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Determinants of corporate social responsibility: Evidence of manufacturing companies in Indonesia

Ronowati Tjandra
Politeknik YKPN, Yogyakarta

Yudi Santara Setyapurnama*
Politeknik YKPN, Yogyakarta
*Corresponding Author: yudisantara@poltekykpn.ac.id

Eka Noor Asmara
Politeknik YKPN, Yogyakarta

Supardi
Politeknik YKPN, Yogyakarta

Hasan Subagyo
Politeknik YKPN, Yogyakarta

Abstract: *This study examined the effect of earnings management and the board of directors on corporate social responsibility disclosure. In this study, earnings management is measured using the modified Jones model, while corporate social responsibility disclosure is calculated using the corporate social responsibility disclosure index (CSRI). This study uses the CSRI index based on the Global Reporting Initiative (GRI) reporting standards disclosed by companies in their annual reports. This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange in the 2017-2021 period that met the sample criteria. This research was conducted with a regression analysis model. The results of this study state that earnings management positively influences corporate social responsibility disclosure, and corporate governance proxied by the board of directors negatively affects corporate social responsibility disclosure.*

Keywords: *Corporate social responsibility*; *Corporate governance; Earning management*.

1. Introduction

Profit is the company's primary goal in carrying out operational activities. Along with the increasingly fierce business competition, companies are taking various actions, such as reducing costs incurred to obtain greater profits (Kusumawati & Nurharjanti, 2019). However, companies often ignore their impact on society and the surrounding environment. For this reason, companies must be more aware that the success of a company cannot be separated from the influence of the community and the surrounding environment. Companies must also take actions that show concern and corporate social responsibility to the community and the surrounding environment. Along with the development of technology and information, a concept of evaluating corporate social responsibility has emerged to stakeholders, employees, consumers, suppliers, the community, and the surrounding environment through the disclosure of social responsibility or what is often referred to as corporate social responsibility (Nur et al., 2019).

Corporate Social Responsibility (CSR) is one of the efforts made by the company to fulfill the interests of various parties and ensure the sustainability of the company in the long term (Oktafia, 2013). CSR can be seen from several aspects, such as the triple bottom line's economic, social, and environmental aspects. In addition, CSR has also created an

ecolabelling certification program, in which this certificate will be given to a company whose production process does not have a negative impact on the environment and human rights. Companies are required to be more open in disclosing responsibility information.

Companies that carry out CSR activities are required to disclose CSR in the company's annual report. According to Oktafia (2013), in implementing social responsibility, companies position managers to deal with conflicts of interest for each stakeholder with different interests and their interests related to management compensation based on company profits. Because management compensation information is rarely disclosed in a company's annual report, it is difficult for stakeholders to know the amount of management compensation based on social responsibility, making it difficult for companies to assess and evaluate manager performance. In addition, this also provides an opportunity for managers to practice earnings management.

Earning management is an opportunistic behavior carried out by management in manipulating a company's financial report data (Horison & Nugrahanti, 2015). This action is justified in accounting as long as the step is under company goals. Earnings management actions are carried out deliberately by managers by disguising the actual value of the company's assets, the company's operational transactions, and the company's financial position so that the reports produced by the company look good (Kusumawati & Nurharjanti, 2019). However, this behavior negatively affects various parties, such as shareholders, employees, society, the manager's reputation, job security, and even the manager's career continuity. In addition, this will also raise excessive vigilance and suspicion from stakeholders.

Company management must have incentives to compensate all stakeholder interests in diverting vigilance, and suspicion and increasing stakeholder satisfaction with corporate social responsibility practices, according to Prior et al. (2008). Meanwhile, companies with a high commitment to recognizing social responsibility will manipulate it by delaying the recognition of losses or accelerating the recognition of corporate profits. However, this action will also cause the financial statements presented by the company to be unable to describe the company's performance accurately and can weaken the ability to manage the company.

In addition, in achieving the goal of disclosing corporate social responsibility to ensure the company's long-term sustainability, there needs to be intervention from corporate governance (Sitanggang & Ratmono, 2019). The purpose of having corporate governance is to control the behavior of company managers so that they can benefit all parties, improve company performance through monitoring management performance, guarantee corporate management accountability to stakeholders and company management to become more transparent (Kusumawati & Nurharjanti, 2019). Along with transparency, better corporate management is expected to increase economic growth. Sitanggang & Ratmono (2019) said corporate governance could only work optimally by disclosing sustainable social responsibility. Because companies must meet the needs of stakeholders and be able to generate profits that can create a positive outlook for owners and shareholders.

Djuitaningsih & Marsyah (2012); Oktafia (2013); Budhiutama & Subchan (2016) and Kusumawati & Nurharjanti (2019) are several researchers who have explored the relationship between earnings management, corporate governance and corporate social responsibility. The research shows a positive influence between corporate governance and corporate social responsibility. The study also states that the greater the existence of the board, the higher the social responsibility disclosure made by the company.

Research conducted by Oktafia (2013) and Kusumawati & Nurharjanti (2019) shows that earnings management and corporate social responsibility have a positive relationship. Managers who act opportunistically tend to collude with other stakeholders through implementing and reporting social responsibility disclosures as a defensive strategy against initiatives from stakeholders harmed by earnings management practices (Oktafia, 2013). High earnings management practices will increase companies disclosing corporate social responsibility to make it easier for management to gain stakeholder trust (Kusumawati & Nurharjanti, 2019). In contrast to the research by Djuitaningsih & Marsyah (2012) and Budhiutama & Subchan (2016), earnings management and corporate social responsibility have a negative relationship. They stated that more disclosure of corporate social responsibility would reduce earnings management. Companies that carry out earnings management disclose corporate social responsibility not because they are motivated by earnings management actions but only comply with existing regulations (Budhiutama & Subchan, 2016).

Based on the description above, research on the relationship between earnings management and corporate governance on corporate social responsibility needs to be studied again because previous studies have shown inconsistent results. This is possible because not all factors are included as research variables. This research is expected to analyze and explain the effect of earnings management on corporate social responsibility and the influence of corporate governance on corporate social responsibility. Based on this explanation, the research question is whether earnings management significantly affects corporate social responsibility disclosure? Does the corporate governance proxied by the board of directors significantly affect the disclosure of corporate social responsibility? This study aims to obtain empirical evidence of the influence of earnings management on the disclosure of corporate social responsibility and the impact of corporate governance on the disclosure of corporate social responsibility.

2. Theory Study and Hypothesis Development

2.1. Agency Theory

According to Sitanggang & Ratmono (2019), agency theory is the relationship between management (agent) and shareholders (principles). This theory states that earnings management is influenced by conflicts of interest between agents and principals because both parties try to achieve each party's goals (Horison & Nugrahanti, 2015). This conflict can be caused by the advantage of information owned by the agency so that the agency has better financial information, or it can be from the benefit of power possessed by the principal so that the principal takes advantage of personal interests (Terzaghi, 2012). The principal

wants a larger and faster return, while the agent wants his interests to be accommodated by giving the maximum incentives that give a conflict of interest.

Jensen & Meckling (1976) state that financial reports with accounting numbers are expected to minimize conflicts between interested parties. Based on the financial reports prepared by the agent as a performance accountability report, the principal can assess, measure and monitor the agent's performance to improve his welfare and as a basis for providing compensation to agents. The manager's performance appraisal based on financial statements is considered less effective because managers will take earnings management actions, causing agency conflict. Then, these earnings management actions can mislead stakeholders, especially investors, regarding the company's market value and financial position, so investors make the wrong decisions. Based on this, it can be concluded that earnings management is an agency cost.

2.2. Stakeholder Theory

Stakeholders are all parties with an interest in the company both internally and externally which include employees, consumers, suppliers, community, government, shareholders, creditors, competitors and others (Budhiutama & Subchan, 2016). The success of a company depends on the company's ability to meet the interests of stakeholders. Stakeholder theory is also a theory which states that companies must provide benefits for stakeholders, not only for their own interests.

Stakeholder theory is related to the way companies manage their stakeholders. So, the stronger the position of stakeholders, the greater the company's tendency to adapt itself to stakeholders (Retno & Priantinah, 2012). Therefore, companies must consider the impact on stakeholders in choosing a strategy to be taken, both active and passive strategies. What is meant by an active strategy is a strategy used by the company in an effort to influence its organizational relationship with stakeholders who are seen as influential. While the passive strategy is a strategy used by companies that tend not to continuously monitor stakeholder activities and deliberately do not seek optimal strategies to attract stakeholder attention. This theory is useful in explaining corporate social responsibility, because this theory can distinguish between social issues and stakeholder. Stakeholders have the right to know all information, both financial and non-financial. The impact of the company's activities on the stakeholders themselves can be seen from the company's social responsibility (Purwanto, 2011).

2.3. Legitimacy Theory

Legitimacy theory is inseparable from the company's relationship with the community environment. Because the community environment is the main thing in maintaining the sustainability of the company. The theory of legitimacy is the company's contract with the community to carry out its operational activities based on existing values and to find out how the company responds to various interest groups towards company actions (Djuitaningsih & Marsyah, 2012). Therefore, companies must realize that the continuity of the company cannot be separated from the community environment.

According to Purwanto (2011) legitimacy theory states that the company continuously tries to ensure that the activities carried out by the company are in accordance with the boundaries and norms of society that exist in the environment around which the company is located. Based on this, the theory of legitimacy becomes one of the theories that underlies the disclosure of corporate social responsibility. If a company has a bad relationship with the community, it will raise suspicion from stakeholders, and vice versa.

2.4. Corporate Social Responsibility (CSR)

Corporate social responsibility as one of the important milestones in the company. According to Savitri et al. (2021) CSR is a form of disclosure in the form of information on costs and environmental activities carried out by the company in order to measure how much the disclosure index is contained in the information presented in the annual report. Disclosure of social responsibility can be defined as the company's moral responsibility towards stakeholders. The higher the disclosure of corporate social responsibility, the better the company is seen and can attract the attention of stakeholders.

According to Carroll (1999) the concept of CSR contains the following components economic responsibility, the main corporate social responsibility is responsibility to the economy because company activities are inseparable from economic activities that produce goods and services for society. Legal responsibilities, companies are expected to comply with applicable laws and regulations which are essentially made by the community through the legislature. Ethical responsibilities, the company is expected to be run ethically, namely showing moral reflections carried out by business actors to assess an issue against the values that develop in a society. Discretionary responsibilities, the community expects the existence of the company to provide benefits for them.

Corporate Social Responsibility is the commitment of companies or the business world to contribute to sustainable economic development by focusing on a balance between attention to economic, social and environmental aspects (Djuitaningsih & Marsyah, 2012). One of the standards used in Indonesia in disclosing corporate social responsibility is the GRI (Global Reporting Index). Performance indicators in the GRI are divided into several components, namely economic performance, environmental performance, labor practices and decent work, human rights, society and product responsibility.

2.5. Earnings management

Earnings management is an activity carried out to manage profits in accordance with the wishes of certain parties (Kusumawati & Nurharjanti, 2019). Earnings management is an opportunistic behavior carried out by management in manipulating a company's financial report data (Horison & Nugrahanti, 2015). Earnings management is an act of manipulating the company's financial statements which is safe for managers to do. According to Healy & Wahlen (1999) earnings management occurs when managers use policies in financial reporting and in preparing transactions to change financial reports and mislead stakeholders regarding the company's economic performance or to influence the results of contractual agreements that depend on accounting numbers. reported. Meanwhile, Richardson (2000)

defines earnings management as a form of intervention in financial reporting to external parties with the intention of obtaining personal gain.

According to (Scoot, 2009) there are several motivations that encourage management to carry out earnings management as follows bonuses are a manager's motivation in managing reported profits so as to maximize the bonuses to be received. Contracts are a manager's motivation in managing company profits so as to reduce the possibility of a company experiencing a breach of contract. Politics is a motivation that cannot be separated from a company, especially large companies and strategic industries in order to obtain convenience and facilities from the government. Tax is the company's motivation in reducing reported profits in order to minimize the tax that must be borne by the company. CEO turnover is a profit-maximizing motivation to prevent layoffs. The initial public offering is a motivation to carry out earnings management in order to give a positive signal to potential investors.

2.6. Corporate Governance

Corporate governance is a concept proposed to improve company performance through monitoring management performance and ensuring management accountability to stakeholders. This concept was proposed in order to achieve more transparent company management for all users of financial reports (Oktafia, 2013). The better the transparency is, the better the company's economic growth will be and the more profitable it will be for many parties. The National Governance Policy Committee defines corporate governance as the process and structure used by companies to provide added value to the company on an ongoing basis in the long term for stakeholders, while still taking into account the interests of other stakeholders based on laws and regulations and applicable norms.

The purpose of corporate governance is to create added value for stakeholders and improve company performance. This can be proven from the willingness of investors to pay the price of the company's outstanding shares. Corporate governance is divided into two mechanisms in equalizing the different interests of managers and shareholders, namely the internal company control mechanism where this mechanism is designed to equalize the interests of managers and shareholders and the market control mechanism.

3. Hypothesis Development

Companies that tend to reduce earnings management will disclose a lot of information to stakeholders. This resulted in a negative relationship between earnings management and information disclosure by the company (Horison & Nugrahanti, 2015). Companies that reduce earnings management practices will disclose more information about company activities, while companies that carry out various forms of earnings management for both personal gain and company benefits will tend to reduce information.

Previous research conducted by Djuitaningsih & Marsyah (2012), and Budhiutama & Subchan (2016) obtained the same results, namely earnings management has a negative effect on disclosure of corporate social responsibility. In this study it was found that one of the determinants of knowing whether a company performs earnings management is by

looking at the company's information disclosure policy. Policies that regulate the minimum requirements for disclosing information play an important role in a company's ability to manage profits. Based on the description above, the hypothesis is obtained:

H_1: Earnings management has a negative effect on disclosure of corporate social responsibility.

Companies that have good corporate governance will increase the credibility of the implementation and reporting of corporate social responsibility disclosure activities (Alpi & Aprilia, 2021). Based on the relevant research results between corporate governance and corporate social responsibility, this research uses corporate governance proxies from the board of directors. Previous research conducted by Djuitaningsih & Marsyah (2012); Oktafia (2013); Budhiutama & Subchan (2016) and Kusumawati & Nurharjanti (2019) obtained the same results, namely corporate governance has a positive effect on disclosure of corporate social responsibility. This research shows that the greater the need for more effective external relations, the higher the need for a large number of boards. While the disadvantages of a large number of boards are related to two things, namely increasing problems in terms of communication and coordination with the increasing number of boards and the decrease in the ability of boards to control management, causing agency problems. Based on the description above, the hypothesis is obtained:

H_2: The board of directors has a positive effect on disclosure of corporate social responsibility.

The conceptual framework is a framework for thinking related to the relationship to the variables carried out by the research. Based on the problems above, a conceptual framework is developed with corporate social responsibility as the dependent variable and earnings management and corporate governance as independent variables plus company size as the control variable. The conceptual framework can be described as follows:

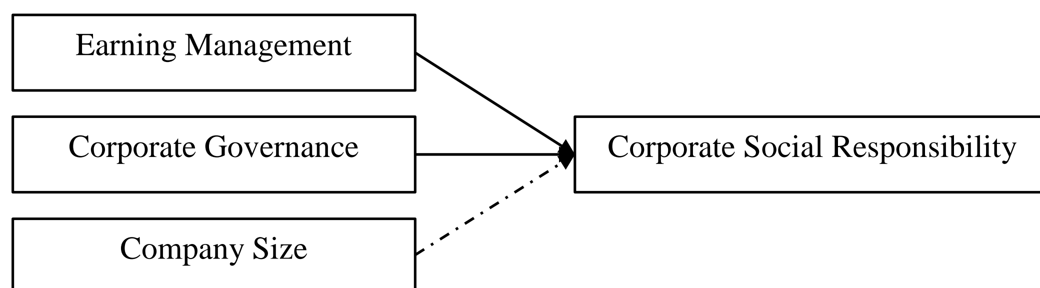

Figure 1. Research Model

4. Research methods

4.1. Types of research

This research is categorized into descriptive and verification (causal) research types. According to Sekaran & Bougie (2016) this research was conducted with the aim of knowing and being able to explain the characteristics of the variables studied in a situation and to find

the causes of the problems being studied. This research was also conducted to examine the relationship between variables. This study uses the dependent variable corporate social responsibility with the independent variables earnings management and corporate governance. In this study, the company size control variable was also added so that the results obtained were better. The population used in this study are manufacturing companies that have been listed on the Indonesia Stock Exchange for the period 2017 to 2021. In this study, the manufacturing companies that were sampled were companies that had the following criteria:

a. Companies that provide complete annual reports for the period 2017 to 2021
b. Companies that disclose corporate social responsibility in annual reports
c. Companies that disclose corporate governance in their annual reports
d. Companies that have complete data related to other variables used in research.

Sources for obtaining data are from the official website idx.co.id and the company's website. The data is in the form of annual reports of companies engaged in manufacturing and other data related to research variables.

4.2. Analysis Techniques

The analysis technique used in this research is descriptive analysis and regression analysis. The two analyzes are combined to give rise to a new equation which will later be used as a testing tool. The following is the regression equation model used in this study:

$$CSRI_{it} = \alpha_0 + \beta_1 ML_{it} + \beta_2 DIREK_{it} + \beta_3 SIZE_{it} + €_{it}$$

Information:
CSRI : Corporate social responsibility index at company i year t
α_0 : Constant
β_1 - β_3 : Coefficient
ML : Earnings management at company i year t
DIREK: The board of directors at company i year t
SIZE : Company size at company i year t
$€_{it}$: *Error term at company i year t*

4.3. Operational Definition of Variable

The dependent variable is a variable whose condition is influenced by other variables. The dependent variable used in this study is corporate social responsibility (CSR). Disclosure of social responsibility in this study is proxied in the social responsibility disclosure index. Disclosure of social responsibility in this study is proxied by the CSR disclosure index (ICSR) based on the Global Reporting Initiatives (GRI).

The measurement instrument (CSRI) that will be used in this study refers to the grouping of CSR information into categories: Environment, Energy, Labor, Products, Community Involvement, and General. To calculate CSRI, a dichotomous approach is used in which each item of responsibility disclosure in the study is given a value of 1 if it is

disclosed and a value of 0 if it is not disclosed. Then, the scores of each item are summed to obtain the overall score for each company. To calculate CSRI, the following formula is used:

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

Information:

$CSRI_j$: *Corporate Social Responsibility Disclosure Index company*
n_j : The number of items for the company j
X_{ij} : Dummy variable: 1 = if item i is disclosed; 0 = if item i is not disclosed. Thus, it can be said that $0 \leq CSRIj \leq 1$.

Independent variables are variables that have an influence on the dependent variable. This study uses two independent variables, namely earnings management and corporate governance. The first independent variable is earnings management. Earnings management is an activity carried out by managers in accordance with the wishes of certain parties, especially management. Earnings management is an act of management to use judgment in financial reporting and in transaction procedures, with the aim of contractually influencing or misleading stakeholders in making decisions regarding the company's economic performance.

Earnings management used in this study is to use discretionary accruals proxies. In the calculations, the modified Jones model is used, because this model is considered better in detecting earnings management. To measure earnings management by proxy discretionary accruals, the following calculation steps are carried out:

a. Calculating Total Accruals (TA)

$$TA_{it} = NI_{it} - CFO_{it}$$

b. Determine the regression coefficient of total accruals

$$TA_{it} / A_{it-1} = \alpha_1 (1 / A_{it-1}) + \alpha_2 (\Delta Rev_{it} / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1}) + e$$

c. Determine Non-Discretionary Accruals (NDA)

$$NDA_{it} = \alpha_1 (1 / A_{it-1}) + \alpha_2 (\Delta Rev_{it} / A_{it-1} - \Delta Rec_{it} / A_{it-1}) + \alpha_3 (PPE_{it} / A_{it-1})$$

d. Determining Discretionary Accruals (DA)

$$DA_{it} = TA_{it} / A_{it-1} - NDA_{i\,t}$$

Information:

DA_{it} : Discretionary accruals of company i in period t
NDA_{it} : Non-discretionary accruals of company i in period t
TA_{it} : Total accruals of company i in period t

NI_{it} : Net profit of company i in period t
CFO_{it} : Cash flow from the operating activities of company i in period t
A_{it-1} : Total assets of company i in period t-1
ΔRev_{it} : Changes in company income i in period t
PPE_{it} : Fixed assets of the company in period t
ΔRec_{it} : Changes in company receivables in period t
e : Error

The second independent variable in this study is corporate governance. Corporate governance in this study is proxied by the board of directors. The board of directors is a management board which is under the direction and supervision of the board of commissioners. The board of directors itself functions as the manager and representative of the company. Members of the board of directors are appointed and can be replaced at any time by the board of commissioners. The number of board of directors owned by a company can be calculated by the following formula:

$$DD = \text{DD internal} + \text{DD eksternal}$$

Information:
DD : Total members of the board of directors
DD internal : Internal board member
DD eksternal : External board member

Control variables are variables that are used to complement or control the causal relationship of a company to make it better. The control variable is not the main variable to be studied but rather other variables that have influence. If the effect on the causal relationship is small then the control variable can be ignored. In this research using the control variable firm size. Firm size according to Alpi & Aprilia (2021) is a large issuer company that the more highlighted, the greater the disclosure is a reduction in political costs as a form corporate social responsibility.

Company size is a scale that can be classified according to the size of the company in various ways such as total assets, log size, market value of shares and others. Firm size is divided into three categories, namely large firms, medium size firms, and small firms. Company size describes the size of a company. If a company is a large company and has a large number of total assets, the company will be more daring to use capital from loans in spending all assets, both fixed and current, as a business expansion. According to Astuti (2019) company size variable in this study uses the log total assets which are formulated as follows:

$$Size = \text{Ln (Asset)}$$

Information:
Ln (Asset) : Natural logarithm (Asset)

5. Results and Discussion

Descriptive statistics help know the character of the sample in research. Descriptive statistical data itself includes minimum values, maximum values, average values, and standard deviations obtained from the variables in the study. Descriptive statistical results for research variables can be seen in the following table:

Table 1. Results of Descriptive Statistics

Information	N	Minimum	Maximum	Mean	Std. Deviation
CSR	400	0.415	0.821	0.587	0.041
ML	400	-2.728	4.162	0.010	0.374
DIREK	400	2	11	4.890	2.021
SIZE	400	25.215	35.817	28.677	1.685
Valid N (listwise)	400				

Source: Processed data, 2021

Earnings management proxied by discretionary accruals (DA) has a minimum value of -2.728, a maximum value of 4.162, and an average value of 0.010 with a standard deviation of 0.374. The standard deviation more significant than the mean indicates that the earnings management values of the sample companies have relatively substantial differences. This could be due to earnings management which has a negative value in the sample companies. The results show that the average earnings management of the sample companies in this study is 1% of the total sample. Corporate governance, proxied by the board of directors, has a standard deviation value smaller than the average value, indicating that the board of directors owned by the sample companies have different sizes. The results show that the average amount of corporate governance is proxied by the board of directors in the sample companies in the study. This is less than 5 boards of directors. The control variable proxied by company size (size) has a standard deviation of 1.685. The standard deviation value, which is smaller than the mean value, indicates that the size of the company has relatively significant differences from each sample company.

Hypothesis testing was carried out to test the hypothesis regarding the influence of earnings management and corporate governance on corporate social responsibility disclosure using a regression analysis model with a statistical t-test. The results of hypothesis testing for research variables can be seen in the following table:

Table 2. Hypothesis Test Results

Variable	Regression Coefficient	Standard Error	Statistical Value t	Probability Value
(Constant)	0.527	0.038	1.379	0.000
ML	0.013	0.005	2.530	0.011**
DIREK	-0.001	0.001	-1.458	0.145
SIZE	0.002	0.001	1.660	0.097*
Adjusted R-square	0.015			
F-statistic	3.025			
Prob (F-statistic)	0.029**			

* Sig < 10%, ** Sig< 5%

Earnings management in this study is proxied by discretionary accruals having a positive effect on corporate social responsibility. This is shown based on the results of

hypothesis testing in Table 2, indicating that earnings management positively impacts corporate social responsibility. Based on these results, the first hypothesis is rejected because earnings management positively influences corporate social responsibility. The results of this study are inconsistent with research conducted by Djuitaningsih & Marsyah (2012) and Budhiutama & Subchan (2016) who found a negative effect between earnings management and corporate social responsibility. Both of these studies state that one of the determinants for knowing the existence of earnings management practices is by looking at the company's information disclosure policy. Policies that require companies to disclose more information can reduce existing earnings management practices within the company. The results indicate that managers who practice earnings management tend to utilize disclosure of social responsibility as a survival strategy for stakeholders harmed by this earnings management practice (Supardi & Setyapurnama, 2020). So, companies that practice earnings management will increase social responsibility disclosure to divert stakeholders' suspicions. This shows that earnings management has a positive effect on corporate social responsibility. This is because managers who carry out earnings management tend to utilize disclosure of social responsibility as a survival strategy from stakeholders who are harmed by this earnings management practice.

According to Supardi & Setyapurnama (2020) the manager thinks that the higher the disclosure of corporate social responsibility, the less suspicious the stakeholders will be in indicating the existence of earnings management practices. Managers who act opportunistically tend to collude with other stakeholders through implementing and reporting social responsibility disclosures as a defensive strategy against initiatives from stakeholders who are harmed by earnings management practices (Oktafia, 2013). High earnings management practices will increase companies in disclosing corporate social responsibility to make it easier for management to gain stakeholder trust (Kusumawati & Nurharjanti, 2019).

Corporate governance in this study is proxied by the board of directors having a negative influence on corporate social responsibility. This is shown based on the hypothesis test results in Table 2, indicating that the board of directors does not affect corporate social responsibility. Based on these results, the second hypothesis is rejected because the board of directors negatively influences corporate social responsibility. The results of this study are inconsistent with research conducted by Djuitaningsih & Marsyah (2012); Oktafia (2013); Budhiutama & Subchan (2016) and Kusumawati & Nurharjanti (2019) who found a positive influence between corporate governance and corporate social responsibility. The research states that the greater the existence of the board, the higher the social responsibility disclosure made by the company. Based on the research results, this study shows that the existence of a board of directors as one of the corporate governance mechanisms negatively influences corporate social responsibility. These results indicate that the presence of a large board of directors only significantly affects corporate social responsibility disclosure. This means that the existence of a board of directors owned by the company does not affect the disclosure of corporate social responsibility. This is because the role of the board of directors is not effective as a corporate governance mechanism in disclosing corporate social

responsibility (Alpi & Aprilia, 2021). The second hypothesis is not supported due to the implementation of Good Corporate is felt in the long term after all the rules implemented according to existing mechanisms. Budhiutama & Subchan (2016) stated that in this adjustment takes quite a long time, so it has not been proven to have a significant effect on Corporate Social Responsibility. This result is not in line with Djuitaningsih & Marsyah (2012); Oktafia (2013); Budhiutama & Subchan (2016) and Kusumawati & Nurharjanti (2019) who are several researchers exploring the relationship between corporate governance and corporate social responsibility. The research shows a positive influence between corporate governance and corporate social responsibility. The study also states that the greater the existence of the board, the higher the social responsibility disclosure made by the company

Based on the results of testing company size as a control variable on corporate social responsibility, it produces a positive influence. This is evident from the test results in Table 2 showing that firm size positively impacts corporate social responsibility. Based on these results, it is concluded that company size significantly affects corporate social responsibility disclosure. This research is in line with previous research conducted by Oktafia (2013) and Sha (2014) which shows a significant effect between company size and disclosure of corporate social responsibility. These results also support the findings of Brammer & Pavelin (2006) that large companies tend to make environmental disclosures in formal communication channels such as annual reports as an effort to disseminate information relating to company activities. Testing the control variable on the dependent variable showed positive results. The control variable proxied by company size can support corporate social responsibility disclosure. Because the company's size is getting bigger, the company must disclose more social responsibility information in the annual report as the company's effort to provide information about the activities carried out by the company.

6. Conclusion, Limitations & Suggestion

Based on the testing and discussion of the research results, it can be concluded that earnings management positively affects the disclosure of social responsibility. The results of this study support the theory that one of the determinants for knowing the existence of earnings management practices is by looking at the company's information disclosure policy. The more information disclosure policies, the more earnings management practices are carried out in the company. The interaction of the board of directors has a negative effect on the disclosure of corporate social responsibility. Because the board of directors is not proven to influence the disclosure of social responsibility significantly, this study also indicates that the existence of a board of directors as one of the corporate governance mechanisms has yet to be able to influence the disclosure of corporate social responsibility. Company size as a control variable significantly affects corporate social responsibility disclosure. The results of this study support previous research that there is a significant relationship between the disclosure of corporate social responsibility and company size.

Several limitations can later provide direction for further research in this study, such as this research was only conducted on 80 public companies in Indonesia engaged in

manufacturing, so the sample used in this study needed to be more significant. This study uses only four research variables: corporate social responsibility, earnings management, corporate governance, and company size, so the research results are less than optimal. Based on the conclusions and limitations of this study, suggestions for further research are as follows future research should increase the research sample to obtain better results. Future research is expected to be able to add several other variables so that the results obtained are more optimal. Future research should conduct research on CSR disclosure factors such as the board of commissioners, audit committee, financial performance, company reputation and its relationship to firm value by using a sample of all sectors listed on the Indonesian Stock Exchange and comparing the results between sectors with each other.

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