

THE EFFECT OF THE FEMALE DIRECTORS AND OTHER FACTORS ON REAL EARNINGS MANAGEMENT

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ABSTRACT

This study aims to determine the effect of female directors, leverage, profitability, audit quality, institutional ownership, firm age, and firm size on real earnings management. This research was conducted because there were still inconsistencies in the results of previous studies. This study used a sample of 115 manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The sample selection method used purposive sampling, and the statistical analysis used multiple linear regression. The results of this study indicate that profitability and firm age have a negative effect on real earnings management. In contrast, female directors, leverage, audit quality, institutional ownership, and firm size do not affect real earnings management. The implication of this research is to develop knowledge that firms with high profitability and longer firm age tend to have lower real earnings management.

Keywords: real earnings management, female directors, profitability, audit quality, institutional ownership, firm age

INTRODUCTION

During the COVID-19 pandemic, many firms experienced financial difficulties that had an impact on the firm's survival. This will affect the firm's financial reporting, displaying deteriorating financial performance. Thus, the firm needs to retain and attract investors so that the continuity of the firm can be guaranteed. For this reason, firms will be encouraged to manipulate financial statements, especially regarding earnings.

Financial statements describe the final results of a firm's accounting process, namely the process of submitting a report (Dewi, 2019). Financial statements are prepared and disclosed at least once a year to meet users' interests for their various interests (Johan, 2019). Investors have various sources of information obtained from financial statements to consider in decision-making (Sarjono, 2019).

Earnings can be interpreted as a value that describes information about the results of the firm's business processes that experience earnings from sales transactions (Florenca & Susanty, 2019). The earnings can also help investors decide to invest in the firm, so many firms compete to increase their earnings. Several strategies increase earnings by tricking investors into decision-making (Pradipta, 2019).

Earnings management is a strategy carried out by financial statement makers that is deliberately carried out to increase investor interest in the high earnings that the firm has on financial statements. Earnings management can be done by manipulating revenue to achieve predetermined targets (Saniamisha & Jin, 2019). Earnings management occurs because of weak control over the firm (Susanto & Pradipta, 2020) and because the manager expects to benefit from the fraud that benefits himself (Firnanti, 2018).

Real earnings management is a form of manipulation that aims to increase current-period profits by providing massive discounts, increasing production, and cutting discretionary expenditure budgets (Roychowdhury, 2006; Cohen & Zarowin, 2010; Kim & Sohn, 2013). However, real earnings management is predicted to have an impact in the future, such as decreasing firm value and reducing the firm's competitive advantage in the future (Gunny, 2010; Tabassum et al., 2015).

This research is a development of previous research by Khanh & Khuong (2018). The difference between this study and previous studies is adding independent variables, namely female directors (Ramadan et al., 2021) and institutional ownership (Almashaqbeh et al., 2019). The reason for adding these variables is to provide empirical evidence on whether female directors and institutional ownership affect the existence of real earnings management practices in firms.

Women and men have different abilities due to different socialization processes. Women are usually more ethical professionally and less likely to act immorally for financial gain than men. Women are also more likely to report incidents of fraudulent financial reporting. Women are less tolerant when deciding and place less importance on self-interest, appropriateness, and common practice. Women tend to be more risk-averse than men. Firms with more female directors tend to report high-quality earnings (Gull et al., 2018)

Meanwhile, institutional investors play a significant role in monitoring managers and reducing managers' involvement in earnings management. Institutional ownership can be used as a good governance mechanism with their participation level, which will reduce agency costs. Active monitoring of institutional investors who own a large proportion of shares and have a high level of understanding will pressure managers not to be involved in earnings management (Almashaqbeh et al., 2019).

In addition, the objects and periods used in this study are manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. This research was also conducted because of the inconsistency of the results of previous studies. This research contributes to the development of science related to factors that can affect real earnings management in firms.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory describes the difference in interests between investors (principals) and managers (agents). This theory explains that there is a contract between principals and agents. Principals hire agents to perform some services on behalf of principals and make decisions to represent principals, and the interests of principals must be morally acceptable (Godfrey et al., 2010). This contract will be problematic if the principal's interests with the agent differ and there are information asymmetry conditions that drive earnings management.

According to Panda & Leepsa (2017), agency theory discusses solving problems between principals and agents, namely (1) Agency theory can arise if the goals and desires between principals and agents conflict. (2) Principals need help verifying whether agents have behaved appropriately. (3) Principals and agents have different attitudes toward risk and choose different actions due to risk preferences.

Real earnings management

Earnings management can be interpreted as deliberate interference by managers in determining firm earnings for personal gain by changing accounting methods, accounting estimates, and policies that determine accounting figures. Earnings management occurs because managers intend to increase compensation, meet analysis estimates, avoid debt agreements, and affect stock prices (Subramanyam, 2014).

The managers can mislead users of financial statements through accrual earnings management and real earnings management. However, managers tend to use real earnings management instead of accrual earnings management because it can increase the low level of scrutiny of regulators and auditors, although using real earnings management is very expensive (Almashaqbeh et al., 2019).

According to Roychowdhury (2006), real earnings management is a deviation from normal operational practices by managers' desire to mislead investors into believing that the firm has met financial reporting objectives and the firm's revenue targets. This manipulation method is done by giving aggressive discounts to customers to increase sales volume (abnormal cash flow), reduce discretionary expenditures, and produce more than usual so that excess inventory can be sold in the next period (overproduction).

Female Directors and Real Earnings Management

The composition of directors who have gender diversity can reduce agency conflicts. Female directors can provide different perspectives in determining the policy direction of a firm. Social characteristics measured by women can play a supervisory function, especially in firms dominated by male directors. Women tend to be more careful in acting and making decisions, so female directors are intolerant of opportunistic behavior such as earnings management. It is predicted that female directors will be able to reduce real earnings management because this action is quite risky and can harm the auditor's interests (Ramadan et al., 2021).

Social characteristics measured by women can play a supervisory function, especially in firms dominated by male directors. Debnath et al. (2019) and Ali et al. (2021) stated that the higher the female directors, the higher the level of manipulation of real earnings management because female directors tend to avoid reporting losses, meet revenue benchmarks, and meet investors' analysis estimates, so female directors are involved in real earnings management.

Conversely, firms with many female directors tend to show good income quality. Firms with long-standing and more educated female board chairmen will have lower absolute discretionary accruals and lower real earnings management. Women directors are more likely to implement very conservative accounting strategies and tend to limit earnings management activities, resulting in high-quality earnings due to the low manipulation of the firm's real activities (Chang et al., 2017). The higher the number of female directors, the lower the manipulation of real earnings management because it can reduce policies that tend to be opportunistic in businesses dominated by male directors (Ramadan et al., 2021). According to Adamu et al. (2017), female directors demonstrate good ethical behavior and knowledge about real earnings management to reduce information asymmetry. The results of this study are also supported by Abubakar et al. (2017) and Ghaleb et al. (2021).

Nevertheless, Chang et al. (2017) and Li et al. (2021) stated that the relatively low number of female directors on the board would not affect real earnings management, and real earnings management has nothing to do with the participation of women on the board that leads a firm. Based on the inconsistency of previous research, the research hypothesis is as follows:

Ha1: There is an influence of female directors on real earnings management.

Leverage and Real Earnings Management

Leverage is a financial ratio that measures the magnification of risk and returns through fixed financing, such as debt and shares. Puspitasari (2019) stated that the higher the leverage a firm has, the higher the level of manipulation of real earnings management because firms with high debt for assets and investments will regulate the resulting earnings figures to attract the attention of creditors or investors to provide loan funds. Puspitasari (2019) research results state that leverage positively affects real earnings management. Likewise, high leverage tends to engage in earnings management that increases profits to avoid violating debt agreements (Khanh & Khuong 2018). A high level of leverage is one aspect that can motivate managers to manage earnings. The higher the level of leverage ratio of a firm, the higher the risks faced by the firm. The proportion of firm debt is higher than the assets owned by the firm, managers tend to manipulate in the form of real earnings management to avoid loan agreements (Adi et al. 2020).

Conversely, Rahmanto (2017) stated that leverage negatively affects real earnings management because firms with high debt will make it difficult for firm managers to make predictions of future firm performance, and creditors will be stricter in supervising the firm so that real earnings management activities are difficult to do. The results of this study are supported by Manurung and Istianingsih (2017), Arlita et al. (2019), and Istianingsih & Bawono (2021).

Unlike Utami & Handayani (2019), leverage does not influence real earnings management because firms with a safe level of *leverage*, namely firms that can pay their debts, do not make managers interested in doing real earnings management because firms do not require action to assist firms in paying their debts. The results of this study are consistent with Khanh & Khuong (2018), Devi & Iskak (2018), Lengkong & Herawaty (2019); Adi et al. (2020); Padmini & Ratnadi (2020); Umar et al. (2020); Viriany et al. (2020); Nuswandari (2021). Based on the inconsistency of previous research, the hypothesis of this study is as follows:

Ha2: There is an effect of leverage on real earnings management.

Profitability and Real Earnings Management

Profitability is a ratio that shows the firm's success in generating earnings and is used to measure management effectiveness in earnings generated from sales and investment (Augustine & Dwianika, 2019). Devi & Iskak (2018) revealed that the higher the profitability of a firm, the higher the level of manipulation of real earnings management because good firm profitability shows that the firm's performance is good, and extending the series of increased revenues motivates managers to do real earnings management. The research results are consistent with Khanh & Khuong (2018), Yoviaal (2016), Astuti & Pangestu (2019), Puspitasari (2019); Ashari & Haryono (2021); Putri & Nuswandari (2021).

Conversely, Farha et al. (2021) stated that profitability negatively affects real earnings management. The results of this study are also supported by Manurung & Istianingsih (2017), Viriany et al. (2020), and Ghaleb *et al.* (2021). Meanwhile, Utami & Handayani (2019) stated that profitability does not influence real earnings management because high firm profitability will benefit managers and investors. In contrast, low firm profitability will not directly impact management's failure to manage the firm or bankruptcy. The study results are consistent with Wardani & Isbela (2017) and Adi et al. (2020). Based on the inconsistency of previous research, the research hypothesis is as follows:

Ha3: There is an effect of profitability on real earnings management.

Quality Audit and Real Earnings Management

Quality audits can reflect the reliability of financial statements reported by a firm. The better the reputation of the external auditor firm, the more reliable the information presented in the financial statements. External auditors with a good reputation are often associated with Big Four firms because they are more effective in carrying out the audit process than non-Big Four firms (Umar *et al.* 2021).

According to research by Sitanggang et al. (2020), the higher the audit quality, the higher the level of manipulation of real earnings management because good auditor quality will encourage managers to carry out real earnings management because managers will switch from accrual to real earnings management when facing strict supervision from auditors with more limited standards. The results of the study are consistent with Boedhi & Ratnaningsih (2015), Devi & Iskak (2018), Cahyawati & Setiana (2018).

Umar et al. (2020) stated that audit quality negatively influences real earnings management because good audit quality will reduce the possibility of earnings manipulation. After all, it has strict assessment standards and procedures. The study results were supported by Boedhi & Ratnaningsih (2015) and Manurung & Istianingsih (2017).

However, according to Putri & Nuswandari (2021), audit quality does not influence real earnings management. The results of the study are consistent with Khanh & Khuong (2018), Utami & Handayani (2019), Astuti & Pangestu (2019), and Lengkong & Herawaty (2019). Based on the inconsistency of previous research, the research hypothesis is as follows:

Ha4: There is an effect of quality audits on real earnings management.

Institutional Ownership and Real-Earnings Management

Institutional ownership can be interpreted as shares owned by financial institutions, whether banks, nonfinancial firms, or other financial firms. Debnath et al. (2021) explained that the higher the institutional ownership, the higher the level of manipulation of real earnings management because firms dominated by institutional ownership are more likely to carry out real earnings management through discounts, light credit terms, and lower discretionary costs. The results of this study are consistent with Arlita et al. (2019).

In contrast, Liu & Tsai (2015) state that institutional ownership negatively influences real earnings management because higher institutional ownership can protect investors by monitoring the onset of real opportunistic real earnings management behavior in firms. The results of this study are consistent with Almashaqbeh et al. (2019), Piosik & Genge (2019), and Ashari & Haryono (2021).

However, Budi & Putri (2018), Cahyawati & Setiana (2018), Viriany et al. (2020), and Prabowo & Pangestu (2021) show that institutional ownership does not influence real earnings management. Based on the inconsistency of previous research, the research hypothesis is as follows:

Ha5: There is an influence of institutional ownership on real earnings management.

Firm Age and Real Earnings Management

The firm age is the age from the establishment of a firm to the firm's ability to carry out its operations (Agustia & Suryani 2018). According to Khanh & Khuong (2018), the longer the life of the firm, the higher the level of manipulation of real earnings management because long-established firms are more experienced in terms of corporate governance and more exposed to a reputational risk so that to maintain the firm's reputation, managers will be more conservative to engage in real earnings management. Based on the research results of Yoviaal (2016) and Khanh & Khuong (2018), the firm's age positively influences real earnings management.

Rachprilani et al. (2021) stated that firm age has a negative influence on real earnings management because firms that live longer generally have a lower level of involvement in earnings management because they usually have a better reputation and are more aware of the code of ethics, besides that old firms will be more required to disclose additional information in its financial statements. The results of this study are consistent with Wardani & Isbela (2017).

Conversely, Lengkong & Herawaty (2019) show that the firm's age does not influence real earnings management. The results of this study are also supported by Sun et al. (2020) and Alhmoed et al. (2020). Based on the inconsistency of previous research, the research hypothesis is as follows:

Ha6: There is an effect of firm age on real earnings management.

Firm Size and Real Earnings Management

Firm size is a scale by classifying firms in total assets, log size, market capitalization, and sales (Agustia & Suryani 2018). According to Istianingsih & Bawono (2021), the larger the firm's size, the higher the manipulation of real earnings management. Large firms tend to be more motivated to carry out earnings management in the firm's real activities. Based on research conducted by Istianingsih & Bawono (2021), firm size positively influences real earnings management. The results of this study are consistent with those of Manurung & Istianingsih (2017), Yoviaal (2016), Budi & Putri (2018).

Meanwhile, Farha et al. (2021) stated that the firm's size negatively influences real earnings management. Utami & Handayani (2019) explained that the larger the size of the firm, the lower the level of manipulation of real earnings management because the larger the firm size, the firm is considered relatively stable, has less risk, and can generate earnings so that this situation makes management feel satisfied and restrains them from real earnings management manipulation. The results of this study are consistent with Khanh & Khuong (2018) and Utami & Handayani (2019).

Conversely, Wardani & Isbela (2017) show that small or large firms do not affect the level of real earnings management due to strict supervision from the public and the government so that they will be more thorough in reporting their financial reports. The results of this study are consistent with Astuti & Pangestu (2019), Wardani & Isbela (2017), Alhmoed et al. (2020), and Adi et al. (2020). Based on the lack of consistency of previous research, the research hypothesis is as follows:

Ha7: There is an effect of firm size on real earnings management.

RESEARCH METHODS

The research objects used in this study are manufacturing firms listed on the Indonesia Stock Exchange from 2017 to 2021. The sampling method in this study is *purposive sampling*. The criteria for the firms sampled are (1) manufacturing firms listed on the Indonesia Stock Exchange from 2017 to 2021, (2) invoiced firms that consistently publish financial statements, (3) manufacturing firms that consistently present financial statements ending on December 31, (4) manufacturing firms that consistently present financial statements in Rupiah. Based on these criteria, 115 firms were sampled, with 345 observations. This study tested the Hausman test panel data and showed that the test method used a fixed effect.

Real earnings management

According to Boedhi & Ratnaningsih (2015), real earnings management is a deliberate manipulation of earnings to increase earnings directly related to the firm's operating activities. According to Li et al. (2021), the level of real earnings management can be measured by three calculation model methods Roychowdhury (2006); Cohen et al. (2008) regression per year:

1. Sales Manipulation (AB_OCF)

$$\frac{OCF}{A_{i,t-1}} = \beta_0 + \beta_1 \frac{1}{A_{i,t-1}} + \beta_2 \frac{S_{i,t}}{A_{i,t-1}} + \beta_3 \frac{\Delta S_{i,t}}{A_{i,t-1}} + \varepsilon_t$$

Information:

- OCF = Cash flow from firm operations i in the year
- $\beta_1, \beta_2, \beta_3$ = Firm-specific parameters
- $A_{i,t-1}$ = Total assets of the firm i in the previous year
- $S_{o,t}$ = Net sales of the firm i in the year
- $\Delta S_{o,t}$ = Net sales of the firm i in the year subtracted
Net sales of firm i in the previous year
- ε_t = Residual term

2. Discretionary Expenditures (AB_DE)

$$\frac{DE}{A_{i,t-1}} = \beta_0 + \beta_1 \frac{1}{A_{i,t-1}} + \beta_2 \frac{SALES_{i,t}}{A_{i,t-1}} + \varepsilon_t$$

Information:

- DE = Total expenses of sales and administration of the firm i
in the year
- β_1, β_2 = Firm-specific parameters
- $A_{i,t-1}$ = Total assets of the firm i in the year
- $S_{o,t}$ = Net sales of the firm i in the year
- ε_t = Residual term

3. Over-Production (AB_OP)

$$\frac{OP}{A_{i,t-1}} = \beta_0 + \beta_1 \frac{1}{A_{i,t-1}} + \beta_2 \frac{S_{i,t}}{A_{i,t-1}} + \beta_3 \frac{\Delta S_{i,t}}{A_{i,t-1}} + \beta_4 \frac{\Delta S_{i,t-1}}{A_{i,t-1}} + \varepsilon_t$$

Information:

- OP = Total cost of goods sold and changes in inventory

	the firm <i>i</i> in the year
$\beta_1, \beta_2, \beta_3, \beta_4$	= Firm-specific parameters
$A_{i,t-1}$	= Total assets of the firm <i>i</i> in the previous year
$S_{o,t}$	= Sales of the firm <i>i</i> in the year
$S_{o,t-1}$	= Net sales of the firm <i>i</i> in the previous year subtracted net sales of firm <i>i</i> in the previous two years
$\Delta S_{o,t-1}$	= Net sales of the firm <i>i</i> in the previous year subtracted net sales of firm <i>i</i> in the previous two years
ε_t	= Residual term

Real earnings management (REM) is derived from the sum of standardized residuals from the three real earnings management proxies. Based on research that has been conducted by Li et al. (2021), real earnings management variables are measured by the model of Roychowdhury (2006) and Cohen et al. (2008) as follows:

$$REM = AB_OP - AB_OCF - AB_DE$$

Information:

REM = Real earnings management

AB_OP= Abnormal level of production costs

AB_OCF= Abnormal level of operating cash flow for the business

AB_DE= Abnormal level of expenditure in the business

Female Directors

Female directors represent female directors on a firm's board (Abubakar et al., 2017). The female directors' variable is given the FEM symbol and measured using a ratio scale. According to research conducted by Almashaqbeh et al. (2019), female directors' variables are measured using proxies as follows:

FEM = number of female directors/number of board directors

Leverage

Leverage is a ratio between a firm's total debt and total assets, which is used to measure the extent to which the firm's assets are financed by debt (Utami & Handayani, 2019). Variable leverage is given the symbol LEV and measured using a ratio scale. According to research that has been conducted by Khanh & Khuong (2018), variable leverage is measured using proxies as follows:

$$LEV = \frac{\text{Total debt}}{\text{Total assets}}$$

Profitability

Profitability is the ratio of the comparison between net income after interest and tax with the firm's total assets (Puspitasari, 2019). The profitability variable is given the symbol ROA and measured using a ratio scale. According to research conducted by Khanh & Khuong (2018), profitability variables are measured using proxies as follows:

$$ROA = \frac{\text{Net income after tax}}{\text{total assets}}$$

Quality Audit

Audit quality is the quality of auditors in detecting material misstatements in reporting a firm's financial statements (Boedhi & Ratnaningsih, 2015). Audit quality variables are given the symbol AUD and measured using dummy variables with a nominal scale. According to research conducted by Putri & Nuswandari (2021), audit quality variables are measured using proxies as follows:

AUD = score 1 for Big 4 Public Accountant, 0 scores for Non-Big 4 Public Accountant

Institutional ownership

Institutional ownership is the percentage of outstanding shares owned by shareholders from institutions such as banks, insurance, and other institutions (Arifin & Destriana, 2016). Institutional ownership variables are given the symbol INSTOWN and measured using a ratio scale. According to research that has been conducted by Almashaqbeh et al. (2019), Institutional ownership variables are measured using proxies as follows:

$$INSTOWN = \frac{\text{The proportion of the institution's shares}}{\text{outstanding share numbers}}$$

Firm Age

The firm's age is the beginning of the firm carrying out its operational activities so that it can maintain the principle of going concerned (Lengkong & Herawaty, 2019). The firm's age variable is given the symbol AGE and measured using a ratio scale. According to research conducted by Khanh & Khuong (2018), the firm's age variable is measured using proxies as follows:

$$AGE = \text{Year } t - \text{The year of the firm beginning}$$

Firm Size

The firm's size is the total value of wealth owned by the firm (Wardani & Isbela, 2018). The firm size variable is given the symbol SIZE and measured using a ratio scale. According to research conducted by Wardani & Isbela (2017), firm size variables are measured using proxies as follows:

SIZE = Ln (total assets)

RESEARCH RESULTS

This study used multiple regression analysis and conducted a classical assumption test. The results of testing classical assumptions show no problem of heteroscedasticity, autocorrelation, or multicollinearity.

The descriptive statistic results show the amount of data used in this study, standard deviation, mean value, maximum value, and minimum value. For the independent variables, female directors, leverage, profitability, institutional ownership, firm age, and firm size are seen in table 1 below:

Table 1: Descriptive Statistic

Variable	N	Minimum	Maximum	Mean	Std. Deviation
FEM	345	0,000000	0,750000	0,137096	0,169587
LEV	345	0,063029	3,954365	0,497435	0,425572
ROA	345	-1,049839	0,607168	0,037340	0,122552
AUD	345	0,000000	1,000000	0,321739	0,467822
INSTOWN	345	0,000000	0,999431	0,661000	0,263159
AGE	345	5,000000	92,000000	39,930435	14,224153
SIZE	345	25,361398	33,537230	28,521970	1,565709
REM	345	-10,842604	8,225032	0,000000	2,438777

Source: Statistical Data Processing

Test frequencies – audit quality value of 0 is 234, and 1 is 111. Female directors (FEM) have a minimum value of 0.000000, while the maximum value is 0.750000, the average value is 0.137096, and the standard deviation is 0.169587. Leverage (LEV) has a minimum value of 0.063029, while the maximum value is 3.954365, the average value is 0.497435, and the standard deviation is 0.425572.

Profitability (ROA) has a minimum value of - 1.049839, while the maximum value is 0.607168, the average value is 0.037340, and the standard deviation is 0.122552. Institutional ownership (INSTOWN) has a minimum value of 0.000000, while the maximum value is 0.999431, the average value is 0.661000, and the standard deviation is 0.263159.

The firm's age (AGE) has a minimum value of 5.000000, while the maximum value is 92.000000, the average value is 39.930435, and the standard deviation is 14.224153. The firm's measurement (SIZE) has a minimum value of 25.361398, while the maximum value is 33.537230, the average value is 28.521970, and the standard deviation is 1.565709. Real earnings management (REM) has a minimum value of -10.84260, while the maximum value is 8.22503, the average value is 0.000000, and the standard deviation is 2.438777.

Audit quality is a dummy variable, with the composition of 234 firm data not audited by one of the big four with a percentage of 67.8%. In comparison, the remaining 32.2% are firms audited by one of the big four, as many as 111 firm data. Research data is dominated by firms not audited by the big four.

Table 2: Hypothesis Test Results

Variable	B	Sig.	Conclusion
(Constant)	-1,620	0,527	-
FEM	-1,339	0,072	Ha not accepted
LEV	0,278	0,346	Ha not accepted
ROA	-6,279	0,000	Ha accepted
AUD	-0,599	0,054	Ha not accepted
INSTOWN	0,483	0,310	Ha not accepted
AGE	-0,034	0,000	Ha accepted
SIZE	0,110	0,217	Ha not accepted

Adj. R² = 0.221, F sig. = 0.000

The value of the test results of the coefficient of determination analysis Adj. R² is 0.221, so it can be concluded that the dependent variable, namely real earnings management, can be explained by independent variables, namely, female directors (FEM), leverage (LEV), profitability (ROA), audit quality (AUD), institutional ownership (INSTOWN), firm age (AGE), and firm size (SIZE) is 22%. The remaining 78% is explained by other independent variables that do not exist in regression models. The results of the F test show a significance value of 0.000, so it can be concluded that the model is fit.

Female directors (FEM) have a coefficient (B) value of -1.339 and a significance value of 0.072 > 0.05. So it can be concluded that Ha₁ is not accepted, which means that the female directors (FEM) do not influence real earnings management. It can be interpreted that the participation of the female board of directors is relatively low, so it cannot have a major impact on firm decisions. In addition, the existence of real earnings management is still relatively grey, so the effect of real earnings management suppressed by female directors has not been seen (Li et al., 2021).

Leverage (LEV) has a coefficient (B) value of 0.278 and a significance value of 0.346 > 0.05. Then, it can be concluded that Ha₁ is not accepted, which means that leverage (LEV) does not influence real earnings management. The average firm sampled in this study has a safe level of leverage, so managers are not interested in carrying out real earnings management practices because firms do not need action to manipulate firm earnings (Putri & Nuswandari, 2021).

Profitability (ROA) has a coefficient (B) value of -6.279 and a significance value of 0.000 > 0.05. Then, it can be concluded that Ha₁ is accepted, which means that profitability (ROA) negatively influences real earnings management. Firms with low profitability and no achievement of the earnings target will try to manipulate earnings to increase the possibility of real earnings management (Viriany, 2020).

Audit quality (AUD) has a coefficient (B) value of -0.599 and a significance value of $0.054 > 0.05$. So, it can be concluded that H_{a1} is not accepted, which means that audit quality (AUD) does not influence real earnings management. Audits conducted by neither big four nor non-big four auditors can limit all forms of real earnings management (Astuti & Pangestu, 2019). Institutional ownership (INSTOWN) has a coefficient (B) value of 0.483 and a significance value of $0.310 > 0.05$. It can then be concluded that H_{a1} is not accepted, which means that institutional ownership (INSTOWN) does not influence real earnings management. Investors dissatisfied with the performance of their portfolio firms tend to liquidate their holdings rather than monitor the management of those firms (Cahyawati & Setiana, 2018).

The firm age (AGE) has a coefficient value (B) of -0.034 and a significance value of $0.000 > 0.05$. Then, it can be concluded that H_{a1} is accepted, which means that the firm age (AGE) negatively influences real earnings management. Long-established firms are usually better known by the public and tend to maintain their reputation by reducing real earnings management practices (Debnath et al., 2019).

The firm size (SIZE) has a coefficient value (B) of 0.110 and a significance value of $0.217 > 0.05$. So, it can be concluded that H_{a1} is not accepted, which means that the firm size (SIZE) does not influence real earnings management. Large and small firms can still manage real earnings (Adi et al., 2020).

CONCLUSION

This study seeks empirical evidence on the effect of female directors, leverage, profitability, audit quality, institutional ownership, firm age, and firm size. This study shows that profitability and firm age negatively affect real earnings management. Firms with high profitability tend to refrain from being encouraged to manage real earnings because the expected performance targets have been achieved. Firms with a longer firm age will try to maintain their reputation, so they tend to do something other than real earnings management. However, this study cannot prove that female directors, leverage, audit quality, institutional ownership, and firm size influence real earnings management.

The research implication is related to the understanding of various parties, especially investors, that the profitability and firm age will affect real earnings management practices. Investors can be more careful in receiving information about a firm's earnings that cannot be trusted with comprehensive data and has irregularities in it.

This research's limitation is that the research sample is manufacturing firms, so the research results cannot be generalized. The recommendation for future research is to use a sample of nonfinancial firms.

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