Bulletin of Business and Economics, 13(1), 256-272
https://bbejournal.com
https://doi.org/10.61506/01.00201

The Impact of Dividend and Tax Avoidance on Earning Management of Companies

Nazik Maqsood[1], Tanveer Ahmad Shahid[2], Abaid Ul Rehman[3]

Abstract
Using a sample covering practically all dividend-paying oil and gas companies companies in Pakistan during 2011–2020, we document that earnings management in these companies is driven by two concurrent forces: the willingness to pay (tax-exempt) dividends and avoiding unnecessary company income tax. Moreover, we show that the need for income increasing earnings management enabling current dividend distribution is mitigated by the amount of retained earnings from prior years. This article adds to the existing literature by providing empirical evidence for dividend and tax-driven earnings management in private oil and gas companies facing neither political pressures nor capital market incentives for earnings disclosures.
Keywords: Earning management, Dividend payout, Oil and gas Companies

1. Introduction

1.1. Background

This study investigates the role that tax concerns play as drivers of dividend decisions including EM in privately held oil and gas companies. In the existing body of research, the article helps to bridge the discrepancy by presenting actual proof of practices that are typical in the EM of private firms that are oil companies in size. Because major owners are often a part of the management team and possession is usually much less distributed in private firms, particularly when the business in question is oil and gas companies, signaling difficulties with capital markets and conflicts of interest with top management do not exist in privately held businesses. This is especially true in situations when the company is not publicly traded. To the greatest extent of our comprehension, there is very little empirical research on the role of dividends and taxes as drivers of profit management within sized privately owned companies. Other characteristics, such as social emotion values (i.e., affection-related qualities attributed to shareholding ownership in a corporation) and population demographics, on the other hand, have more recently been investigated as potential predictors of dividend policies including EM in small family businesses (Rahman et al., 2022).

For instance, demonstrated that dividend payout is minimal when a family manages the firm with a household-dominated board by analyzing a sample of Pakistan's small enterprises. They used this sample to demonstrate their point. This conclusion aligns with the theory that significant determinants of the dividend policy of private oil and gas companies include socioemotional goals and the professionalization of family businesses, which in turn leads to nonfamily engagement in governance systems. This theory is compatible with the findings of the study. Similarly, demonstrates that socioemotional variables influence the caliber of financial reporting and EM approaches (including the decision between accrual vs actual earnings management) in Pakistan's private family businesses. In addition, demonstrate robust gender and age consequences for EM in an extensive number of Pakistan's private oil and gas companies. These effects may be seen across the board. The outcomes correspond with the hypothesis that females and older are more comfortable with risk compared to male and younger colleagues who hold comparable positions (Hafiza et al., 2022).

The empirical institutional environment of this study is Pakistan, which serves as an appropriate location for this investigation. The complete dividend matching system, also known as the avoid financial system, was in place before, and it exempted shareholders of privately held firms from paying taxes when they received dividends in addition to the income tax levied on their corporations. Pakistan's tax system has, since the implementation of the organization's tax reform that accompanied the elimination of the avoid fiscal system throughout the years, enabled the full tax avoidance on dividends shipped to the owners of private organizations, stipulated that the dividends fall listed below certain maximum values established by the tax law. This exemption only applies, however, if the dividends are given away to the owners of private companies. As a result, when private companies' dividends surpass the average, they are now subject to a partial second layer of taxation because this scheme has been discontinued. The goal The purpose of this tax break was to alleviate the adverse consequences of the double taxation on company profits, which may have alternatively been caused by the abandonment of the prevailing economic structure, therefore affecting private entities oil and gas companies, the owners of those oil company, and the financial sector as a whole as a result of those effects (Audi et al., 2021; Roussel et al., 2021; Shahid et al., 2022; Shahid, 2024; Zhao et al., 2023).

This study will make a contribution to the existing body of academic research on EM with dividend payment in oil and gas companies by shedding light on some of the variables that impact dividend payout selections in these companies. Furthermore, it may assist lawmakers and regulatory agencies to build effective policies that reduce EM practices and encourage sustainable budgeting practices among oil and gas companies in Pakistan. This can be accomplished with the information provided by the report. In addition, the findings can operate as an example for the leaders of oil and gas companies to assist them in adopting best practices for reporting finances, dividend distributions, and profits management, which will ultimately result in the continued expansion and viability of the oil and gas companies sector in Pakistan over the long term.

1.2. Significance

In this paper, we present the empirical proof of tax-driven EM among privately owned oil and gas companies. The research supplements an earlier research investigation on dividend-based EM in big Finnish public corporations, which illustrates how an ongoing dividend strategy necessitates earnings management. Our existing sample includes almost all dividend-paying commercial oil and gas companies in Pakistan, for whom information from financial statements was accessible for the purpose of the investigation. Additionally, we show that during the aforementioned time frame, the dividend tax rule develops an enormous financial incentive to pay a tax-exempt concentrate on a dividend of some percent of the company's total assets, as everything less leaves income on the board and everything more results in a significant jump in the interests of shareholders

[1] Lecturer at National College of business administration and economics, Pakistan, maqsoodnazik@gmail.com
[2] Corresponding Author, PhD Scholar, School of Commerce and Economics, Superior University, Lahore, Pakistan, tanveershahid077@gmail.com
[3] MS Scholar, School of Accounting & Finance University of Wollongong, Australia Melbourne, Australia, abaidbsp@gmail.com

insignificant tax rate. Researchers additional demonstrate and present evidence that, even if the dividend projection is mostly unrelated to the actual profit in this scenario, companies nevertheless have an immense incentive to manage earnings so as to pay out dividends. When present-day profits are underreported, dividend payments are constrained (in the event sufficient leftover revenues from prior years), but when current profitability are over reported, an additional tax penalty is incurred without contributing to the remittance of targets amounts.

Aligned with this line of thought, we initially illustrate how a tax provision that grants complete exclusion from revenues on dividends up to specified thresholds provides entrepreneurs with a compelling tax-free dividend goal that accurately reflects how they make payout decisions to a significant extent. Subsequently, we as a species demonstrate the manifestation of authentic dividend determinations, which are characterized by the objective of tax exemption., develop an important aspect of EM with two simultaneously but opposing drivers: initially, the necessity for income-increasing EM in order to enable up-to-date dividend distribution; as well as second, the shortage for revenue decreasing EM in order prevent a wasteful company income tax. Additionally, we predict uncover evidence that income-growing profits management motivated by the need to facilitate current dividend payout is moderated by the total amount of retained earnings held by the corporation.

This paper makes numerous important contributions to the body of research that has already been done on the topic of EM in private enterprises. We begin by confirming previous results from Pakistan's private oil and gas companies, which indicate that a dividend tax regime influences the payout policy of private enterprises in a manner that is reasonable. After that, we go on to illustrate how to profit management in these private corporations is driven lower by the corporate income tax and upward by tax-based target dividends. This conclusion is consistent with dividend-based earnings management, which is the objective for firms that are publicly traded. Researchers conclude by demonstrating that an upward EM strategy has a negative correlation with the number of earnings that are retained. In general, the findings of our study provide light on the dynamics of profits management in the context of a simplified environment, which is exemplified by private oil and gas companies that are often characterized by a concentrated ownership structure, low levels of external pressure from outside parties, and negligible agency conflicts between administration and stockholders.

1.3. Problem Statement

Companies frequently engage in the practice of earnings management, which is manipulating accounting records with the purpose of meeting or exceeding the expectations of the market. Despite the fact that EM is common in developing as well as developed nations, there is still a lack of study on how it affects dividend-paying in Pakistan's oil and gas companies.

CF, discretionary current accruals, leverage, and dividends are the primary factors of importance that have to do with EM in this situation. The distribution of dividends is a vital system for the development of value and the distribution of money among shareholders in oil and gas companies. Nevertheless, the presence of EM practices in oil and gas companies has the potential to skew choices about dividend payouts, which in turn can have an effect on the capital structure, the expense of capital, and eventually the long-term viability of the firm.

Consequently, there is an opportunity for more studies to investigate the influence of EM on dividend payment decisions in oil and gas companies in Pakistan and how this connection is affected by the interplay between EM and other factors, which include CF, discretionary current accruals, including debt.

1.4. Research Objective:

- To find the impact of the dividend payout on earning management in oil and gas companies in Pakistan.
- To determine the impact of the tax avoidance on earning management in the oil and gas companies in Pakistan.

1.5. Research Questions

Does the dividends and tax avoidance has an impact on earning management in the oil and gas companies in Pakistan?

2. Literature Review

2.1. Earning Management

(Li et al., 2022 and Dechow et al., 2012) is credited with being the first person to use the concept of earnings management. Since then, the inquiry into EM has accomplished substantial headway since it was first opened. It is important to note that was the first researcher who calculated the difference between the averages using the average T.A.s, and hence he was also the first researcher to predict EM using this method. The subsequent years saw an increase in the frequency with which individuals discussed the topic of revenue management. The investigation focuses on determining the D.A.s by considering the link between T.A.s and predicted explanatory variables by using extremely important and substantial theories, which depend on the establishment of T.A.s along with modifications in T.A.s (Cohen et al., 2002). These models are dependent on the measurement of T.A.s and modifications in T.A.s. T.A. is characterized by yearly changes in major accounting characteristics, such as receivable accounts, inventory, and payment accounts as well, as amortization, as shown by (Bernard & Stober, 1989, Ali & Audi, 2018; Dawood et al., 2023).

A number of the recommended detection models for economics use the assumption that D.A.s are exponentially dependent on the yearly change in earnings, outstanding, long-term real estate assets, CF, or investment return on investments (the many variables utilized in the frameworks that are being studied). The calculation process of the management of accrual earnings can be understood by the framework that has been put forward by (Bernard & Skinner, 1996). This model makes use of the regression method for managing non-discretionary factors that influence accruals, and it specifies a straight-line relationship between T.A.s and modifications in chosen parameters (revenues and observable fixed assets). Jones's model can be found here. They classified operational CF as a non-discretionary aspect of earnings management, and as a result, (Gunny, 2005) enhanced the model by taking into consideration the recognition of earnings manipulation in businesses that have extraordinarily large CFs. The initially developed Jones model was changed by (Gunny, 2010), and as a result, the model was strengthened. (Plewa Jr & Friedlob, 1995) made some adjustments to the previous model by including the yearly variations in operational CF as an additional independent factor in the model (Shahbaz, 2015; Shahid, 2023).

The model was modified by (Kaplan & Ruback, 1995) by the use of the parameter "intangible assets," which described the anticipated relationship among intangible assets with depreciation as a component of the N.D.A. came up with the idea of using an industry-based paradigm to calculate normal accruals due to the fact that businesses operating within the same sector are subject to identical incentives for engaging in the discretionary activity (Subrahmanyam & Titman, 2001, Zahra et al., 2023) focused on short-term accumulation, which is simpler to influence than long-term accumulation. The difference between the modifications in non-financial current resources and the changes in operational current assets is what is meant to be understood as short-term accretion. The rise in the amount of stock being offered has an effect on the portion of the short-term accrual that is non-discretionary. (Mills & Yamamura, 1998) developed a model that incorporates the performance-matching model. This model improves the framework and its modified version by optimizing for the operational outcomes of the corporation. This advanced model estimates accrual EM for each firm by including the lagging return of assets as a percentage in the model. As a result, it establishes the D.A. in the linear-performance matching system (Shahzadi et al., 2023).

The most recent findings from this line of study have shown that writers concentrated on a variety of aspects and points of view about profit management. The research conducted by (Livnat & Zarowin, 1990) focuses on the calming impact of obligatory I.F.R.S. deployment on the link between the training and expertise of executive management with earnings management. (Allayannis & Mozumdar, 2004; Hussain, 2014) conduct an investigation on the impact that accounting requirements, as well as the obligatory implementation of I.F.R.S. as well as I.A.S., have on EM in Pakistan publicly traded firms. Accounting standards outline how enterprises are required to keep and disclose the accounts they maintain in order to establish standardized accounting terminology (Kao & Chen, 2004). This enables enterprises and their financial statements to be consistent and dependable from one firm and nation to the next. After the implementation of these rules, their findings indicate that there are still indicators of EM in non-financial listed businesses. This is the conclusion that can be drawn from the findings of the researchers. According to the findings of (Kadapakkam et al., 1998), EM became more prevalent among businesses in Europe after the implementation of I.F.R.S. However, the relationship between the implementation of I.F.R.S. and EM does not hold true in every country (Awan et al., 2023).

In their study, (Dutta & Gigler, 2002) investigate how nations manage their earnings when they launch an anti-dumping inquiry to pursue protectionist duties that the country's government puts on imports from other countries that it feels have been priced below the true value of the product. These tariffs are imposed because the nation's leadership believes that the prices of these imports are lower than the actual market value of the product. The authors state that EM is more prevalent when financial information can directly influence the level of tariffs assessed on a trade inquiry, but that it becomes less prevalent as the number of petitioners firms grows. The cross-sectional augmented Jones model is used by (Becker et al., 1998) in their investigation of the effect that culture plays on executive choices about accounting accruals and how audit quality affects those decisions. Additionally, the research conducted by (Ljungqvist & Richardson, 2003) shed light on the interconnections that exist between different national cultures and different accounting practices. (Almeida et al., 2004) conducted research in order to investigate the impact that political affiliations have on the profitability and real profits management of companies that are privately owned. They came to the conclusion that politically connected businesses had a significantly higher propensity to participate in profit manipulation (Chaudhary et al., 2023).

Nevertheless, according to the findings of (Barton & Simko, 2002), institutional block holders discourage opportunism financial disclosure, and these types of behaviors are particularly noticeable among domestic institutional block holders. (Rayburn, 1986), who explored the gender heterogeneity effect of wage modification, each achieved their own unique set of findings. They reveal that there is a correlation between the inclusion of female directors and a reduction in profits management. Both (Koijen & Van Nieuwerburgh, 2011) explored the influence of different types of managers and provided evidence that businesses led by narcissistic executives engage in accruals management in order to control earnings in an upward trajectory. The study findings investigate the implications of EM from the point of view of technological advancement and the long-term profitability of corporations (Minhas et al., 2024).

The analysis of projections made regarding organizations' potential CFs is absolutely necessary in order to identify a worsening in the financial conditions of businesses. It is therefore of the utmost importance to have a reliable method for forecasting potential monetary difficulties, one that is both valid and applicable. A number of writers, including (Young, 1999), have concentrated on the conventional method of financial research in order to uncover important indications that may be utilized by organizations in order to avert financial troubles. This time-honored strategy is founded on considerations such as the necessary amount of operating capital and the capability of providing one's own finance. Nevertheless, a number of earlier investigations, such as the one conducted by (Broome, 2004), have cast doubt on the validity of these various elements on the grounds that they lack the necessary objects to be vulnerable to fraudulent accounting practices that are subjective. (Xu et al., 2007) conducted research to investigate the degree of objectivity that accrual-based data on accounting possesses in contrast to cash-based information related to accounting (Zulfiqar et al., 2022).

CF analysis has gradually replaced the old approach to analyzing finances as the preferred method. Investigations done in the past have concentrated on trying to explain why firms are worth what they are. In order to provide an explanation for the performance of the stock market, (M. F. McNichols, 2000) depended on the market for financial assets and used certain regression research. The goal of these studies was to explore the explanatory value of each of the elements of net earnings, CFs, and aggregated accruals also used the markets for financial goods. One of the goals of the research that was carried out in 1996 was to identify and analyze the economic factors that make it possible for accruals to forecast future returns. The relationship between pricing stocks, accruals, and CFs was investigated by (M. McNichols & Wilson, 1988).

There have been a great number of research conducted on the subject of forecasting future CFs, particularly in the United States as well as in the United Kingdom. These studies have all produced contrasting findings. Some research, such as that conducted by (M. F. McNichols & Stubben, 2018), has demonstrated that earnings may be relied upon as an indication of future financial resources; however, other researchers, such as (Das et al., 2009), have demonstrated that this assumption is not feasible. In one example, employed a direct method in order to explore the significance of past profits in forecasting future earnings plus CFs.

This was accomplished through the use of regression analysis. Throughout the years 1935 and 1987, he examined the CFs of an assortment of 24 American enterprises. His research was conducted in the United States. Using the approach of regular least squares regression (OLS), his findings show that it is possible to provide an accurate forecast of future CFs and sales based on past profits. Additionally, (Drtina & Largay III, 1985) the results of his research demonstrated that current CFs, as opposed to present earnings, are capable of providing a more accurate forecast of future CFs. Nevertheless, (Lee et al., 2006) did not demonstrate that earnings are a superior source for predicting future CFs than present CFs, which is conflicting with the findings of (Kothari et al., 2005) research.

Several investigations carried out in the United States of America arrive at contrasting conclusions. For example, (Chay & Suh, 2009) employed a multiple linear regression approach to give data from the United States. They used a sample of 667 businesses that spanned thirty years of data spanning 1963 and 1992. This particular study used information from the United States. Their research highlights the remark made by the FASB, which believes revenue aspects are significant and crucial in projecting future CFs. According to the findings of their research, present profits have a greater predictive capacity than CFs do when it comes to estimating future operating CFs. (Badertscher, 2011) conducted research on US corporations over a period of sixteen years and contributed a new component to his findings. This new component is the expansion of future earnings in addition to the present level of revenues. Subsequently came to the conclusion that the amalgamation of CFs with "classic" accruals (change in receivables, changes in customers to be paid, in) led to a more accurate representation of the company's financial position (A. U. Shahid et al., 2022).

These fresh variables (future revenue and existing amount of revenue) have a greater ability to forecast than that CFs coupled with “conventional" accruals. securities, and in accruing costs) and these new elements (future revenues and contemporary level of revenue) have a greater capacity for forecasting than because of CFs in conjunction with "customary" accruals. (Chi & Gupta, 2009) stated that the predictive value of this model rises both as the dimension of the organization grows and as the erratic nature of sales remains consistent. Nevertheless, the validity of this assumption is called into question due to his observation that this varies depending on the industry. (Richardson, 2006) distinguished between core cash component and non-core cash elements, demonstrating that core CF aspects have a better power in forecasting future operating CFs than non-core CF elements do.

A number of pertinent studies were acquired from businesses located in various foreign nations. For instance, (Tsai, 2008) examined English corporations that had been listed on the London Stock Exchange for a period of ten years and came to the conclusion that the separation of profits into accruals and operational CFs increases one's ability to estimate future CFs. Their research concentrated on firms based in England. Additionally, (Baber et al., 2011) the combination has a stronger predictive potential and may be used to anticipate operating expenses up to three years in advance. According to the findings of a study that was carried out by (Roubi & Richardson, 1998) and which concentrated on Thai firms that have listings on the Thai Exchange, CFs give a stronger indicator of future earnings than historical earnings.

The OLS approach was employed in the majority of the investigations that were carried out in order to construct single or numerous linear models. Because it decreases the squared error between the most recent findings and the regression model, this estimate approach seems especially well-suited for the kind of research that is being conducted here (Reider & Heyler, 2003). To summarize, a number of research have chosen one of these factors as the most accurate predictor in order to arrive at a conclusion on the nature of the relationship that exists between CF as well as earnings. However, (Kim et al., 2017) found that neither the profits nor the CFs are reliable predictors of future CFs. This means that earnings cannot be used to forecast future CFs. (Liu et al., 2007), who conducted his research on 4,415 businesses over a significantly shorter time span (between the years 1988 and 1990), makes use of a straightforward regression. Table 1 is an explanation of the researchers' thoughts on the explanatory capacity of profits and CFs in the forecasting of future CFs. These thoughts are presented in the form of a visual representation.

Prior research has mostly focused on the incentives for earnings management. Nevertheless, little research investigates the suitability of accrual approaches. Early EM research relied on less complex models which included a model with random walks (DeAngelo 1986), any average-adjusted framework (Devereux & Schiantarelli, 1990), or an industry-adjusted framework.

(Lewellen & Lewellen, 2016) recommended dividing accruals into current and not present elements and utilized revenue change ('REV') as a replacement for the current portion and assets, plants, and machinery ('PPE') as a substitute for the non-current portion. (Lewellen & Lewellen, 2016) changed the Jones model somewhat by substituting the modification in cash-accompanying revenues (henceforth) for REV. According to (El Diri, 2017), the altered Jones model outperforms the paradigm and the three additional less advanced models.

Even though several studies have questioned the truthfulness of the Jones models or presented different theories, scholars have seldom disputed their popularity. Even (Davidson et al., 2005) acknowledge that 'all models rejected the unproven hypothesis of minimal EM at percentages surpassing the stipulated test levels when utilized in samples of businesses with exceptional financial performance.' According to (Davidson et al., 2005), the Jones models frequently reject the unproven theory of minimal EM and struggle to yield mean-zero accruals for discretionary activities.

Other research on earnings management, on the other hand, circumvents accrual approaches by employing a scatter diagram or a variety of graphical approaches, or by employing a specialized accrual technique. Some research studies, on the other conjunction, focus solely on current accruals, with CFs from activities serving as major drivers of current accrual. Real EM is an additional significant field of EM study (Kent et al., 2010). Individuals will not go into detail about these other sources of EM investigation since they are completely distinct from the sort of study that investigates the discretionary portions of total accruals.

Adaptable and Open to Interpretation Accrual is not something that happens effortlessly but rather is constructed from a number of different sub-variables. In reference to what was stated above, no model is able to precisely determine the standard level of accruals that is anticipated as a reaction to the state of the economy (Doupnik, 2008). It is necessary to have such a benchmark in order to accurately quantify the non-mandatory portion of accruals that is attributable to unique incentives to control earnings. Concerning the effectiveness of the different substitutes, there is a lot of discussion. (Mohanram, 2003) provided another

explanation by stating that the reduced persistence of accruals may be broken down into two different groups: the declining marginal returns incorporated in fresh investment, and accounting inefficiencies. For additional information, see here. It was demonstrated by (Houmes & Skantz, 2010).

Because of increased levels of competition, it is likely that values on real investments made in the most recent period will be reduced in subsequent periods for high-profit enterprises. This is the implication of the concept of declining marginal return. This will have the effect of bringing the company's genuine investments closer to its long-term mean come back which will reduce the standard deviation of the return on those assets (Auerbach & Bradford, 2004). On the opposite end of the spectrum, assets that are providing lower returns during the present period will be supplanted by investments that are generating greater returns during this particular time frame or during future periods. Because of this, the standard deviation of returns will move closer and closer to the mean over the long run. When a manager's perspective remuneration is connected with the market value of equities and options, multiple research investigations detail data that supports the assumption that managers may manipulate profitability in order to increase their own pay (Chiu & Park, 1994).

For instance, (Marciukaityte & Szewczyk, 2011) illustrate that the sensitivity of administrators' wealth to the short-term valuation of stocks may drive managers with significant stock-based reimbursements and stock ownership to supervise earnings. This is because the financial position of managers is directly tied to the price of the company's stock. To be more precise, they highlight the fact that such managers have a greater likelihood of reporting results that match or exceed the projections made by analysts as well as selling greater quantities of stock in the course of the year after the release of earnings. (Kenley, 2003) discovered a substantial connection between incentives for equity and anomalous accruals in their research as well. CF from operating activities and total accruals are the two components that makeup earnings. The total accruals may be broken down into two categories: discretionary accruals as well as non-discretionary accruals. Discretionary accruals are those that represent the results of management's decisions regarding accounting made under the confines of accounting rules, and non-discretionary accruals are those that reflect an organization's operational and investing activities. Nevertheless, the previous research shows contradictory data in relation to the information that is contained in discretionary accruals (Khurana et al., 2006).

The management of a company can make use of discretionary accruals in order to more accurately reflect the monetary value of the company and to communicate to the market their confidential knowledge of the long-term prospects of the company (Subrahmanyam & Titman, 2001). One line of study after another gives proof of the knowledge content that may be found in discretionary accruals, which backs up the argument that was just made. For instance, discovered a positive correlation between stock returns and discretionary accruals, while (Kenley, 2003) discovered an advantageous relationship between accounting autonomy; future CFs, and overall returns on assets. Both of these studies were published in the Journal of Financial Economics. (Khurana et al., 2006) discovered in a study that was published more recently that the statistics that make up discretionary accruals increase in the midst of an international financial crisis.

Nevertheless, a large number of publications have shown the management's opportunistic use of discretionary accruals in order to influence or affect earnings for a variety of objectives. This was done by the management. For instance, management may inflate results in order to boost the price of shares beforehand to a first-time offering to the public (Subrahmanyam & Titman, 2001) and prior to an experienced equity issue, to prevent the declaration of losses and the violation of contractual obligations, and to take advantage of increased executive remuneration. Researchers have discovered evidence that such indiscriminate consumption of discretionary accruals lowers the level of accuracy of the earnings reported, and as a result, diminishes the information richness in earnings. This is a problem because earnings are a key source of information for investors. For instance, Richardson and colleagues (Gilchrist & Himmelberg, 1995) discovered that fewer accurate accruals have a lower likelihood of becoming persistent in comparison to more trustworthy accruals. Furthermore, (Bowen et al., 1986), using an assortment of openly traded German companies, discovered that the knowledge contained in accruals decreased after the implementation of the harsher compliance regime. This was discovered utilizing a representative of nationally listed German companies (Algharaballi & Albuloushi, 2008, Qureshi et al., 2022).

Research designs that regress future profits or present inventory returns on all of the different elements of earnings have been utilized in the majority of the studies that have been conducted in order to investigate the subject matter of earnings. Nevertheless, in light of the contradictory data concerning the nature of the information included in discretionary accruals, different study methodologies are required. In this study, everyone addresses this requirement by analyzing the link involving discretionary accruals and the researchers' prediction dispersion. Specifically, we look at how these two factors are related (Zarowin, 2015).

The most important source of information for researchers is the monetary information provided by the company. As a result, the type of information contained in the data relating to the earnings is anticipated to be related to the estimates made by the experts. We take a look at the distribution of analysts' projections, which is one of the aspects of analysts' predictions. The uneven distribution of analysts' forecasts is a representation of the uncertainty and variety of beliefs held by analysts, as well as the absence of any convention or concurrence (Cheng & Warfield, 2005). Therefore, if discretionary accruals can be utilized to signal administrators' secret knowledge about the future significance of the company, we anticipate uncertainty about the company to reduce, which is predicted to result in decreased forecast dispersion. This is because managers have private knowledge about the prospective value of the company. On the other hand, we anticipate that the information that surrounds the company will become more transparent if management makes selective use of discretionary accruals (Guidry et al., 1999). This would result in increased disparity in the opinions held by analysts including a lack of common ground among them. Because of this, it is anticipated that there would be a greater degree of forecast variability.

The connection connecting discretionary accruals and the range of uncertainty in analysts' projections. Financial ownership and environmental, social, and governance characteristics are two examples of company-specific variables that, according to our hypothesis, may have a cross-sectional impact on the correlation. (Hunt et al., 2000) discovered data suggesting that the quality of accounting records diminishes in companies that have inadequate external supervision. Institutional investors might increase the external oversight of the company because they possess an incentive to safeguard their cash investments and could directly

conduct monitoring operations and demand greater trustworthiness in economic data (Greenberg et al., 1986). This is because institutional owners would directly undertake screening activities and would ask for more credible monetary data. Previous research has shown that shareholder ownership is favorably associated with an increase in the accuracy of the reporting of financial figures. This improvement comes about as a result of more rapid detection of EM activities, limitations on opportunism accruals administration, and a reduced risk of fraud (Myers et al., 2007).

Furthermore, by doing their own direct surveillance, institutional investors may bolster their oversight and administration of a company by increasing the amount of attention they pay to the board of directors. Institutional investors are able to optimize their returns on investment by ensuring that the management team is being monitored to ensure that they are doing their fiduciary obligations (Payne & Robb, 2000). In their survey article, (Beneish, 2001) give evidence for this by revealing that 45% of the investors who are institutional approach the board of directors for confidential talks away from the oversight of management. This lends credence to the claim. As a result, increased financial ownership may make it more difficult for management to make advantageous decisions with discretionary accruals (Degeorge et al., 1999).

(Burgstahler & Dichev, 1997), in a fundamental article on the subject, examines the impact of potential externalities caused by borrowing on stockholders' optimum strategy for investing. The theory behind this is that having a large amount of outstanding debt lowers the incentives presented toward the shareholder-management partnership that is in charge of the company to engage in possibilities with positive net current value since the rewards flow, at least somewhat, to the borrowers rather than totally to the investors. This allows the company to take advantage of investment prospects. Therefore (Roychowdhury, 2006), companies with substantial amounts of leverage are at a lower risk of capitalizing on profitable growth possibilities compared to those with minimal amounts of leverage. A similar hypothesis of insufficient investment is based on the liquidity effect, which states that businesses that have significant debt obligations spend less regardless of the kind of growth prospects available to them (Perry & Williams, 1994).

In principle, even if debt provides a possible lack of investment enticements, the effect may be mitigated by the company taking remedial action and decreasing its leverage if the potential for further development is discovered adequately early on (Dye, 1988). This would be the case only if the potential for growth were detected sufficiently soon on. In order to mitigate the negative effect that leverage has on growth, management will optimize the reduction of leverage prior to the occurrence of lucrative growth possibilities that will occur after the fact.

As a result, even in regressions that account for growth opportunities, there is still a possibility of discovering a negative empirical correlation between leverage and productivity. This is due to the fact that managers tend to lower leverage in anticipating future investment possibilities. The information that management has on investment prospects is simply shown by leverage. The "endogenous" dilemma refers to the prospect that leverage can stand in for chances for growth (Jones, 1991).

Another potential matter of agency that has been discussed in the academic literature is known as the "overinvestment" challenge. This issue arises when there is a disagreement between the upper management of the company and the investors of the company (Arya et al., 1998). According to one line of reasoning, managers have a tendency to increase the size of the company even if doing so requires them to participate in unprofitable projects and decrease the benefit of shareholders. The accessibility of cash on hand is a limitation on management's capacity of executing such a program, and this restriction may be made even more severe by the use of debt financing (Pourciau, 1993). The business makes a recommitment to pay revenue in the form of principal as well as interest upon the issuing of debt, which forces management to pay for those obligations with money that normally may have been committed to inefficient investment initiatives. Therefore, leverage is one technique that may be used to overcome the problem of overinvestment, demonstrating that there is a negative association involving debt and investing for businesses that have limited chances for development (Akers et al., 2007).

The existing empirical literature provides evidence that lends credence not just to the excessive expenditure theory but also to the hypothesis of the underinvestment theory. (Leuz et al., 2003) investigate a substantial number of non-financial companies operating in the United States over the years. They divide the respondents into two categories for each year in question: those with good growth prospects along with those with weak prospects for development. Both groups are compared to one another (Lo, 2008). They demonstrate that a positive correlation exists between leverage and business worth for companies that have Tobin's Q values that are high and businesses that have Tobin's Q values that are low. Conversely, a negative correlation exists between leverage and organizational value for companies that have Tobin's Q values that are low. Both the contention that leverage causes not investing and lowers company value and the assumption that leverage prevents excessive expenditure and raises firm value are supported by their findings; both hypotheses are compatible with the findings of this study (L. H. Lang & Litzenberger, 1989).

The researcher (M. Lang et al., 2006) looked at an extensive population of US industrial companies from 1970 to 1989 and found a substantial negative association between leverage and following development. However, this was only the case for companies that had limited potential for expansion (a Tobin's Q value of less than one). Once again, their findings provide evidence in support of the theory that the use of leverage reduces the incentives to participate in unprofitable ventures. In order to take on the issue of endogenous that was brought up previously, namely the possibility that leverage may stand in for future prospects for growth, (Ebrahim, 2007) make a distinction between the influence of leverage on the expansion of a company's main business and that in its non-core company. They claim that if leverage is a substitute for growth potential, then the firm's core component should see a far more noticeable constrictive impact on expenditure than the company's non-core sector (Schipper, 1989). This is because the primary segment includes the company's most valuable assets. On the other hand, they discover that the influence of leverage on development appears not to be considerably different between cores versus non-core areas, which suggests that leverage is not merely an intermediary for growth potential (Ronen, 2008).

It is possible that the discrepancies in the known empirical outcomes for firms with high Q and organizations with low Q are caused by the fact that Q acts as a proxy for how easy it is to get onto the capital market as a whole. High Q companies, which are defined as those with a good growth promise, have expectations regarding larger CFs, or total assets, and this may lessen the moral risk and negative selection difficulties that are associated with the provision of credit to the company through the

marketplace for capital (Geiger & North, 2006). Because a company that has solid growth possibilities may more readily reorganize and recapitalize its operations through the capital market, the use of leverage poses less of a barrier to investing for businesses in this situation. When it comes to enterprises that have a low Q, leverage might represent a more stringent restriction that limits investment. This is because those companies would have a more difficult time recapitalizing given the perception that they have limited opportunities for development. On the other hand, this explanation does not clarify why low Q businesses have a positive connection between leverage and company value (Sloan, 1996).

Our research makes a contribution to three independent bodies of research that have been conducted previously: one on the relationship between leverage policy and growth prospects; another on the relationship between leverage as well as investment; and a third on strategies for investment within multinational enterprises. In this part of the article, everyone will discuss the previous research that has been done in those regions, as well as was mentioned before, the research conducted by (Kaplan & Ruback, 1995) all come to the conclusion that leverage has a significant bearing on investment strategy. According to the theory proposed by (L. H. Lang & Litzenberger, 1989), debt can have an impact known as a "overhang," which makes it harder for a company to fund new initiatives since the profits from these endeavors would have to be distributed among existing debt claimants. This debt overflow impact might lower value for the company if the company is working on initiatives that are sufficiently valued that is, have a positive net present potential (Javaid et al., 2023).

(P. Healy, 1996), on the other hand, places an emphasis on the fact that if the company has limited lucrative development possibilities, debt can play a crucial bonding purpose by restricting the capacity of management to engage in initiatives with a negative net present value (NPV). (P. M. Healy & Wahlen, 1999) presents an official framework of debt selection in which debt inhibits management control regarding the firm's inaccessible CFs. Healy's model was developed in the context of corporate finance. In the framework he developed, the ideal debt ratio is a reflection of a tradeoff between insufficient investment and excessive investment alternatives that are highlighted, correspondingly, in (Stubben, 2010). The research presented above suggests that (i) leverage limits investment, (ii) businesses with important possibilities for development should select lower leverage to reduce their likelihood of being compelled to circumvent some of these possibilities and (iii) debt raises the market value of companies that have poor growth possibilities but lowers the admire of companies that have lucrative possibilities for growth. These conclusions are supported in a significant way by the current empirical evidence.

In their study of a large number of companies, (Jackson, 2018) found that there was a negative correlation between leverage and future development. This conclusion holds true even when other metrics regarding development and leverage are used, and it is not due to an intrinsic association that is present between leverage and growth prospects. Nevertheless, show that the negative connection between leverage and investment only persists for low q enterprises, which is an interesting finding. This indicates that the use of leverage does not place a constraint on putting money into those companies where the market identifies potential for profitable expansion. There has been proof that big boosts in leverage have an effect with regard to investment policy, and two studies that give this evidence are (Parker, 1968) found that with an upsurge in leverage, there was a considerable decrease in the amount of money spent on investment in capital. They based their findings on an examination of leveraged recapitalizations. According to research conducted by (Jo & Kim, 2007), after undergoing leveraged recapitalizations, businesses distribute more capital to the operational divisions that generate higher CF (Song et al., 2024).

2.2. Dividend Payout

The debate over the matter of if businesses should provide dividends is rather old (Hovakimian, 2009) It has been noted that the development of the business as an officially recognized entity was strongly interconnected with the establishment of limited liability. At a minimum, dividends are considered on corporate stock may be traced back to the middle seventeenth century in Pakistan, when the commanders of seventeenth-century sailing ships distributed their profits to their crews. These vessels began to offer monetary assertions to investors, which gave the investors the right to partake in the revenues of the voyages if there were enough money to distribute (Dechow et al., 2012). Upon the culmination of each expedition, the profits and capital were distributed among the stakeholders, so culminating the business's growth and expediting its dissolution. The sale of these monetary rights commenced on common auction sites in Pakistan at the conclusion of the fifteenth century. Over time, they were gradually replaced by stakes in the company, which emerged as the contemporary form of administration. During that period, the practice of diversifying investments was employed as a means to mitigate the risks associated with putting money into a firm of such sort, numerous shareholders would acquire shares from a plurality of commanders. This is something that should be mentioned (Dechow et al., 1995).

Upon the culmination of each expedition, the profits and capital were distributed among the stakeholders, so culminating the business's growth and expediting its dissolution. The sale of these monetary rights commenced on common auction sites in Pakistan at the conclusion of the fifteenth century. Over time, they were gradually replaced by stakes in the company, which emerged as the contemporary form of administration. During that period, the practice of diversifying investments was employed as a means to mitigate the risks associated with putting money into a firm of such sort off. This was done, among other measures, by the distribution of "generous dividends" (Gruca & Rego, 2005). The accomplishments of the enterprises boosted their legitimacy, and shareholders gained increased trust in their leadership. As a direct consequence of this, these businesses started operating as going concerns and solely shared their earnings with their shareholders rather than the whole amount of capital contributed (Marrakchi Chtourou et al., 2001). The development of businesses as "going concerns" launched the fundamental method of firms to determine which portion of the organizations' revenue (as opposed to commodities) should be returned to investors, which led to the production of the first guidelines on paying out dividends (Chang et al., 2014). This practice led to the basic practice of enterprises selecting what percent of the organizations' income (rather than commodities) to return to investors. Over time, dividend payments were gradually limited to earnings exclusively within the organizational charters that governed businesses.

The ownership arrangements of maritime businesses eventually morphed into a business structure similar to a corporation or a firm with stockholders. Joint stock firms, however, are most common among chartered trading businesses. In 1613, the firm issued its initially issued shares of common stock, and every single share was worth a single shilling of silver. Nevertheless,

there was no differentiation established between capital and profit, according to (Faulkender et al., 2012), page 102. In the early seventeenth century, the accomplishments of this kind of trade firm looked poised to facilitate the growth of this kind of corporate organization to encompass other businesses such as extractive industries, financial services, apparel, and utility services. This was due to the fact that the business of trading was organized as a partnership. In point of fact, an investment bubble was created in the early 1700s as a result of people's enthusiasm about the potential of expanding commerce and the corporate structure. This bubble burst in spectacular fashion when the company filed for bankruptcy. According to (Russell, 1970), the Bubble Act of 1711 significantly slowed down, but did not stop altogether, the growth of business entities in Britain for almost an entire century.

Early on in the course of the long existence of the company, management came to understand the significance of maintaining substantial and consistent dividend payments. This was attributed, in part, to the connection that investors formed between these stocks and the other type of financial instrument that was traded at the time, specifically bonds issued by the government. It was determined by business executives that shareholders preferred stock that behaved similarly to bonds (i.e., produced an occasional and steady dividend) (Carpenter & Guariglia, 2008). Bonds made regular and consistent interest payments, and they found that purchasers favored shares that did the same. For instance, they provided dividends in 1781 after just six months of existence, and the bank constitution authorized the board of managers to give away dividends periodically out of earnings. These dividends were paid out of the bank's revenues. According to (Hovakimian, 2009), "The Payment of regular payouts maintained of paramount importance to administrators throughout the first decade of the 19th century."

Supplementary to the significance that investors put on dividend consistency, another problem concerning contemporary corporate dividend policy that surfaced in the first decades of the century was the fact that dividends started to be seen as a significant type of information. This issue emerged at the beginning of the century (Ruback, 2002). Due to the lack of availability and instability in accounting data, investors frequently base their evaluations of companies on their dividend payments as opposed to the firms' declared profitability.

In a nutshell, investors were frequently confronted with incorrect information on the profitability of a company, and they utilized dividend policy as a means of judging what management would think about the company's potential future success. As a consequence of this, a rise in the number of split payments typically led to an increase in the price of the stock (Park & Shin, 2004). As firms became more aware of this phenomenon, it raised the potential that managers of business enterprises may use dividends to indicate positive earnings expectations and/or to bolster the valuation of a business since investors may interpret payments of dividends as a proxy for growth. The possibility was raised as a result of the fact that shareholders may read dividend presentations as a reference for earnings growth.

To summarize, the emergence of the practice of making dividend payments to stakeholders has been inextricably linked to the evolution of the corporation as a legal structure. From the beginning, managers of corporations were aware of the significance of dividend payments in terms of meeting the requirements of stockholders. Because they believed that dividend cuts may have unfavorable consequences on share price, they would frequently even out dividend payments over the course of time. As a result, they utilized dividends as a tool to communicate knowledge to the market. Additionally, (Nugroho & Eko, 2012) it is considered that dividend policy has an effect on the price of a company's shares. Since the 1950s, the influence of dividend policy on company value, as well as other topics pertaining to commercial dividend policy, have frequently been the object of a significant amount of debate among academics in the field of finance. In the following paragraphs, we will examine these changes from a theoretical as well as an empirical vantage point.

It was demonstrated in the prior section that dividend policy was inextricably linked with the evolution of the company's structure in and of itself. It came to be understood that the changing conditions of financial markets were responsible, at least in part, for the development of dividend policy as a significant factor for investors (Li, 2011) . In the beginning, investing in equities was thought of in the same vein as investing in bonds themselves, therefore the consistency of payments was essential. In addition to this, it was observed that the lack of dividends was frequently favored above reinvestment earnings, and they were frequently viewed as a stronger sign of company performance than publicized earnings statements (Krishnan, 2003). This was due to the fact that corporations were required to provide regular and reliable information. On the other hand, there was a school of thought that speculated that dividend policy would lose its relevance to investors as a result of the growth and increased efficiency of the securities markets. The reason wherefore dividend policy should continue to be so obviously significant has been the subject of theoretical debate.

There exist three principal dividend ideas that are fundamentally contradictory to each other. There exists a substantial body of opinion asserting that an escalation in dividend disbursements leads to a corresponding augmentation in the overall worth of a corporation. According to (Caramanis & Lennox, 2008) Large dividend payouts, according to an additional moment of view, can have a negative influence on the intrinsic worth of a firm. To be more explicit, large payment of dividends might have an unfavorable effect on the valuation of the business. The third intellectual opinion claims that dividends ought not to be viewed as essential, and that any effort that puts forth into assessing if it's important to provide dividends is wasted. This view also maintains that any labor that is done into analyzing whether or somewhat of to pay dividends is wasted.

These perspectives are represented in the following three ideas and theories on dividend policy: the notion of how small dividends boost share value (which is referred to as the "tax-preference rationalization"), and the assumption that high payments benefit shareholder value (also characterized that one "bird-in-the-hand" argument), and the assumption that dividends are irrelevant. The discussion on dividends is not restricted to just these three ways (Yu, 2008). There have been many different theories of dividend policy put forward, which has led to the complexities of the dividend problem being further increased. The knowledge content of dividends, customer implications, and the costs associated with the agency hypothesis is among the most well-known examples of these types of reasoning. These are broken down into individual discussions below, starting with the dividend indifference assumption.

CF is a major factor in whether or not a firm can afford to provide dividends to its stakeholders. CF is the inflow and outflow of funds within a certain time period, whereas dividends are the payment of a portion of the earnings of an organization to its

stakeholders. When a business has a surplus of cash, it implies it can pay for its operating costs, make its investments, and perhaps pay dividends to its shareholders (Barth et al., 1999). When a corporation has sufficient cash on hand, it may afford to provide dividends to its stockholders. Nevertheless, it should be noted that not all surplus cash is distributed as dividends. Capital may be allocated in a number of ways for companies, including reinvestment in the firm for development projects, repayment of loans, repurchases of shares, and payment of dividends to stockholders (Barth et al., 2001). Considerations including the firm's long-term financial goals, growth prospects, debt levels, and capital need all play a role in determining whether or not dividends will be distributed. In conclusion, dividend payments are highly dependent on the organization's CF. The ability to pay dividends is made possible by CF from operations, but the choice as to whether to do so ultimately rests with the organization's financial plan and goals.

The link between discretionary current accruals as well as dividends is complicated and impacted by a number of factors. Discretionary current accruals are the percentage of an organization's revenues that are not immediately tied to CFs and instead entail management's autonomy in projecting particular accounting statistics (Hirshleifer et al., 2009) . When a corporation has a substantial amount of discretionary current accruals, it signals that its reported results are subject to a larger amount of partiality. This might be due to a variety of circumstances, including proactive recognition of revenues, alterations in expenditure scheduling, or revisions to accounting principles. High amounts of discretionary current accruals may suggest that the corporation's reported results may not completely represent its fundamental CF creation.

Dividends, on the other conjunction, are earnings distributed by a firm to its stakeholders. Dividend payments are often determined by a number of criteria, including the business's economic viability, CF situation, need for capital, debt commitments, and budgetary goals. High amounts of discretionary current accruals, in broad terms, may indicate lower-quality profits or possible earnings management, reducing the trustworthiness of reported results. Organizations with lower-quality profits may be more reluctant to hand out dividends or may pay smaller dividends in order to conserve cash or meet other financial obligations (Moradi et al., 2012) .

It should be noted, however, that the link involving discretionary current accruals as well as dividends is not predictable. Organizations with significant CFs and a solid dividend policy may nevertheless opt to distribute dividends despite the fact that they have substantial amounts of discretionary current accruals (Francis & Smith, 2005). Other factors that might impact dividend decisions include the organization's industry, growth forecasts, and the company's goals. In conclusion, whereas discretionary current accruals can influence dividend decisions inadvertent the link is complicated and reliant on a variety of circumstances. Corporations with a significant amount of discretionary current accruals may be subject to higher scrutiny and may be more conservative in their dividend distributions.

When a corporation has significant amounts of both debt and fascination commitments, it may be necessary for the firm to prioritize its repayment of borrowing and the payment of curiosity over the payout of dividends. When this occurs, the firm may choose that the best way to guarantee that it satisfies its debt commitments and keeps its finances in check is to decrease or discontinue dividend payments (Gombola & Ketz, 1983). In general, companies that have lower levels of borrowing and interest commitments have more leeway when it comes to the distribution of their earnings. Because they are under fewer financial limitations and have additional funds available to give to the stockholders, they may have a greater propensity to pay dividends to their stockholders. When analyzing a company's potential to pay dividends, prosperity is one of the most essential considerations to take into account. A high level of leverage can lead to a rise in interest payments as well as financial risk, which in turn has an effect on revenue. It is possible that a company's ability to pay dividends will be reduced if the use of leverage has an adverse effect on the business's financial condition. It is absolutely necessary to be able to create enough money in order to pay dividends (Guay et al., 1996).

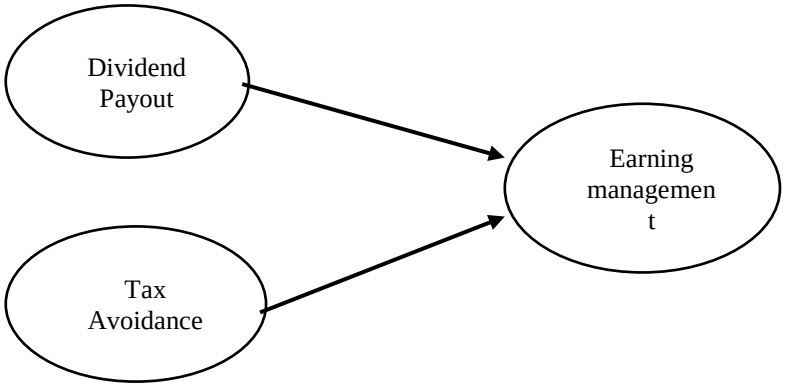
A high level of leverage can result in greater interest rates, which can lower the amount of CF accessible to a corporation for distribution as dividends. On the other hand, reducing debt can lead to increased CFs, which enables a firm to devote a greater portion of its earnings to dividend payments. The link involving leverage and dividends may additionally be influenced by the anticipations that investors have concerning dividend payments (Suk Yoon et al., 2022). Organizations that have a track record of making regular dividend payments may find it difficult to either keep their current level of dividend payments or increase them, irrespective of the amount of debt they carry. Some businesses may operate in accordance with a predetermined dividend policy, which acts as a compass to direct their choices.

This strategy may take into consideration a variety of criteria, including shareholder preferences, growth possibilities, profitability, and leverage. Policies regarding dividends might differ from one industry and company to the next and from company to company within an industry. To summarize, a company's monetary makeup, economic viability, CF generation after generation, shareholder demands, and dividend policy all have an impact on the link involving leverage and dividends (Andrews, 1974). When compared to low leverage, high leverage has the potential to restrict a company's capacity to pay dividends, while a small amount of leverage has the potential to give greater flexibility in dividend payouts. When conducting an investigation into the connection between leverage and dividends, it is essential, however, to take into account the unique conditions and aspects that influence the financial state of each individual business.

2.3. Hypothesis

H0: There is no impact between tax avoidance and earning management.
H1: There is an impact between tax avoidance and earning management.
H0: There is no impact between dividend payout and earning management.
H2: There is an impact between dividend payout and earning management.

Framework



3. Methodology

3.1. Population

The population at large for this research project will be oil and gas companies. Oil and gas companies are critical to the country's economic performance, providing job creation, creative thinking, and economic development. The purpose of this study is to look at the influence of earning management on dividend payments in Pakistani oil and gas companies. The population will comprise oil and gas companies from a variety of businesses and sectors, ensuring a broad representation of the country's oil and Gas Company scene. The study can give useful insights into the link between earning management practices and dividend distributions in this specific setting by concentrating on oil and gas companies.

3.2. Sample

The sample for this research study is going to be chosen using a method known as convenience sampling. Convenience sampling is selected because of how useful it is and how simple it is to use to recruit prospective respondents. The sample will be comprised of oil and gas companies that have annual reports that are accessible to the general public, with a particular emphasis on data pertaining to information on earning management practices and dividend payments. The sample will be pertinent to the subject of the study, and it will be guaranteed that the oil and gas companies chosen have participated in earning management practices and have had a track record of dividend payments. Both of these factors are essential for analyzing the influence that earning management has on dividend payments made by oil and gas companies in Pakistan.

3.3. Sample Size

This particular research study will use a sample size that spans a period of 10 years. In order to determine the long-term influence of EM on dividend payments made by oil and gas companies in Pakistan, we have chosen a sample size that covers a period of 10 years. This more extensive time period makes it possible to observe developments, shifts, and patterns throughout the course of time in terms of earning management practices and dividend payments. The study is able to give useful insights into the link between these characteristics and their evolution inside oil and gas companies by analyzing data gathered over a period of 10 years.

3.4. Variables

Dividend payout: The dividend payout ratio shows how much of a company's earnings after tax (EAT) are paid to shareholders. It is calculated by dividing dividends paid by earnings after tax and multiplying the result by 100

Tax avoidance: The term tax avoidance refers to the use of legal methods to minimize the amount of income tax owed by an individual or a business

Earning management: EM is the use of accounting techniques to produce financial statements that present an overly positive view of a company's business activities and financial position.

3.5. Time Period

This particular research study will cover the years 2011 through 2020 as its time frame. This time range was chosen to cover nearly two decades and incorporates a substantial era that saw financial and administrative growth in Pakistan. This choice was based on the fact that this time frame covers almost two decades. The purpose of this study is to investigate the influence that a variety of economic, legislative, and market situations have had on these variables from 2011 to 2020 by analyzing the earning management practices and dividend payments that were implemented by oil and gas companies. This more extensive time frame makes it possible to spot long-term tendencies and patterns, which contributes to a better comprehension of the connection between profit management and dividend payments in oil and gas companies.

3.6. Data

For the purposes of this research project, secondary data will be utilized. The term "secondary data" refers to information that already exists and was compiled in the past for use in other contexts. In this particular instance, the data will be obtained through the annual reports of the many oil and gas companies that have been chosen. The annual reports include in-depth information on the company's finances, including specifics on earning management practices and dividend distributions. Through the examination of secondary data, the research will be able to make use of the quantity of information that is already present in the annual reports in order to investigate the influence of earning management upon dividend payments made by oil and gas companies in Pakistan.

3.7. Source of Data

The annual reports of Pakistani oil and gas companies businesses will serve as the primary source of information for this particular research project. These annual reports are made accessible to the public and give an in-depth summary of the operations and financial performance of oil and gas companies. The information that was gleaned from the annual reports is going to be analyzed in order to investigate the earning management practices and dividend payments that are utilized by the chosen oil and gas companies. The research is able to analyze the financial information that was provided by oil and gas

companies themselves thanks to the utilization of this source of data, which guarantees the correctness and dependability of the data.

4. Data Analysis

Table 1: Frequency

	Valid Missing	Earning Management	Dividend Payout	Tax Avoidance
		120	120	120
		0	0	0
Mean		3.670958333	1.67575	23.25541667
Median		5.19000	2.40000	11.7750000
Std. Deviation		2.841945811	1.028069630	16.00632185
Skewness		-.318	-.449	.668
Std. error of Skewness		.221	.221	.221
Minimum		.0820000	.1600000	8.7200000
Maximum		7.2900000	2.700000	54.560000

Systematically looking at the major tendencies, we discover that the mean Dividend Payout is 1.6757, but the means for Tax Avoidance and EM are roughly 23.255 and 3.6709, correspondingly. The mean amount of tax avoided is 1.6757. This provides us with an idea of the values that are often found within our collection. On the other side, the median values present a slightly distinct scenario than the mean values, revealing that the distributions could be biased in some way. These median values are 2.400 for Dividend Payout 11.7750 overall Tax Avoidance, and 5.1900 for Earning Management.

When we look at the skewness of the information's distributions, and we find some fascinating insights regarding the form of those distributes. Both Dividend Payout, as well as Earning Management, exhibit positive skewness, as evidenced by their individual skewness scores of 1.117 and 1.471. Skewness is a measure of distribution bias. This suggests that the heads on the corresponding side of these parameters are longer, which indicates the possibility of probable exceptions with values that are higher. On the other hand, the Tax Avoidance distribution has a negative skewness with an amount of -1.253, which indicates that the left-hand tail of the distribution is lengthier.

Examining the standard deviations of our information allows us to better quantify the range of our findings. The variable known as Dividend Payout has a standard deviation of above 5.61806, but the variable known as Tax Avoidance has a significantly smaller number of roughly 0.03071, which indicates that the data samples frequently cluster tightly around the normal distribution for this particular parameter. EM has a standard deviation of around 1.40721, which places it in the middle of the pack. On top of that, the mean error of skewness are constant across all of the characteristics, coming in at 0.221. This provides us with an idea of the degree to which our skewness projections may be relied upon.

Table 2: Correlation

	1	2	3
Earning Management	1		
Dividend Payout	.976**	1	
Tax Avoidance	-.932**	-.936**	1

The Dividend Payout variable has a perfect positive correlation of 1 with its own identity, which is expected and logical since it is being contrasted with its own values. Transitioning to the topic of Tax Avoidance, it is evident that there exists a positive association of roughly -.932** alongside Dividend Payout. The observed data indicates a modestly favorable linear relationship between the two parameters, suggesting that an increase in Dividend Payout numbers is often accompanied by a small increase in Tax Avoidance figures.

Conversely, there exists a connection of around .976** between Earning Management and Dividend Payout. The observed negative correlation suggests a robust inverse linear association connecting the two measures. There exists an inverse relationship between Dividend Payout values and Earning Management values, whereby higher Dividend Payout values correspond to lower Earning Management values, and conversely, lower Dividend Payout elements are associated with higher Earning Management means. Moreover, there exists a correlation of around -.936** between Tax Avoidance and Earning Management, suggesting a minor negative association. This observation implies that there exists a nuanced inclination for greater levels of Tax Avoidance to be associated with somewhat elevated levels of Earning Management but with a relatively weak correlation.

Table 3: Regression, Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977[a]	.955	.954	.6087382

a. Predictors: (Constant), Tax Avoidance, Dividend Payout

The coefficient of commitment, also known as the square root of the correlation, tells us that the Variables and the fixed variables in this model are capable of clarifying roughly 95.5% of the differences in the variable in question that is being studied (the

dependent variable). This number hints to a very low explanatory power, which shows that the specified variables may not be adequate to fully explain for the variance that is seen in the dependent variable.
The plurality of correlation coefficient, often known as R, has a value of around 0.977, and it is used to describe the linear relationship that is present among the factors that predict and the dependent factor. This coefficient emphasizes the magnitude and orientation of the linear association, yet it seems to be rather minor when seen in the context of this setting.

Table 4: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	917.766	2	458.883	1238.343	.000[b]
	Residual	43.356	117	.371		
	Total	961.122	119			

a. Dependent Variable: Earning Management
b. Predictors: (Constant), Tax Avoidance, Dividend Payout

Beginning with the regression ingredient, the model effectively accounts for a sum of squares of roughly 917.7. The two degrees of autonomy (Df) for the regression components are 2, which represents the total quantity of predictions, namely Tax Avoidance and Dividend Payout, in addition to the continuous component. The mean square value of 458.88 is achieved by splitting the sum of squaring by every degree of freedom, thereby indicating the average variance determined by predictions relative to the number of forecasters. The F-statistic, with a value of 1238.3, serves as a measure of the ratio between the variance that was explained and the unknown variance. It is utilized to evaluate whether the predictors make a meaningful contribution to the explanatory power of the model. The obtained significance value of 0.000b provides additional evidence supporting the notion that the determinants of the model fit statistical significance in their capacity to provide an explanation for the variability seen in Earning Management.
In contrast, the residual ingredient, which signifies the portion of variance that remains unaccounted for, has a sum of squares value of roughly 233.441. The model's remainder indicates the square value of 1.995, containing 117 degrees of freedom, providing an assessment of the average unresolved variability remaining in the model.

Table 5: Coefficients

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.418	.485		.862	.391
Dividend Payout	2.310	.154	.836	14.960	.000
Tax Avoidance	-.027	.010	-.150	-2.679	.008

a. Dependent Variable: Earning Management

Continuing on to the variables that act as predictors, Dividend Payout has an approximated individualized coefficient of 2.310, according to the estimates. This shows that a drop in EM score of -.027 units is connected with the rise of one unit in Dividend Payout. This estimate's accuracy may be evaluated using the standard error of 0.485 that surrounds it. When taking into consideration standard deviations, the standardized coefficient (Beta) of .836 shows that the relative relevance of Dividend Payout should be considered.
Regarding the topic of tax avoidance, the projected worth of the individualized coefficient is somewhere around -.027. This would imply that an increase of one unit in Tax Avoidance would correlate to an improvement of .010 units in Earning Management. This estimate's surrounding standard error of 1.54 gives a little understanding into the unpredictability of the variable. The relative significance of Tax Avoidance is represented by a standardized coefficient (Beta) value of -.150. Standard deviations are used to measure the magnitude of the effect.

5. Conclusion

The study indicates a presence of EM between listed corporations as well as its continued expansion. This suggests that companies that are listed on a stock market make use of the freedom that financial accounting provides in order to affect the results that are reported. EM is a practice that developed in response to agency conflicts that arose involving administrators and stockholders. The approach is not only legal but also feasible as a result of the dichotomy of ownership and control. However, since the technique involves risk and expense to management, managers will only consent to participate in it if it brings them substantial private gain. Stakeholders believe that tax avoidance increases value; nonetheless, the activity involves risks as well as expenses to managers. Consequently, the occurrence of tax avoidance within the stock exchange means that managers who engage in such dodging activities receive some sort of private advantage. Regarding the link between the relationships between EM as well as tax avoidance and company value, our findings indicate that the connection between EM as well as tax avoidance has a negative effect on the firm value that is minor but still there. The success of corporate governance procedures in discouraging deceptive management behavior may be partially responsible for the robustness of the connection. In addition, we discover that profits management is much improved when good business administration practices are used. Therefore, in an environment characterized by strong corporate governance, an upward trend in avoidance efforts may not always result in a major increase in profit management. As a result, the positive effect of tax avoidance is sufficient to compensate for the detrimental effect that profits management has on the economic worth of the company. As a result, the total negative impact that EM has on firm value is greatly mitigated as a result of this.

This work is meant to serve as a response to the recommendations for further investigation on EM in a variety of economic situations that have been made by previous studies. The primary objective of this study is to provide standard setters with an accurate picture of the extent to which EM (and also CTA in this investigation) are utilized in the business environments of emerging nations. This aims to help them adopt international regulations that control such activities in poor nations and is intended to assist them in doing so. Second, the research looks at how the two factors influence one another in terms of how much a company is worth. This knowledge will be helpful to stakeholders and governments in determining how to evaluate managerial actions that are intended to lower the corporation tax burden. In addition, the results of this study will be helpful to shareholders in analyzing the cost and value of instituting procedures to limit management opportunistic behavior, as well as determining whether or not any of these measures are worthwhile it. In one case, shareholders will be given assistance in making educated judgments on whether or not the reduction in business value that results from rises in tax payment is worth agreeing to pay a greater percentage of the lawful taxes in order to lessen the impact that it has on EM. This assistance would be provided so that shareholders can make informed decisions. Additional research may take into account doing a comparison study in Pakistan and other African nations, with the goal of determining the nature of the connection that exists between tax avoidance and actual as well as accrual EM.

In this study, we provide what we believe to be the initial scientific proof of the significance of payments of dividends alongside dividend taxation as individuals of EM to stay private oil and gas companies. On average, private oil and gas companies are subject to much less frequent, if any, regulatory scrutiny and a smaller amount of capital market motivations for reducing discrepancies in information by means of financial reports and reliable dividend legislation than the larger public companies are. Everyone first demonstrates the findings established in related previous investigations. These outcomes state that the dividends dispersed by those businesses are, to a highly significant degree, determined by the highest level of exempt-from-taxation dividends permitted by the tax rules and regulations. We do this by using a large sample consisting of private oil and gas companies in Pakistan over the period of five years and an alternative statistical procedure.

After that, we present evidence that the EM practiced by these firms is motivated by two pressures that operate simultaneously but in opposition to one another. Namely, the need for affirmative accruals to facilitate the disbursement of their current dividends, and the necessity for unfavorable accruals to prevent the payment of a corporate income tax. When firms need positive accruals due to the fact that they wish to pay more dividends than their CFs from procedures, researchers find that these enterprises have a tendency to manage profits higher in order to fulfill the dividends that are to be paid. This is due to organizations that are interested in dispensing more rewards than respective CFs from operations prefer to have positive accruals. On the other hand, when businesses pay a smaller dividend in comparison to the CFs they generate from production (and are thus forced to make unfavorable accruals in order to avoid paying a corporate income tax), our research indicates that these businesses manage their profit margins in a downward direction. In addition, we expect and find evidence suggesting that keeping profits from former years not only reduces income-increasing earnings oversight immediately but also ameliorates the influence of the requirement for favorable accrued expenses upon income-increasing revenue management. This supports our earlier conclusion that income-increasing EM is negatively impacted by the need for favorable accruals. Lastly, we demonstrate the economic importance of the findings by displaying the economic effect of tax-exempt payments on dividend choice, as well as the influence of decisions regarding dividends on managerial earnings actions and thus on earnings statistics shown in the bottom row. This is done by expressing the fiscal effect of tax-deductible earnings on decisions regarding dividends. In general, this article adds to the previous studies on dividend-driven EM in large publicly traded organizations by focusing on confidential oil and gas companies. As a result, it makes a contribution to the subfield of earnings managerial research that is at the moment considerably smaller and less investigated than that which focuses on large publicly traded firms.

The findings from this study have a number of related policy implications, one of which is offering input that it must provide to make clear in the current accounting procedures regarding the predictability of the time of earning management achievement and the assurance of the nominal quantity of realized earning management in the subsequent period. Additional policy consequences include confirming the present procedures for the establishment of accounting practices in Pakistan in the manner of presentation of earning management reconsideration and income attribution of events. Due to the fact that accounting rules have not yet established such absolute certainty, businesses are permitted to either postpone the time at which earning management realization occurs from the plan for the prior period or lower the quantity of earning management implementation if it is determined that it does not correspond to the interest percentage of the profit margin in the accounting for that quarter.

5.1. Future Direction

The entirety of the observation duration is just ten years, which means that it is not very strong to make inferences from the results. It would be preferable if the investigations were performed for a longer length of time so that the conclusion would be more resilient in validating the theory and past research. Aside from the fact that the observations of the factors in the present experiment have not been brought up to date with observations assessed by the most recent research, it is recommended that going forward, you utilize the most recent estimations in variable rate. This will ensure that the results are brought into line with the most recent theory and research.

5.2. Limitations

This study has a number of shortcomings due to its restrictions. The first constraint is that it does not encompass the time period when the statement of operations has not reported earning management misclassification and earnings correlation. This prevents assessing the capacity of earning management categorization and earnings correlation to minimize earnings capacity for management and enhance profitability. The time period before 2012, during which the Indonesian financial accounting rules regulated the reporting of accumulating earning management of the accounts, is still included in the equity portion of the equilibrium sheet. However, this time period was not taken into consideration as including any portion of the consolidated earnings, and as a result, it has not been included in the revenue statement. In the future, it is encouraged that further research be conducted concerning the period of time before and after earning management and acknowledgment in the income statement. This will allow researchers to better understand and appreciate the distinction in value relevance brought about by changes in

the manner of the reporting portion of the profit or loss statement, particularly as they relate to lowering EM and raising the standard of earnings.

References

Akers, M., Giacomino, D., & Gissel, J. L. (2007). EMand its implications. *The CPA Journal*.

Algharaballi, E., & Albuloushi, S. (2008). Evaluating the specification and power of discretionary accruals models in Kuwait. *Journal of Derivatives & Hedge Funds*, *14*(3–4), 251–264.

Allayannis, G., & Mozumdar, A. (2004). The impact of negative CF and influential observations on investment–CF sensitivity estimates. *Journal of Banking & Finance*, *28*(5), 901–930.

Almeida, H., Campello, M., & Weisbach, M. S. (2004). The CF sensitivity of cash. *The Journal of Finance*, *59*(4), 1777–1804.

Ali, A., & Audi, M. (2018). Macroeconomic environment and taxes revenues in Pakistan: an application of ARDL approach. *Bulletin of Business and Economics (BBE)*, *7*(1), 30-39.

Andrews, W. D. (1974). A consumption-type or CF personal income tax. *Harvard Law Review*, 1113–1188.

Arya, A., Glover, J., & Sunder, S. (1998). EMand the revelation principle. *Review of Accounting Studies*, *3*, 7–34.

Audi, M., Ali, A., & Roussel, Y. (2021). Measuring the Tax Buoyancy: Empirics from South Asian Association for Regional Cooperation (SAARC). *Empirical Economics Letters*, 20(12), 2111-2126.

Auerbach, A. J., & Bradford, D. F. (2004). Generalized cash-flow taxation. *Journal of Public Economics*, *88*(5), 957–980.

Awan, A., Rahman, S. U., Ali, M., & Zafar, M. (2023). Institutional Performance and Tourism Arrival Nexus in BRICS Countries: Evidence from Nonlinear ARDL Cointegration Approach. *IRASD Journal of Economics*, *5*(1), 784–796.

Baber, W. R., Kang, S.-H., & Li, Y. (2011). Modeling discretionary accrual reversal and the balance sheet as an EMconstraint. *The Accounting Review*, *86*(4), 1189–1212.

Badertscher, B. A. (2011). Overvaluation and the choice of alternative EMmechanisms. *The Accounting Review*, *86*(5), 1491–1518.

Barth, M. E., Beaver, W. H., Hand, J. R., & Landsman, W. R. (1999). Accruals, CFs, and equity values. *Review of Accounting Studies*, *4*, 205–229.

Barth, M. E., Cram, D. P., & Nelson, K. K. (2001). Accruals and the prediction of future CFs. *The Accounting Review*, *76*(1), 27–58.

Barton, J., & Simko, P. J. (2002). The balance sheet as an EMconstraint. *The Accounting Review*, *77*(s-1), 1–27.

Becker, C. L., DeFond, M. L., Jiambalvo, J., & Subramanyam, K. R. (1998). The effect of audit quality on earnings management. *Contemporary Accounting Research*, *15*(1), 1–24.

Beneish, M. D. (2001). Earnings management: A perspective. *Managerial Finance*, *27*(12), 3–17.

Bernard, V. L., & Skinner, D. J. (1996). What motivates managers' choice of discretionary accruals? *Journal of Accounting and Economics*, *22*(1–3), 313–325.

Bernard, V. L., & Stober, T. L. (1989). The nature and amount of information in CFs and accruals. *Accounting Review*, 624–652.

Bowen, R. M., Burgstahler, D., & Daley, L. A. (1986). Evidence on the relationships between earnings and various measures of CF. *Accounting Review*, 713–725.

Broome, O. W. (2004). Statement of CFs: Time for change! *Financial Analysts Journal*, *60*(2), 16–22.

Burgstahler, D., & Dichev, I. (1997). EMto avoid earnings decreases and losses. *Journal of Accounting and Economics*, *24*(1), 99–126.

Caramanis, C., & Lennox, C. (2008). Audit effort and earnings management. *Journal of Accounting and Economics*, *45*(1), 116–138.

Carpenter, R. E., & Guariglia, A. (2008). CF, investment, and investment opportunities: New tests using UK panel data. *Journal of Banking & Finance*, *32*(9), 1894–1906.

Chang, X., Dasgupta, S., Wong, G., & Yao, J. (2014). Cash-flow sensitivities and the allocation of internal CF. *The Review of Financial Studies*, *27*(12), 3628–3657.

Chaudhary, S., Nasir, N., Ur Rahman, S., & Masood Sheikh, S. (2023). Impact of Work Load and Stress in Call Center Employees: Evidence from Call Center Employees. *Pakistan Journal of Humanities and Social Sciences*, *11*(1), 160–171.

Chay, J.-B., & Suh, J. (2009). Payout policy and cash-flow uncertainty. *Journal of Financial Economics*, *93*(1), 88–107.

Cheng, Q., & Warfield, T. D. (2005). Equity incentives and earnings management. *The Accounting Review*, *80*(2), 441–476.

Chi, J. D., & Gupta, M. (2009). Overvaluation and earnings management. *Journal of Banking & Finance*, *33*(9), 1652–1663.

Chiu, C.-Y., & Park, C. S. (1994). Fuzzy CF analysis using present worth criterion. *The Engineering Economist*, *39*(2), 113–138.

Cohen, R. B., Gompers, P. A., & Vuolteenaho, T. (2002). Who underreacts to cash-flow news? Evidence from trading between individuals and institutions. *Journal of Financial Economics*, *66*(2–3), 409–462.

Das, S., Shroff, P. K., & Zhang, H. (2009). Quarterly earnings patterns and earnings management. *Contemporary Accounting Research*, *26*(3), 797–831.

Davidson, R., Goodwin-Stewart, J., & Kent, P. (2005). Internal governance structures and earnings management. *Accounting & Finance*, *45*(2), 241–267.

Dawood, M., Rehman, S. ur, Majeed, U., & Idress, S. (2023). Contribution the Effect of Corporate Governance on Firm Performance in Pakistan. *Review of Education, Administration & Law*, *6*(1), 51–62.

Dechow, P. M., Hutton, A. P., Kim, J. H., & Sloan, R. G. (2012). Detecting earnings management: A new approach. *Journal of Accounting Research*, *50*(2), 275–334.

Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *Accounting Review*, 193–225.

Degeorge, F., Patel, J., & Zeckhauser, R. (1999). EMto exceed thresholds. *The Journal of Business*, *72*(1), 1–33.
Devereux, M., & Schiantarelli, F. (1990). Investment, financial factors, and CF: Evidence from UK panel data. In *Asymmetric information, corporate finance, and investment* (pp. 279–306). University of Chicago Press.
Doupnik, T. S. (2008). Influence of culture on earnings management: A note. *Abacus*, *44*(3), 317–340.
Drtina, R. E., & Largay III, J. A. (1985). Pitfalls in calculating CF from operations. *Accounting Review*, 314–326.
Dutta, S., & Gigler, F. (2002). The effect of earnings forecasts on earnings management. *Journal of Accounting Research*, *40*(3), 631–655.
Dye, R. A. (1988). EMin an overlapping generations model. *Journal of Accounting Research*, 195–235.
Ebrahim, A. (2007). EMand board activity: An additional evidence. *Review of Accounting and Finance*, *6*(1), 42–58.
El Diri, M. (2017). *Introduction to earnings management*. Springer.
Faulkender, M., Flannery, M. J., Hankins, K. W., & Smith, J. M. (2012). CFs and leverage adjustments. *Journal of Financial Economics*, *103*(3), 632–646.
Francis, J., & Smith, M. (2005). A reexamination of the persistence of accruals and CFs. *Journal of Accounting Research*, *43*(3), 413–451.
Geiger, M. A., & North, D. S. (2006). Does hiring a new CFO change things? An investigation of changes in discretionary accruals. *The Accounting Review*, *81*(4), 781–809.
Gilchrist, S., & Himmelberg, C. P. (1995). Evidence on the role of CF for investment. *Journal of Monetary Economics*, *36*(3), 541–572.
Gombola, M. J., & Ketz, J. E. (1983). A note on CF and classification patterns of financial ratios. *Accounting Review*, 105–114.
Greenberg, R. R., Johnson, G. L., & Ramesh, K. (1986). Earnings versus CF as a predictor of future CF measures. *Journal of Accounting, Auditing & Finance*, *1*(4), 266–277.
Gruca, T. S., & Rego, L. L. (2005). Customer satisfaction, CF, and shareholder value. *Journal of Marketing*, *69*(3), 115–130.
Guay, W. R., Kothari, S. P., & Watts, R. L. (1996). A market-based evaluation of discretionary accrual models. *Journal of Accounting Research*, *34*, 83–105.
Guidry, F., Leone, A. J., & Rock, S. (1999). Earnings-based bonus plans and EMby business-unit managers. *Journal of Accounting and Economics*, *26*(1–3), 113–142.
Gunny, K. A. (2005). *What are the consequences of real earnings management?* University of California, Berkeley.
Gunny, K. A. (2010). The relation between EMusing real activities manipulation and future performance: Evidence from meeting earnings benchmarks. *Contemporary Accounting Research*, *27*(3), 855–888.
Hafiza, N. S., Manzoor, M., Fatima, K., & Sheikh, S. M. (2022). *Motives of Customer ' S E -Loyalty Towards E-Banking Services : a Study in Pakistan*. *19*(3).
Healy, P. (1996). Discussion of a market-based evaluation of discretionary accrual models. *Journal of Accounting Research*, *34*, 107–115.
Healy, P. M., & Wahlen, J. M. (1999). A review of the EMliterature and its implications for standard setting. *Accounting Horizons*, *13*(4), 365–383.
Hirshleifer, D., Hou, K., & Teoh, S. H. (2009). Accruals, CFs, and aggregate stock returns. *Journal of Financial Economics*, *91*(3), 389–406.
Houmes, R. E., & Skantz, T. R. (2010). Highly valued equity and discretionary accruals. *Journal of Business Finance & Accounting*, *37*(1–2), 60–92.
Hovakimian, G. (2009). Determinants of investment CF sensitivity. *Financial Management*, *38*(1), 161–183.
Hunt, A., Moyer, S., & Shevlin, T. (2000). Earnings volatility, earnings management, and equity value. *Unpublished Working Paper. University of Washington*.
Hussain, A. (2014). Banking Privatization and Profitability in Pakistan: A Time Series Analysis. *Journal of Business and Economic Options*, *1*(1), 30-37.
Jackson, A. B. (2018). Discretionary accruals: Earnings management... or not? *Abacus*, *54*(2), 136–153.
Javaid, Z., Noor, Q., Iftikhar, H., Haris, M., Rahman, S. U., & Ali, M. (2023). Assessing Mediating Role of Environment Knowledge Between Green Resource Management and Sustainable Performance, Under Moderating Effects of Green Self-Efficacy. *Central European Management Journal*, *31*(2), 352–368.
Jo, H., & Kim, Y. (2007). Disclosure frequency and earnings management. *Journal of Financial Economics*, *84*(2), 561–590.
Jones, J. J. (1991). EMduring import relief investigations. *Journal of Accounting Research*, *29*(2), 193–228.
Kadapakkam, P.-R., Kumar, P. C., & Riddick, L. A. (1998). The impact of CFs and firm size on investment: The international evidence. *Journal of Banking & Finance*, *22*(3), 293–320.
Kao, L., & Chen, A. (2004). The effects of board characteristics on earnings management. *Corporate Ownership & Control*, *1*(3), 96–107.
Kaplan, S. N., & Ruback, R. S. (1995). The valuation of CF forecasts: An empirical analysis. *The Journal of Finance*, *50*(4), 1059–1093.
Kenley, R. (2003). *Financing construction: CFs and cash farming*. Routledge.
Kent, P., Routledge, J., & Stewart, J. (2010). Innate and discretionary accruals quality and corporate governance. *Accounting & Finance*, *50*(1), 171–195.
Khurana, I. K., Martin, X., & Pereira, R. (2006). Financial development and the CF sensitivity of cash. *Journal of Financial and Quantitative Analysis*, *41*(4), 787–808.
Kim, J., Kim, Y., & Zhou, J. (2017). Languages and earnings management. *Journal of Accounting and Economics*, *63*(2–3), 288–306.
Koijen, R. S., & Van Nieuwerburgh, S. (2011). Predictability of returns and CFs. *Annu. Rev. Financ. Econ.*, *3*(1), 467–491.

Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, *39*(1), 163–197.
Krishnan, G. V. (2003). Audit quality and the pricing of discretionary accruals. *Auditing: A Journal of Practice & Theory*, *22*(1), 109–126.
Lang, L. H., & Litzenberger, R. H. (1989). Dividend announcements: CF signalling vs. free CF hypothesis? *Journal of Financial Economics*, *24*(1), 181–191.
Lang, M., Raedy, J. S., & Wilson, W. (2006). EMand cross listing: Are reconciled earnings comparable to US earnings? *Journal of Accounting and Economics*, *42*(1–2), 255–283.
Lee, C.-W. J., Li, L. Y., & Yue, H. (2006). Performance, growth and earnings management. *Review of Accounting Studies*, *11*, 305–334.
Leuz, C., Nanda, D., & Wysocki, P. D. (2003). EMand investor protection: An international comparison. *Journal of Financial Economics*, *69*(3), 505–527.
Lewellen, J., & Lewellen, K. (2016). Investment and CF: New evidence. *Journal of Financial and Quantitative Analysis*, *51*(4), 1135–1164.
Li, D., Bai, Y., Yu, P., Meo, M. S., Anees, A., & Rahman, S. U. (2022). Does institutional quality matter for environmental sustainability? *Frontiers in Environmental Science*, *10*(July), 1–12.
Li, X. (2011). Behavioral theories and the pricing of IPOs' discretionary current accruals. *Review of Quantitative Finance and Accounting*, *37*, 87–104.
Liu, J., Nissim, D., & Thomas, J. (2007). Is CF king in valuations? *Financial Analysts Journal*, *63*(2), 56–68.
Livnat, J., & Zarowin, P. (1990). The incremental information content of cash-flow components. *Journal of Accounting and Economics*, *13*(1), 25–46.
Ljungqvist, A., & Richardson, M. P. (2003). *The CF, return and risk characteristics of private equity*. National Bureau of Economic Research Cambridge, Mass., USA.
Lo, K. (2008). EMand earnings quality. *Journal of Accounting and Economics*, *45*(2–3), 350–357.
Marciukaityte, D., & Szewczyk, S. H. (2011). Financing Decisions and Discretionary Accruals: Managerial Manipulation or ManagerialOveroptimism. *Review of Behavioural Finance*, *3*(2), 91–114.
Marrakchi Chtourou, S., Bedard, J., & Courteau, L. (2001). Corporate governance and earnings management. *Available at SSRN 275053*.
McNichols, M. F. (2000). Research design issues in EMstudies. *Journal of Accounting and Public Policy*, *19*(4–5), 313–345.
McNichols, M. F., & Stubben, S. R. (2018). Research design issues in studies using discretionary accruals. *Abacus*, *54*(2), 227–246.
McNichols, M., & Wilson, G. P. (1988). Evidence of EMfrom the provision for bad debts. *Journal of Accounting Research*, 1–31.
Mills, J., & Yamamura, J. H. (1998). The power of CF ratios. *Journal of Accountancy*, *186*(4), 53.
Minhas, A. S., Maqsood, N., Shahid, T. A., & Rehman, A. U. (2024). Investment Performance in Green Finance: Assessing the Impact of Environmental Social and Governance Integration. *IRASD Journal of Economics*, *6*(1), 27–44.
Mohanram, P. S. (2003). How to manage earnings management. *Accounting World*, *10*(1), 1–12.
Moradi, M., Salehi, M., Bighi, S. J. H., & Najari, M. (2012). A Study of relationship between board characteristics and earning management: Iranian scenario. *Universal Journal of Management and Social Sciences*, *2*.
Myers, J. N., Myers, L. A., & Skinner, D. J. (2007). Earnings momentum and earnings management. *Journal of Accounting, Auditing & Finance*, *22*(2), 249–284.
Nugroho, B. Y., & Eko, P. U. (2012). Board characteristics and earning management. *BISNIS & BIROKRASI: Jurnal Ilmu Administrasi Dan Organisasi*, *18*(1).
Park, Y. W., & Shin, H.-H. (2004). Board composition and EMin Canada. *Journal of Corporate Finance*, *10*(3), 431–457.
Parker, R. H. (1968). Discounted CF in historical perspective. *Journal of Accounting Research*, 58–71.
Payne, J. L., & Robb, S. W. (2000). Earnings management: The effect of ex ante earnings expectations. *Journal of Accounting, Auditing & Finance*, *15*(4), 371–392.
Perry, S. E., & Williams, T. H. (1994). EMpreceding management buyout offers. *Journal of Accounting and Economics*, *18*(2), 157–179.
Plewa Jr, F. J., & Friedlob, G. T. (1995). *Understanding CF*. John Wiley & Sons.
Pourciau, S. (1993). EMand nonroutine executive changes. *Journal of Accounting and Economics*, *16*(1–3), 317–336.
Qureshi, ghaziaKhoulaQureshi G. K., Zaman, mWaheed M. W. U., Rahman, saifUrRahman S. U., & Shahzadi, hafizaNabilaShahzadi H. N. (2022). Legal Insights of Crypto-currency Market and State of Crypto-currency in Pakistan. *Superior Law Review*, *2*(1), 77–104.
Rahman, S. ur, Chaudhry, I. S., Meo, M. S., Sheikh, S. M., & Idrees, S. (2022). Asymmetric effect of FDI and public expenditure on population health: new evidence from Pakistan based on non-linear ARDL. *Environmental Science and Pollution Research*, *29*(16), 23871–23886.
Rayburn, J. (1986). The association of operating CF and accruals with security returns. *Journal of Accounting Research*, 112–133.
Reider, R., & Heyler, P. B. (2003). *Managing CF: An operational focus*. John Wiley & Sons.
Richardson, S. (2006). Over-investment of free CF. *Review of Accounting Studies*, *11*, 159–189.
Ronen, J. (2008). *Earnings management*. Springer.
Roubi, R. R., & Richardson, A. W. (1998). Managing discretionary accruals in response to reductions in corporate tax rates in Canada, Malaysia and Singapore. *The International Journal of Accounting*, *33*(4), 455–467.
Roussel, Y., Ali, A., & Audi, M. (2021). Measuring The Money Demand In Pakistan: A Time Series Analysis. *Bulletin of*

Business and Economics (BBE), *10*(1), 27-41.
Roychowdhury, S. (2006). EMthrough real activities manipulation. *Journal of Accounting and Economics*, *42*(3), 335–370.
Ruback, R. S. (2002). Capital CFs: A simple approach to valuing risky CFs. *Financial Management*, 85–103.
Russell, A. H. (1970). CFs in networks. *Management Science*, *16*(5), 357–373.
Schipper, K. (1989). Earnings management. *Accounting Horizons*, *3*(4), 91.
Shahbaz, S. (2015). Analyzing the Determinants of Dividend Policy: A Comprehensive Study on Ownership Structure and Cash Flow Characteristics in the Banking Sector of Pakistan. *Journal of Business and Economic Options*, *2*(2), 28-40.
Shahid, A. U., Ghaffar, M., Rahman, S. U., Ali, M., Aslam Baig, M., Idrees, S., & Baig, M. A. (2022). Exploring The Impact Of Total Quality Management Mediation Between Green Supply Chain Method And Performance-Palarch's. *Journal Of Archaeology Of Egypt/Egyptology*, *19*(4), 1252–1270.
Shahid, T. A. (2023). *A Comparative Analysis of Sustainable Growth on Health : Evidence from Asian Countries*. *8*(1), 1183–1188.
Shahid, T. A. (2024). *Effect of Public Investment on Health Population : A Review of BRICS Countries*. *6*(1), 1–9.
Shahzadi, H. N., Sheikh, S. M., Sadiq, A., & Rahman, S. U. (2023). Effect of Financial Development, Economic Growth on Environment Pollution: Evidence from G-7 based ARDL Cointegration Approach. *Pakistan Journal of Humanities and Social Sciences*, *11*(1), 68–79.
Sloan, R. G. (1996). Do stock prices fully reflect information in accruals and CFs about future earnings? *Accounting Review*, 289–315.
Song, M., Anees, A., Rahman, S. U., & Ali, M. S. E. (2024). Technology transfer for green investments: exploring how technology transfer through foreign direct investments can contribute to sustainable practices and reduced environmental impact in OIC economies. *Environmental Science and Pollution Research*, *31*(6), 8812–8827.
Stubben, S. R. (2010). Discretionary revenues as a measure of earnings management. *The Accounting Review*, *85*(2), 695–717.
Subrahmanyam, A., & Titman, S. (2001). Feedback from stock prices to CFs. *The Journal of Finance*, *56*(6), 2389–2413.
Suk Yoon, S., Kim, H. J., & Woodruff, G. S. (2022). A critical evaluation of the Jones models and the industry approach for the estimation of discretionary accruals. *Asia-Pacific Journal of Accounting & Economics*, *29*(2), 432–450.
Tsai, C.-Y. (2008). On supply chain CF risks. *Decision Support Systems*, *44*(4), 1031–1042.
Xu, R. Z., Taylor, G. K., & Dugan, M. T. (2007). Review of real EMliterature. *Journal of Accounting Literature*, *26*, 195.
Young, S. (1999). Systematic measurement error in the estimation of discretionary accruals: An evaluation of alternative modelling procedures. *Journal of Business Finance & Accounting*, *26*(7–8), 833–862.
Yu, F. F. (2008). Analyst coverage and earnings management. *Journal of Financial Economics*, *88*(2), 245–271.
Zahra, A., Nasir, N., Rahman, S. U., & Idress, S. (2023). Impact of Exchange Rate, and Foreign Direct Investment on External Debt: Evidence from Pakistan Using ARDL Cointegration Approach. *IRASD Journal of Economics*, *5*(1), 709–719.
Zarowin, P. (2015). Estimation of discretionary accruals and the detection of earnings management. *The Oxford Handbook of Strategy Implementation*.
Zhao, J., Rahman, S. ur, Afshan, S., Ali, M. S. E., Ashfaq, H., & Idrees, S. (2023). Green investment, institutional quality, and environmental performance: evidence from G-7 countries using panel NARDL approach. *Environmental Science and Pollution Research*, *30*(45), 100845–100860.
Zulfiqar, M., Ansar, S., Ali, M., Hassan, K. H. U., & ... (2022). The Role of Social Economic Resources Towards Entrepreneurial Intentions. *PalArch's Journal of …*, *19*(1), 2219–2253.