fifth hypothesis

The fifth hypothesis reveals that Political Connection (KP) has a positive effect on real earnings management. In the fifth hypothesis test with real earnings management proxied by abnormal operational cash flow shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of testing in the research conducted by Putri and Supatmi (2022). The results of this hypothesis test confirm the results of testing in research conducted by Hidayati and Diyanty (2018). The results of this hypothesis test explain that the more members of the commissioners who are politically connected, it is predicted that it will not affect the tendency of management to use real earnings management techniques through abnormal operational cash flows. The board of commissioners only supervises the board of directors and is not much involved in the company's cash flow policy, so it cannot directly supervise management. Companies use political connections not for opportunistic purposes such as earnings management, but for other reasons such as avoiding litigation and reducing public pressure considering that the manufacturing industry is vulnerable to labor relations, permits and other regulations. The results of this hypothesis test do not confirm agency theory because the presence of politically connected commissioners cannot reduce information asymmetry because management has more complete financial statement information and management can use earnings management techniques through abnormal operational cash flows if there is a decline in company performance.

In testing the fifth hypothesis with real earnings management proxied by abnormal production costs, it shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of testing in the research conducted by Putri and Supatmi (2022). The results of this hypothesis test confirm the research conducted by Hidayati and Diyanty (2018). The results of this hypothesis test explain that the more members of the commissioners who are politically connected, it is predicted to reduce the tendency of management to carry out real earnings management techniques through abnormal production costs. This is because the board of commissioners only supervises the board of directors and cannot directly supervise management. The results of this hypothesis test confirm agency theory because the presence of politically connected commissioners can reduce information asymmetry due to strict external monitoring of companies with political connections trying to maintain their reputation.

In the fifth hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. The results of this hypothesis test do not confirm the results of testing in the research conducted by Putri and Supatmi (2022). The results of this hypothesis test confirm the results of testing in research conducted by Hidayati and Diyanty (2018). The results of this hypothesis test explain that the more members of the commissioners who are politically connected, it is predicted to reduce the tendency of management to carry out real earnings management techniques through abnormal discretionary costs. This is because the board of commissioners only supervises the board of directors and cannot directly supervise management. The results of this hypothesis test confirm agency theory because the presence of politically connected commissioners can reduce information asymmetry due to strict external monitoring of companies with political connections trying to maintain their reputation. In the fifth hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs and abnormal discretionary costs indicate that the hypothesis is rejected. The results of this hypothesis test do not confirm the research conducted by Putri and Supatmi (2022). The results of this hypothesis test confirm the results of testing in research conducted by Hidayati and Diyanty (2018). The results of this hypothesis test explain that the more members of the commissioners who are politically connected, it is predicted to reduce the tendency of management to use real earnings management techniques. This is because the board of commissioners only supervises the board of directors and cannot directly supervise management. The results of this hypothesis test confirm agency theory because the presence of politically connected commissioners can reduce information asymmetry due to strict external monitoring of companies with political connections trying to maintain their reputation.

5. CONCLUSION AND IMPLICATIONS

Based on the results of study and discussion of the influence of opportunistic behavior, board gender diversity, financial distress, audit quality, and political connections to real earnings management in manufacturing sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period, conclusions can be drawn from the results test the hypothesis. The first hypothesis reveals that board gender diversity (BGD) has a negative effect on real earnings management. In the first hypothesis test with real earnings management proxied by abnormal operating cash flows, it shows that the hypothesis is accepted. In the first hypothesis test with real earnings management proxied by abnormal production costs, it shows that the hypothesis is accepted. In the first hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is accepted. In the first hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and discretionary costs, it shows that the hypothesis is accepted. The second hypothesis reveals that Financial Distress (FD) has a positive effect on real earnings management. In the second hypothesis test with real earnings management proxied by abnormal operating cash flows shows that the hypothesis is accepted. In the second hypothesis test with real earnings management proxied by abnormal production costs shows that the hypothesis is accepted. In the second hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is accepted. In the second hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is accepted. The third hypothesis reveals that Opportunistic Behavior (PO) has a positive effect on real earnings management. In the third hypothesis test with real earnings management proxied by abnormal operating cash flows, it shows that the hypothesis is accepted. In the third hypothesis test with real earnings management proxied by abnormal production costs, it shows that the hypothesis is rejected. In the third hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. In the third hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is accepted. The fourth hypothesis reveals that Audit Quality (KA) has a negative effect on real earnings management. In the fourth hypothesis test with real earnings management proxied by abnormal operational cash flow shows that the hypothesis is rejected. In the fourth hypothesis test with real earnings management proxied by abnormal production costs, it shows that the hypothesis is rejected. In the fourth hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. In the fourth hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is rejected. The fifth hypothesis reveals that Political Connection (KP) has a positive effect on real earnings management. In the fifth hypothesis test with real earnings management proxied by abnormal operational cash flow shows that the hypothesis is rejected. In testing the fifth hypothesis with real earnings management proxied by abnormal production costs, it shows that the hypothesis is rejected. In the fifth hypothesis test with real earnings management proxied by abnormal discretionary costs shows that the hypothesis is rejected. In the fifth hypothesis test with real earnings management which is proxied by the sum of abnormal operating cash flows, abnormal production costs, and abnormal discretionary costs shows that the hypothesis is rejected. Some limitations in this study are: 1)The current study uses samples based on manufacturing sector companies with a study period of 4 years, so the results of the analysis in the current study cannot be generalized to other types of sectors because they have different characteristics; 2) This study uses the big four KAPs as a variable measure of audit quality based on a categorical scale. Based on the conclusions and limitations of the research, the researcher provides suggestions for further research, namely: 1)Future research is expected to be able to widen the research period to more than 4 years and to be able to use non-financial sector or financial sector company samples; 2)In assessing real earnings management, it is hoped that further research will investigate why high audit quality at the big four public accounting firms cannot prevent real earnings management practices; 3)Future research is expected to use measures such as auditor industry specialization and audit capacity stress as audit quality variables (Hermatika and Triani, 2022).

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