The Effect of CSR Disclosure, Corporate Governance Mechanism, Auditor Independence, Auditor Quality, and Firm Size on Earning Management

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Keywords: Disclosure of CSR, Corporate Governance Mechanism, Auditor Independence, Audit Quality, Company Size, Earning Management

ABSTRACT
This study aims to determine the Effect of CSR Disclosures, Corporate Governance Mechanisms, Auditor Sensitivity, Audit Quality, and Company Size on Earning management. This study uses a quantitative research design with data on Food and Beverage companies listed on the Stock Exchange in 2014-2017. The population in this study is a Food and Beverage company registered on the Stock Exchange in 2014-2015 and has passed the research criteria. The sampling technique in this study used a purposive sampling technique that is random sampling and has passed the criteria of this study. The number of all participating data is 32 companies. The data analysis model used is a multiple linear regression model using the SPSS test tool. The results of the study show that CSR Disclosure, Corporate Governance Mechanism, Auditor Independence, Audit Quality and Company Size did not affect Earning Management.
Earning management is the activity of manipulating profit through the managers' intervention in the external financial statement process that has the purpose of benefiting doers. In general, earning management is defined as the manager's effort to intervene or influence the information in the financial statements to deceive stakeholders in finding the company's performance and condition. The term intervention is used as a basis for some parties to view earning management as defrauding. On the other hand, earning management is not an act of fraud because it still refers to accounting standards that use generally accepted accounting methods and procedures, “The tendency of external parties to pay more attention to profit information as the parameter of company performance will drive management to conduct manipulation” (Agustia, Dian, 2013)

Large profits will attract investors because the company has high dividends. In other words, the higher the dividend, the better the productivity of assets in getting a net profit. The high dividend implies that the company will get large profits so the company can provide greater profit sharing to investors. The impact increases the attractiveness of the company to investors. Earning power is a picture of a company's ability to generate profits. Great earning power will encourage managers to carry out earning management activities. Manufacturing companies, in their operations, tend to be unstable because various factors may influence it, and this is what causes high-profit variations.

Companies in conducting their business activities must have external responsibilities in the form of Corporate Social Responsibility (CSR). This CSR activity is a company obligation regulated in Law Number 40 of 2007 concerning limited liability companies and government regulation Number 47 of 2012 concerning corporate social responsibility. Companies that carry out CSR activities and disclose them in the financial statements benefit in the form of a positive image from the public and investors. The positive image of CSR activities and reports can bring opportunities for management to take earning management actions because investors and other users of financial statements indirectly have given a good evaluation to the company. In line with the statement of Kusuma et al. (2014: 1), this CSR activity is used by management as a shield or entrenchment strategy from its actions in managing companies' profits so that the reputation is maintained and thus it protects the managers' career.

Earning management activities can be minimized through a monitoring mechanism that aims to collaborate with various interests called corporate governance mechanisms (Indriastuti, Maya, 2012). Corporate governance is a concept created to improve management performance and ensure management accountability to stakeholders based on the regulatory framework. In addition, members of the audit committee included in the independent commissioners who are experts in finance are effective parties in reducing earning management.

An independent commissioner is a particular factor that can reduce earning management activities. Independent commissioners are part of corporate governance. Independent commissioners have a function as advisors who provide opinions and suggestions aimed at the targets to be achieved by the company. The duties of the independent commissioners include evaluating and directing corporate strategy, risk control policies, evaluating the remuneration system for key officials, monitoring and resolving conflicts of interest, and monitoring the process of openness and effectiveness of communication within the company. Independent commissioners can make effective contributions to the results of the process of preparing quality financial statements and reduce earning management actions.

The importance of the auditor's role in detecting earning management conducted by company managers triggers motivation to carry out research that can detect the effect of the auditor's role in auditing financial statements of earning management. An independent auditor is one factor that can reduce the occurrence of earning management. Auditor independence is assessed from the period of the auditor's assignment in the same company. The longer the auditor conducts audits on a company, the more likely the auditor is considered as non-independent (I Guna Welvin and Herawaty Arleen 2010).
Many cases of earning management occur in Indonesia. Audit quality can be used as one indicator to analyze the occurrence of earning management. The number of audit failure cases in Indonesia recently had caused a crisis of public confidence regarding the inability of the accountant profession to audit financial statements. This crisis is reasonable because a lot of financial statements obtained fair opinions with no exception but bankrupted after the opinions were issued. Therefore, audit quality is also an important factor that needs to be considered in analyzing earning management. This opinion is supported by researches by Rusmin (2010), and Meutia (2004), which state that earning management actions on audit output carried out by big four public accounting offices are lower than non-big four public accounting offices.

Firm size is also one of the factors that are suspected to influence earning management activities. The larger the size of the company, the greater the funds obtained. Big companies will be more likely to be noticed by external parties. Therefore, firm size is considered to bring an influence on earning management. Handayani and Rachadi (2009) state that firm size influences earning management activities. The statement differs from the results of researches by Guna and Herawaty (2010), and Praditía (2010), which state that firm size does not affect earning management practices.

This research is a development of previous research conducted by Indriastuti, Maya (2012). The difference between previous research with this research is the addition of three independent variables, namely CSR disclosure, auditor independence, and firm size. The object of the research is also different in which this study used the object of manufacturing companies listed on the Indonesia Stock Exchange in 2014-2017.

Based on the backgrounds above, researchers were motivated to conduct this research because it is interesting to study factors affecting earning management and how the influence of each factor brings on earning management. Based on the elaboration above, researchers conducted research on “The Effect of Corporate Social Responsibility Disclosure, Corporate Governance Mechanism, Auditor Independence, Audit Quality and Firm Size on Earning Management.”

Agency Theory

Jansen and Meckling (1976) define an agency relationship as a contract or one or more individuals (Principal). Jensen and Meckling (1976) in Agustia, Dian (2013) state that an agency relationship is a contract between a manager (agent) and an investor (principal). In this case, the principal delegates some authorities to the agents to make decisions. If two parties are interconnected to maximize utility, then there is a possibility that agents do not always act according to principal interests. For this reason, the principal can limit the agents employing intensive determination. Conflicts can occur between the principal as the owner and the agent as the management. It might happen because the owner cannot monitor the day-to-day management activities to ensure that the management works in accordance with the interests of the shareholders. Different information between management and company owners can mislead owners regarding the company's financial performance. Thus, agency theory is the relationship between principal and agent with various interests that may cause conflict between them. Pambudi, Januar Eky, and Sumantri, Farid Addy (2014).

Earning management

Earning management is management's intervention in the financial statements with the purpose to benefit managers. One way to measure earning management is by discretionary accruals (DA). Earning management is suspected of appearing or being committed by managers or financial statement makers in an organization's financial reporting process because they want to benefit from the actions they commit (Indriastuti Maya, 2012). Discretionary accrual is an accrual component that allows managers to intervene in the process of preparing financial statements so that reported earnings in financial statements do not reflect the true value or condition of the company (Scoot, 2000 in Pambudi and Sumatri, 2014).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is an attitude that is shown by the company against its
commitment to the stakeholders in the form of accountability towards the impact of operations or activities carried out by the company in social, economic, and environmental aspects, and to safeguard the impact benefitting to the community and the environment. Companies that carry out CSR activities and disclose them in financial statements indirectly benefit them in the form of a positive image before the public and investors. This positive image indirectly benefits management or the company in managing earnings. Management or companies are unchained to do earning management because the image is misused to cover earning management practices. This condition is exploited by management because the public has given a good assessment of the company. The public considers that companies with high CSR activities maybe too unethical to commit earning management. These conditions indicate that the higher the CSR of a company, the higher the earning management actions committed. The results of researches conducted by Fauziah (2013: 1), Arief (2014: 9), Suryani (2014: 54-55), and Purwitaningrum state that CSR has a positive and significant effect on earning management. It differs from studies conducted by Ricardo et al. (2015: 7), and Prasetya et al. (2015: 533), which state that CSR negatively influences earning management in a company.

Independent Board of Commissioners

Corporate Governance (CG) is considered as one mechanism to minimize the occurrence of earning management that can harm other parties. Corporate Governance as a form of process and structure that can be used by a company to improve business success and corporate accountability to realize shareholders’ value in the long term while taking the interests of other stakeholders into account based on legislation and ethical values. Independent commissioners are members of the commissioner who are not affiliated with management, other members of the board of commissioners and shareholders, and are free from business relationships and other relationships that may affect their ability to act independently or act solely in the interests of the company (National Committee on Good Corporate Governance Policy 2004). The existence of independent commissioners in the company serves as a counterweight in the decision-making process to provide protection for minority shareholders and other parties associated with the company (Mayangsari 2003) in (I Guna Welvin and Herawaty Arleen 2010).

Auditor Independence

Auditor independence will bring an impact on earning management detection. An independent auditor is one factor that can reduce the occurrence of earning management. Auditor independence is assessed from the period of the auditor’s assignment in the same company. The longer the auditor carries out an audit on a company, the more likely the auditor is considered as non-independent (I Guna Welvin and Herawaty Arleen 2010).

Audit Quality

The purpose of the financial statement audit is to provide certainty regarding the integrity of the financial statements presented by management. Certainty regarding the relevance and reliability of the company’s financial statements is needed to assist external parties in making a business decision. Audit quality in this study was measured by the proxy size of the public accountant office because it is assumed to affect the results of audits conducted by the auditors. Auditors who work in Big Four Public Accounting Offices are considered more qualified because they are equipped with a series of training and procedures and have an audit program that is considered more accurate and effective than auditors from non-Big Four Public Accounting Offices (Isnanta, 2008 in I Guna Welvin and Herawaty Arleen 2010).

Firm Size

Firm size is a scale where big and small companies can be classified in various ways, including total assets, log size, sales, and market capitalization. A bigger company in which its shares are widely distributed will be more willing to issue new shares in meeting to finance its sales growth compared to smaller companies. So, the larger the size of the company, the bigger the tendency to use external funds. It is because large companies have large funding needs, and one alternative to meeting the funds is to use external funds by using debt. Thus, the bigger the size of the company, the greater the tendency to use debt than smaller companies to meet the funding needs (Prima Agustia Yofi and Suryani Elly 2018).
Hypothesis Development

Disclosure of Corporate Social Responsibility (CSR)

Kusuma Wardani Dewi and Kurnia Santi Desifa (2018) explain that companies that carry out CSR activities and express those in financial reports indirectly benefit in the form of a positive image before the public and investors. This positive image indirectly benefits management or companies in managing profit. Management or companies are free to do earning management because the image is misused to cover earning management practices. This condition is exploited by management because the public has already given a good assessment of the company. The public views that companies with good CSR activities are too unethical to misconduct actions such as earning management. These conditions indicate that the higher the CSR of a company, the higher the earning management actions committed. The results of research conducted by Fauziah (2013: 1), Arief (2014: 9), Suryani (2014: 54-55), and Purwitaningrum state that CSR has a positive and significant effect on earning management. These results differ from studies conducted by Ricardo et al. (2015: 7), and Prasetya et al. (2015: 533), which state that CSR negatively influences earning management in a company. Based on the theory and differences in research results, the first hypothesis drawn in this study is:

H1: Corporate Social Responsibility (CSR) has a Positive Effect on Earning Management.

Corporate Governance Mechanism (Independent Commissioner)

Warsono et al. (2010: 107) states that independent commissioners function as advisors who provide advice, opinions, and input in order to achieve company goals. The main tasks of the independent commissioners include evaluating and directing corporate strategy, risk control policies, annual budgets, and business plans; assessing the remuneration system for key officials; monitoring and resolving conflicts of interest; and monitoring the process of openness and effectiveness of communication within the company. Robert Jao and Gagaring Pagalung (2011) have conducted research entitled Corporate Governance, Firm Size, and Leverage on Earning management using a purposive sampling method and research using multiple regression analysis methods. The results show that Managerial Ownership, Independent Board of Commissioners Composition, Audit Committee, and Firm Size have a significant negative effect on earning management. Institutional Ownership and Board of Commissioners Size have a significant positive effect on earning management. Based on the theory and the differences in the results of the research, the second hypothesis drawn is:

H2: Proportion of the Board of Commissioners Has Positive Effect on Earning Management

Auditor Independence

The importance of the auditor’s role in detecting earning management carried out by company managers provides motivation to conduct research that can detect the effect of the auditor’s role in auditing financial statements on the misconduct of earning management. Auditor independence will have an impact on the detection of earning management. An independent auditor is one factor that can reduce the occurrence of earning management. Auditor independence is assessed from the period of the auditor’s assignment in the same company. The longer the auditor audits a company, the more likely the auditor is considered as non-independent (I Guna Welvin and Herawaty Arleen 2010). Based on the description, the following hypothesis is proposed:

H3: Auditor Independence Has Positive Effect on Earning Management

Audit Quality

Audit quality used in this study is a proxy size of the public accounting office. This proxy illustrates the size of the big four public accounting offices and non-big four public accounting offices. The size of the big four public accounting offices has a big role in the auditing process in which big four public accounting offices tend to avoid committing fraud, and the big four public accounting offices are considered to have more credibility to maintain their good name. Thus, fraud practices in a company can be detected.

From the explanation, the researchers argue that auditing conducted by the big four public accounting offices can lead to fraud detected in the company and the auditors in the assignment can be independent and objective about the real situation in which it plays the credibility of the public accounting offices in maintaining their good name.
This opinion is supported by Rusmin (2010), and Meutia’s research (2004), stating that earning management practices on audit results by big four public accounting offices are lower than the non-big four public accounting offices.

**H4:** Audit Quality Has a Negative Effect on Earning Management

**Firm Size**

Firm size is a scale where big and small companies can be classified in various ways, including total assets, log size, sales, and market capitalization. Big companies in which their shares are widely distributed will be more willing to issue new shares in meeting to finance their sales growth compared to smaller companies. So, the larger the size of the company, the bigger the tendency to use external funds. It is because big companies have large funding needs, and one alternative to meeting the funds is to use external funds by using debt. So, the higher the size of the company, the bigger the tendency to use high debt than smaller companies to meet the funding needs (Prima Agustia Yofi and Suryani Elly 2018). Based on the theory, the hypothesis proposed is:

**H5:** Firm Size Has Positive Effect on Earning Management

**RESEARCH METHOD**

**Types of Research**

This research is a clause with a quantitative approach. An explanatory hypothesis or causal hypothesis is a hypothesis that states the relationship of one variable that causes changes in other variables. (Sekaran, 2007 in Agustia, 2013). In this study, the clause hypothesis was applied to test the cause and effect relationship between the dependent and independent variables by using statistical test tools to deduce hypotheses using clause testing.

**Population and Sample**

The population in this study are all food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2014-2017. The data were taken from secondary data. Secondary data were obtained from the Indonesia Stock Exchange (www.idx.co.id) and financial reports audited by auditors. The determination of the company’s sample was completed by the Purposive Sampling method.

**Operational and Variable Measurement Definition**

**Dependent Variable**

The variable in this study is earning management. Earning management is an act of managers who conduct accounting policies to achieve specific objectives, and the intended accounting policy being referred to is the use of accruals in preparing financial statements. In this study, earning management was substituted by using a discretionary accrual (DAC), which is a modified form of Jones’ calculation model (1991 in Kusuma Wardani Dewi and Kurnia Santi Desifa 2018). The reason for choosing this model is due to the assumption that manipulation can be performed on income and calculates income as discretionary accruals, so it is considered more accurate in detecting earning management. Discretionary accruals can be calculated by using the following formula.

\[
TAC_{it} = Nit - CFO_{it}
\]

Estimating total accrual (TAC) with Ordinary Least Square (OLS) to obtain the regression coefficient. The formula is as follows,

\[
NDA_{it} = \alpha_1(1/A_{it-1}) + \alpha_2(\Delta REV_{it}/A_{it-1}) + \alpha_3(PPE_{it}/A_{it-1}) + \eta_{it}
\]

After the regression coefficient values, \(\alpha_1, \alpha_2,\) and \(\alpha_3\) are obtained, then proceed with calculating the nondiscretionary accruals component. The nondiscretionary accruals model is formulated as follows:

\[
NDA_{it} = \alpha_1(1/A_{it-1}) + \alpha_2(\Delta REV_{it}/A_{it-1} - \Delta REV_{cit}/A_{it-1}) + \alpha_3(PPE_{it}/A_{it-1}) + \eta_{it}
\]

The next step is to find the value of discretionary accruals by reducing the value of \(TA_n\) with the value of \(NDA_n\).

\[
DA_{it} = TA_{it}/A_{it-1} - NDA_{it}
\]
Independent Variable

CSR Disclosure

Corporate Social Responsibility (CSR) in this study is the first independent variable (X1). CSR in this study was measured using the Corporate Social Responsibility Index (CSRI), which refers to the GRI-G4 version of the Global Instrument Initiative (GRI) instrument guidelines. Each of these categories has 149 items in total. The following is the formula for calculating CSR measurements (Kusuma Wardani Dewi and Kurnia Santi Desifa 2018):

\[ \text{CSRI} = \frac{\sum_{y=1}^{Y} k_y}{N_y} \]

Independent Commissioner

Independent commissioners are members of the board of commissioners who are not affiliated with management, other members of the board of commissioners and shareholders, and unaffiliated with business relationships and other relationships that may affect their ability to act independently or act solely in the interests of the company. The proportion of independent commissioners is calculated using the percentage of independent commissioners compared to the total number of commissioners (Taco Clarissa and Ilat Ventje 2016).

Auditor Independence

An independent auditor is one factor that can reduce the occurrence of earning management. Auditor independence is assessed from the period of the auditor’s assignment in the same company. The longer the auditor audits a company, the more likely the auditor is considered as non-independent (I Guna Welvin and Herawaty Arleen 2010). Through proxies, audit assignments are measured using a nominal scale with a dummy variable. Number 1 is used to represent companies that use the same auditor for three years, which means they do not have an independent attitude. Number 2 is used for companies that replace their auditors in less than three years, which means they have an independent attitude.

Audit Quality

Audit quality was measured by the proxy size of public accounting office because it is assumed to affect the results of audits conducted by auditors. Auditors coming from Big Four public accounting offices are rated 1. They are considered more qualified because the auditors are equipped with a series of training and procedures and have an audit program considered more accurate and effective compared to non-Big Four public accounting office auditors, which are given a value of 0 (Isnanta, 2008 in I For Welvin and Herawaty Arleen 2010).

Firm Size

Firm size is a variable that is often used to describe social disclosures made by companies in annual reports. This study used a proxy for total assets obtained from the financial statement position at the end of the company’s period through the company’s annual reports. According to Prima Agustia Yofi and Suryani Elly (2018), the size of the company is stated in total assets and calculated by the following formula:

\[ \text{Firm Size} = \ln (\text{Total Assets}) \]

Data analysis method

Analysis of the data used is multiple linear regression analysis. To test multiple linear regression; subsequently, classical assumptions must be tested because the independent variable is more than one. It is necessary to test the independence of the test results of each independent variable on the dependent variable (Agustia Dian, 2013). Multiple regression analysis was used because there are more than two independent variables in this study. The regression analysis formula is as follows:

\[ DAt = \alpha + \beta_1\text{CSR} + \beta_2\text{KI} + \beta_3\text{IA} + \beta_4\text{KA} + \beta_5\text{Size} + \varepsilon \]

Information:

\[ DAt \quad : \quad \text{The absolute value of discretionary accruals in } t\text{-year} \]
\[ \alpha \quad : \quad \text{Constants} \]
\[ \beta_1\text{CSR} \quad : \quad \text{CSR value in } t\text{-year} \]
β2KI : Independent Commissioner Value in t-ear
β3IA : Value 1 if replaced after three years, value 0 if not replaced
β4KA : Auditor Quality, value 1 if big four public accounting office and 0 if non-big four public accounting office
β5Size : Ln total assets
ε : Error

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics Results
This study used a sample of food and beverage companies listed on the Indonesia Stock Exchange from 2014 to 2017, which were selected as research objects. The data used were the annual reports of financial from 2014 to 2017 taken from 10 companies that fulfilled the research criteria.

Table 4.1 Descriptive Statistics

|        | N   | Minimum | Maximum | Mean   | Std. Deviation |
|--------|-----|---------|---------|--------|----------------|
| EM     | 32  | -0.60   | 0.25    | -0.0397| 0.20473        |
| CSR    | 32  | 0.26    | 0.48    | 0.3700 | 0.05524        |
| IC     | 32  | 33.00   | 57.00   | 40.0625| 8.07600        |
| AI     | 32  | 0.00    | 1.00    | 0.9375 | 0.24593        |
| AQ     | 32  | 0.00    | 1.00    | 0.5938 | 0.49899        |
| SIZE   | 32  | 27.00   | 31.00   | 28.6875| 1.17604        |
| Valid N (listwise) | 32 |         |         |        |                |

Valid N (listwise) 32
(Processed secondary data sources)

Descriptive statistic results in the table above show that ten samples of food and beverage companies had obtained data (N) of 32 samples of companies. The data has six variable elements, namely: Earning management (ML) as the dependent variable, CSR, Independent Commissioner (IC), Auditor Independence (AI), Audit Quality (AQ), and Firm Size (Size) as independent variables. The respective variable has a minimum, maximum, mean, and standard deviations that differ from each other.

Classical Assumption Test

Table 4.2 One-Sample Kolmogorov-Smirnov Test

| Normal Parameters | Unstandardized Residual |
|-------------------|-------------------------|
| Mean              | 0.000000                |
| Std. Deviation    | 0.076                   |
| Absolute          | 0.076                   |
| Positive          | 0.076                   |
| Negative          | 0.073                   |
| Test Statistic    | 0.076                   |
| Asymp. Sig. (2-tailed) | 0.200                 |

Valid N (listwise) 32
(Processed secondary data sources)

From the table above, based on the results of the normality test in table 4.2 with the Kolmogorov-Smirnov (K-S) test obtained 0.076 with a significance level of 0.200, thus, all the data have a normal distribution, or in other words, the data distribution is normal.
Table 4.3 Multicollinearity Test Results

| Model     | Tolerance | Collinearity Statistics | Conclusion                   |
|-----------|-----------|-------------------------|------------------------------|
| 1 (Constant) |           |                         |                              |
| CSR       | ,776      | 1,289                   | NoMulticollinearity detected |
| IC        | ,816      | 1,226                   | NoMulticollinearity detected |
| AI        | ,832      | 1,202                   | NoMulticollinearity detected |
| AQ        | ,746      | 1,341                   | NoMulticollinearity detected |
| Size      | ,824      | 1,213                   | NoMulticollinearity detected |

(Processed secondary data sources)

Based on table 4.3 it shows that each value has a tolerance value above 0.1 and a VIF value below 10; thus, this study detected no multicollinearity.

Table 4.4 Heteroscedasticity Test Results

| Model     | Unstandardized Residual | Conclusion                   |
|-----------|-------------------------|------------------------------|
| CSR       | Correlation Coefficient | -.018                        | No Heteroscedasticity       |
| Sig. (2-tailed) | ,924 | N 32 |                              |
| IC        | Correlation Coefficient | -.039                        | No Heteroscedasticity       |
| Sig. (2-tailed) | ,834 | N 32 |                              |
| AI        | Correlation Coefficient | ,042                         | No Heteroscedasticity       |
| Spearman’s rho | Correlation Coefficient | ,065                         | No Heteroscedasticity       |
| Sig. (2-tailed) | ,722 | N 32 |                              |
| AQ        | Correlation Coefficient | -.079                        | No Heteroscedasticity       |
| Sig. (2-tailed) | ,666 | N 32 |                              |
| Size      | Unstandardized Residual | Correlation Coefficient 1.000 | No Heteroscedasticity       |
| Sig. (2-tailed) | . | N 32 |                              |

(Processed secondary data sources)

Table 4.5 Autocorrelation Test Results

| Model | R   | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-----|----------|-------------------|----------------------------|---------------|
| 1     | .579* | .335     | .208              | .18224                     | 1.305         |

(Processed data sources)

From the test results of table 4.4, all independent variables had significant value (2-tailed) higher than 0.05, which means it did not affect the dependent variable; thus, there is no heteroscedasticity.
Based on the test results, the conclusion is that the DW value is 1.305. DW value of 1.305 is included in the DW number between -2 and +2, so there is no autocorrelation.

The results of the classical assumption tests conducted previously conclude that all test results indicated the regression model of this study has passed and is free from the classical assumption test through tests of normality, multicollinearity, heteroscedasticity, and autocorrelation.

Hypothesis Test Results
Multiple Linear Regression Analysis

| Model | B      | t     | Sig. |
|-------|--------|-------|------|
| (Constant) | -2.247 | -2.763 | 0.010 |
| CSR   | 1.081  | 1.607 | 0.120 |
| IC    | 0.009  | 1.909 | 0.067 |
| AI    | 0.073  | 0.498 | 0.623 |
| AQ    | 0.013  | 0.166 | 0.870 |
| Size  | 0.048  | 1.579 | 0.126 |

F calculate | 2.264 | P (value) ≤ 0.05
Adjusted R² | 0.208 | Sig 0.048

Based on the results of the multiple linear regression tests presented in table 4.6, the regression equation is formulated as follows:

\[ EM = -2.247 + 1.081 \text{CSR} + 0.009 \text{IC} + 0.073 \text{AI} + 0.013 \text{AQ} + 0.048 \text{Size} + e \]

A constant value of -2.247 was obtained, which indicates that, if the value of the variable corporate social responsibility, independent commissioners, auditor independence, audit quality, and firm size are considered to be zero or equal, then the value of earning management will increase. CSR coefficient value of 1.081 means that if an increase of 1% in CSR, then the EM value will increase by 1.081%, conversely if the CSR value decreases by 1%, then the EM value will decrease by 1.081%. IC coefficient value of 0.09 means that if there is an increase of 1% in IC, then the EM value will increase by 0.09%, conversely if the IC value drops by 1%, then the EM value will decrease by 0.09%.

AI coefficient value of 0.073 means that an increase of 1% in AI then EM value will increase by 0.073%; conversely, if the AI value decreases by 1%, then EM value will decrease by 0.073%. The AQ coefficient value is 0.013, which means that an increase of 1% in the AQ will increase EM value by 0.013%; conversely, if the AQ value decreases by 1%, the EM value will decrease by 0.013%. Size coefficient value of 0.048 means that an increase of 1% in Size then will increase EM value by 0.048%; otherwise, if the Size value decreases 1%, then the EM value will decrease by 0.048%.

| F calculate | Sig. | Information |
|-------------|------|-------------|
| 2.624       | 0.048| Fit of Goodness |

(Processed secondary data sources)
Based on the test results above, the F calculate of 2.624 have a significance level of 0.048, which is less than 0.05. Thus, the regression model in this study has fulfilled fit of goodness.

### Table 4.8 Test the Significance of Individual Parameters

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. | Information |
|-------|-----------------------------|---------------------------|---|------|-------------|
|       | B                           | Std. Error                | Beta |     |             |
| (Constant) | -2.247                     | .813                      |     | -2.763 | .010       |
| CSR   | 1.081                       | .673                      | .292 | 1.607 | .120 H1 rejected |
| IC    | .009                        | .004                      | .338 | 1.909 | .067 H2 rejected |
| AI    | .073                        | .146                      | .087 | .498  | .623 H3 rejected |
| AQ    | .013                        | .076                      | .031 | .166  | .870 H4 rejected |
| Size  | .048                        | .031                      | .278 | 1.579 | .126 H5 rejected |

(Processed data sources)

From the results of the statistical tests above, each independent variable influenced the dependent variable. Following the interpretation of the results of the statistical t-test, the first hypothesis (H1) is that CSR has effect on earning management. From the results of the t-test in table 8, it is concluded that CSR has t-calculate of 1.607 with a significance level of 0.120 > 0.05. It means that H1 is rejected, and H0 is accepted, which concludes that Corporate Social Responsibility (CSR) has no effect on Earning management (EM).

The second hypothesis (H2) is Independent Commissioner (IC) influences the Earning management (EM). From the results of the t-test in table 8, IC has t-calculate of 1.909 with a significance of 0.067 > 0.05. It means H2 is rejected and H0 is accepted which concludes that the Independent Commissioner (IC) has no effect on Earning management (EM).

The third hypothesis (H3) is the Auditor Independence (AI) affects Earning management (EM). From the results of the t-test in table 8, AI has t-test of 0.498 with a significance of 0.623 > 0.05. It means that H3 is rejected, and H0 is accepted, which concludes that the Auditor Independence (AI) has no effect on Earning management (EM).

The fourth hypothesis (H4) is Audit Quality (AQ) influences Earning management (EM). From the results of the t-test in table 8, the AQ has t-test of 0.166 with a significance of 0.870 > 0.05. It means that H4 is rejected, and H0 is accepted which concludes that Audit Quality (AQ) has no effect on Earning management (EM).

The fifth hypothesis (H5) is Firm Size (Size) influences Earning management (EM). From the results of the t-test in table 8, Size has t-test of 1.579 with a significance of 0.126 > 0.05. It means that H5 is rejected, and H0 is accepted which concludes that Firm Size does not affect Earning management (EM).

### Table 4.9 Determinant Coefficient Test Results (R² Test)

| Model | R | R Square | Adjusted R Square |
|-------|---|----------|-------------------|
| 1     | .579 | .335     | .208              |

(Processed data sources)

From the table of the R² test results above, the adjusted R-Square value of 0.208 or 20.8% which means that the variable Earning management (EM) can be explained by the variable Corporate Social Responsibility (CSR), Independent Commissioner (IC), Auditor Independence (AI), Audit Quality (AQ), and Firm Size (Size) with 20.8% while other variables outside the research model explain the remaining 79.2%.

**DISCUSSION**

**Effect of Corporate Social Responsibility on Earning management**

Based on the t-test results of the Corporate Social Responsibility (CSR) variable, the t-value is 1.607, with a significance level of 0.120 > 0.05. It means that H1 is rejected, and H0 is accepted; thus, Corporate Social Responsibility (CSR) has no effect on Earning management (EM).

Corporate Social Responsibility in this study illustrates the positive image of the company by attracting the investors and other parties who utilize the financial statements, thereby diverting the attention of investors from the supervision or detection of earning management. As identified, earning management was demonstrated by
managing the accruals of the company's finances. The company reported the practice of earning management through accrual management based on the identification of the modified Jones model by increasing or decreasing earnings. Managers generally have a tendency to misappropriate earnings through the implementation and disclosure of CSR by using excess benefits for consumption and opportunistic behavior. However, this relationship is not supported empirically with the increase in CSR disclosure, which in effect will increase the opportunity for managers to manage profit (Arief Arfina and Moh. Didik Ardiyanto 2014).

This result supports the research of Arief Arfina and Moh. Didik Ardiyanto (2014) and Putriana Marisa (2018) that show Corporate Social Responsibility has no effect on earning management. However, this result is not supported by the research of Dewi and Desifa (2018) that CSR has a positive effect on earning management, as well as research by Ni Nyoman et al. (2018), which states that CSR has a significant negative effect on earning management.

The Influence of the Independent Commissioner on Earning management

Based on the t-test results of the Independent Commissioner (IC) variable, the t-value is 1.909, with a significance level of 0.067 > 0.05. It means that H2 is rejected, and H0 is accepted; thus, the Independent Commissioner (IC) has no effect on Earning management (EM).

The board of independent commissioner had no effect on earning management practices, and this is because the independent commissioners were appointed by the majority shareholder in the GMS (General Meeting of Shareholders) so that if they were not in the same side with the owner’s decision, then the company could make a replacement. So in practice even though the composition of independent commissioners in companies is relatively large, they cannot be purely independent in carrying out their duties and supervision because they are limited by regulations/policies of the majority shareholders, so they cannot encourage the optimal implementation of good corporate governance to limit earning management practices (Agustia, Dian 2013).

This result is supported by researches by Dian Agustia (2013) and Clarisa Taco (2016), which state that the Independent Commissioner has no effect on Earning Management. However, this result is not supported by the researches by Afifa Nabila (2013) and Ahcmad Sutarmin (2017), which state that the Independent Commissioner has a positive effect on earning management.

Effect of Auditor Independence on Earning management

Based on the results of the t-test variable of Auditor Independence (IA), the t-calculate value is 0.498, with a significance of 0.623 > 0.05. It means that H3 is rejected, and H0 is accepted; thus, the Auditor Independence does not affect the Earning management (EM).

Auditor independence was not proven to limit earning management practices by managers. It was possible because of the auditor’s inability to detect earning management by managers. In addition, the measurement of the period of audit tenure with the company was less relevant to be used as a parameter of earning management in this study. Other factors such as audit fees can also influence auditor independence in detecting earning management (Muhammad Dody Amijaya and Andri Prastiwi 2013).

This result is supported by the researches of Muhammad Dody Amijaya and Andri Prastiwi (2013) and Welven I Guna and Arleen Herawaty (2010), which state that the Auditor Independence has no effect on Earning management. However, this result is not supported by Galuh Tresna Murti and Iman Firmansah’s research (2017), which states that the Auditor Independence has a significant effect on earning management.

Effect of Audit Quality on Earning management

Based on the results of the t-test variable of Audit Quality (AQ), the t-value is 0.166, with a significance of 0.870 > 0.05. It means that H4 is rejected, and H0 is accepted; thus, Audit Quality (AQ) has no effect on Earning Management (EM).

Audit quality, as measured by public accounting office size, does not guarantee that it can minimize earning management practices. In other words, there is no difference between the big four public accounting offices and non-big four public accounting offices in preventing the occurrence of earning management practices. This is because companies audited by big public accounting offices tend to have higher earnings management practices.
accounting office has not been proven to limit earning management practices by the company and instead increase earning management practices, this is because Big Four is more competent and professional than Non-Big Four auditors, so one has more knowledge about how to detect and manipulate financial statements and practice earning management (Maya Indriastuti 2012).

This result is supported by Maya Indriastuti (2012) and Novi Lufita (2018), stating that audit quality has no effect on earning management. However, the result of this study is not supported by research Welveen I Guna and Arleen Herawaty (2010), which states that audit quality affects earning management.

**Effect of Company Size on Earning Management**

Based on the results of the t-test variable of Firm Size (Size), the t-value is 1.579 with a significance of 0.126 > 0.05. It means that H5 is rejected, and H0 is accepted; thus, firm size has no effect on earning management.

The size of the company has no effect on earning management due to the strict supervision of the government, analysts, and investors who participate in the company, causing managers to avoid earning management practices. The strict supervision will prevent managers from practicing earning management, because it is likely to be found by government, analysts, and investors so this may damage the image and credibility of the companies’ managers. Thus, managers of large and small companies can avoid committing earning management practices (Yofi Prima Agustia and Elly Suryani 2018).

This result is supported by researches by Yofi Prima Agustia and Elly Suryani (2018) and I Ketut Gunawan (2015), which state that firm size has no effect on earning management. However, the result is not supported by Novi Lufita (2018) and Clarissa Taco’s (2016) research which state that firm size has a positive effect on earning management, and also research by Dewi Kusuma Wardhani (2018) which states that firm size has a negative effect on earning management.

**CONCLUSIONS AND SUGGESTIONS**

**Conclusion**

Based on research, test results, and discussions in the previous chapter, the following conclusions are drawn, Corporate Social Responsibility (CSR) did not affect Earning Management (EM). Its evidenced by the CSR t-test value of 1.607 with a significance level of 0.120 > 0.05, which means that H1 is rejected, and H0 is accepted. The Independent Commissioner (IC) did not affect Earning Management (EM). Its evidenced by the t-value of 1.909 with a significance level of 0.067 > 0.05, which means H2 is rejected, and H0 is accepted. Auditor Independence (AI) had no effect on Earning Management (EM). It is evidenced by the t-value of 0.498 with a significance level of 0.623 > 0.05, which means that H3 is rejected, and H0 is accepted. Audit Quality (AQ) did not affect Earning Management (EM). It is evidenced by the t-value of 0.166 with a significance level of 0.870 > 0.05; thus, H4 is rejected, and H0 is accepted. The firm size (Size) had no effect on Earning Management (EM). It was proven by the t-value of 1.579 with a significance level of 0.126 > 0.05, which means that H5 is rejected, and H0 is accepted.

**Suggestion**

1. For further research, it is expected to take a bigger population and sample so that the results are more advance, for example, all companies listed on the Indonesia Stock Exchange and not only part of sectors.

2. In the next research, it is expected that the independent variable can be expanded so that it can explain the dependent variable better and the results are more relevant.
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