



# The influence of csr on earning management by considering the antecedent variables of csr disclosure, csr performance, and ceo ability

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## ABSTRACT

This research aims to investigate the influence of Corporate Social Responsibility (CSR) on earnings management practices by considering antecedent variables, such as CSR Disclosure, CSR Performance, and the Chief Executive Officer (CEO) ability. The research method used a quantitative approach with panel data from 2017 to 2022, involving non-financial companies listed on the Indonesian Stock Exchange. The results of data analysis indicate that CSR Disclosure (CSR D), CSR Performance (KCSR), and CEO Ability (CSRA) influence earnings management practices. The classical assumption test validates normality, without multicollinearity, autocorrelation, and heteroscedasticity in the model. The coefficient of determination ( $R^2$ ) is 4,3%, indicating that the three independent variables explain a small portion of the variation in earnings management. The F statistical test confirms the significance of the influence of independent variables on earnings management. The individual parameter test shows that CEO Ability (CSRA) has no significant influence, while CSR Performance (KCSR) and CSR Disclosure (CSR D) have a negative and significant influence on earnings management practices. In conclusion, earnings management practices are influenced by CSR Performance and CSR Disclosure, but not by CEO Ability.

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## INTRODUCTION

Earnings management is a manager's decision to choose certain accounting policies that are considered capable of achieving the expected goals, both to increase profits and reduce the level of reported losses (Kliestik et al., 2021). According to the positive accounting theory, one of the causes of earnings management is the bonus plan hypothesis. This method is done by using accounting procedures that can display high profits in financial reports, resulting the compensation obtained by managers can be maximized (Birnberg & Shields, 1989; Crossley et al., 2021; Sunarta & Astuti, 2023). Therefore, a Corporate Social Responsibility (CSR) program is needed, which is considered to provide a positive image of the company in the eyes of investors and public. More and more

companies have recognized the CSR reporting as an important channel for communicating corporate involvement regarding CSR to the public (Usman et al., 2020).

Ruwanti et al. (2019) conclude that there is a positive relationship between CSR and earnings management. Meanwhile, according to (Velte, 2020; Scholtens & Kang, 2013; Yip et al., 2011), it has a negative relationship between CSR and earnings management. Moreover, according to (Muawanah & Hayati, 2019; Langelo et al., 2021) there is no significant relationship between CSR and earnings management. CSR expressed by management refers to an activity of CSR performance. The better the CSR performance, the better the CSR disclosure. Based on previous research (Ratmono & Sagala, 2015), it is revealed that the level of CSR performance has a positive influence on the level of CSR disclosure (Elmaghrabi, 2021; Jarboui et al., 2023). The research results also show that the level of CSR disclosure tends to have a negative influence on earnings management (Elmaghrabi, 2021; Gao et al., 2023; Kim et al., 2019; Muchiri et al., 2022).

CSR performance itself is very dependent on the CEO because greater CEO ability will increase the resources allocated to socially responsible forces while reducing irresponsible investments (Khoo et al., 2023; Phillips et al., 2019; Radu & Smaili, 2022). In addition, more capable CEO's demonstrate a greater focus on driving more relevant CSR disclosures and supporting stakeholder engagement (Koh et al., 2023; Liu et al., 2022; Wang et al., 2018). The research results of García - S á nchez & Ara ú jo - Bernardo (2020) show that CEO ability has a positive influence on CSR performance and CSR disclosure. Meanwhile, research (Rashid, 2020) shows that there is a negative relationship between CEO power and the level of CSR disclosure.

Based on previous research, which has not consistently found that CSR disclosure has an influence on earnings management, CSR disclosure is influenced by CSR performance and its performance depends on CEO ability. Therefore, the researcher re-examined the influence of CSR on earnings management by considering the antecedent variables of CSR. between CSR and earnings management, provide a valuable contribution to academic literature, and serve as a guide for business practitioners in the context of corporate social responsibility (Hakim et al., 2022; Sugiyono, 2020).

## RESEARCH METHOD

This research uses a quantitative approach applied (Martono, 2016; Sugiyono, 2018, 2019), and panel data from 2017 to 2022. The research population includes all non-financial companies listed on the Indonesia Stock Exchange (BEI). The sample was selected using a purposive sampling technique, with the inclusion criteria of companies having financial data and sustainability reports available from 2017 to 2022, used to analyze trends and relationship between variables. The population involved in the research covers around 83% of the target population, and sampling was carried out randomly. Data analysis was carried out through multiple linear regression

## RESULTS AND DISCUSSIONS

### Results

Descriptive analysis is shown in the table below :

**Table 1.** Results Test of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std . Deviation
CSRA	210	-0,2636	0,3072	0,019689	0,081358
K CSR	210	0,0641	0,8974	0,400549	0,205463
CSRD	210	0,0325	0,9137	0,311765	0,178812
M.L	210	0,0156	0,9753	0,291944	0,146263
Valid N (listwise)	210				

The results of Table 1 provide a descriptive statistical picture for three independent variables that may influence the dependent variable, namely earnings management. For the CEO Ability (CSRA) variable, statistics show that the average CEO ability tends to be low with a mean value of around 0,019689 and a standard deviation of around 0,081358. CSR performance (KCSR) shows more significant variation, with a mean of around 0,291944 and a standard deviation of around 0,146263. The CSR Disclosure (CSRD) variable has a higher mean, reaching 0,400549 with a standard deviation of around 0,311765, indicating a significant level of variation in CSR disclosure. Meanwhile, Earnings Management (EM) as the dependent variable has an average value of around 0,291944 and a standard deviation of around 0,146263. This indicates that the level of variation in earnings management is not as big as the CSR Disclosure variable. Thus, it can be concluded that CEO Ability (CSRA), CSR Performance (KCSR), and CSR Disclosure (CSRD) can have different influences on the dependent variable Earnings Management (ML) and these differences can be the focus of further analysis.

**Classic assumption test**

**Table 2.** Test Results One-Sample Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		164
Normal Parameters <sup>a, b</sup>	Mean	,0000000
	Std. Deviation	,06113207
Most Extreme Differences	Absolute	,056
	Positive	,056
	Negative	-,047
Test Statistics		,056
Asymp. Sig. (2-tailed)		,200 <sup>c, d</sup>

Based on Table 2, it can be seen that after transforming the CEO Ability (CSRA) variable into square root form and after subtracting data that was considered outliers in the CSR Performance (KCSR), CSR Disclosure (CSRD) and Earning management (ML) variables, a probability value is obtained and residual significance is 0,200. The significance probability value of these variables is greater than 0,05 so that  $H_0$  is accepted and  $H_a$  is rejected. In other words, it can be stated that the variables of CEO Ability (CSRA), CSR Performance (KCSR), CSR Disclosure (CSRD), and Earning management (ML) have been normally distributed.

**Table 3.** Multicollinearity Test Results Based on VIF and Tolerance Values

Model	Collinearity Statistics		Information	
	Tolerance	VIF		
1	CSRA	1,000	1,000	No multicollinearity
	K CSR	1,000	1,000	No multicollinearity
	CSRD	1,000	1,000	No multicollinearity

*Dependent variable: Earning management*

In Table 3, it can be seen the results of calculating the Tolerance values for the three independent variables, namely 1,000 or there are no independent variables that have a Tolerance value of less than 0,1. It also shows the results of calculating the Variance Inflation Factor (VIF) value between the three independent variables, namely 1,000 or no independent variable has a VIF value of more than 10.

**Table 4.** Autocorrelation Test Results

Variable	Durbin - Watson	Lower Bound	Upper Bound	Information
M.L	1,959	1,748	1,789	No autocorrelation

ML: Earning management

Based on tTable 4, it is known that the calculated Durbin-Watson value is 1,959. This value is compared with the table value using a significance value of 5%, the sample size is 200 (N) and the number of independent variables is 2 (k=2). Then, from the table, 1,748 the dL value and 1,789 dU are obtained.

**Table 5.** Heteroscedasticity Test Results with the Glejser Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std . Error	Beta		
1 (Constant)	,049	,012		4,149	,000
CSRA	,023	,042	,043	,547	,585
K CSR	-,006	,018	-,024	-,299	,765
CSRD	-,019	,027	-,033	-,105	,677

a. Dependent Variable: ML

Table 5 shows the results of the Glejser test with a significance probability for the CEO Ability (CSRA) variable of 0,585, CSR Performance (KCSR) of 0,765, and CSR Disclosure (CSRD) of 0,677. These three variables obtained significance probability values greater than 0,05. So, it can be concluded that the regression model in this study does not contain heteroscedasticity.

**Table 6.** Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,208 <sup>a</sup>	,043	,031	,061510598

a. Predictors: (Constant ), CSRA, KCSR, CSRD

b. Dependent Variable: ML (Earning management)

Table 6 shows that the R Square and Adjusted R Square are 0,043 and 0,031 respectively. This means that the earnings management variable can be explained as much as 3,1% by the variables CEO Ability (CSRA), CSR Performance (KCSR), and CSR Disclosure (CSRD). Meanwhile, the remaining majority, of 96,9% (100% -3,1%) is explained by other factors not included in the regression analysis in this study, such as the number of independent commissioners, institutional ownership, size of the board of directors and the audit committee, ownership structure, liquidity, and leverage.

**Table 7.** F Statistical Test Results

Model	Sum of Squares	d f	Mean Square	F	Sig .
1 Regression	,027	3	,014	3,627	,029 <sup>b</sup>
Residual	,609	161	,004		
Total	,637	163			

a. Predictors: (Constant), CSRA, KCSR, CSRD

b. Dependent Variable: ML (Earning management)

It can be seen that Table 7 shows the results of the F statistical test have a probability value of 0,029, which is smaller than 0,05. Thus, H<sub>a</sub> is accepted and H<sub>0</sub> is rejected. From these results, it can be concluded that the three independent variables, namely CEO Ability (CSRA), CSR

Performance (KCSR), and CSR Disclosure (CSRD) together have an influence on the dependent variable, namely earnings management.

**Table 8.** Individual Parameter Significance Test Results (t Statistics)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,306	,018		16,702	,000
CSRA	,015	,065	,018	,232	,817
K CSR	-,076	,028	-,207	-2,680	,008
CSRD	-,098	,033	-,386	-3,987	-,334

*a. Dependent Variable: ML (Earning management)*

Based on Table 8, it can be seen that the CEO Ability (CSRA) independent variable has a significance level of 0,817, which is greater than 0,05 with a beta coefficient of 0,015. The significance level of 0,817 is greater than 0,05, meaning that  $H_1$  is rejected and  $H_2$  is accepted. Thus, it can be said that CEO Ability (CSRA) does not have a significant influence on earnings management. Meanwhile, the beta coefficient shows a negative value, of -0,076. This means that the CSR Performance variable (KCSR) has a negative influence on earnings management. More and more companies are doing and reporting CSR Performance (KCSR) activities, so the lower the earnings management company. The beta coefficient for the independent variable of CSR Performance (KCSR) is -0,076, indicating that, if the CSR Performance variable (KCSR) increases by 1 unit, earnings management will decrease by 0,076 or 7,6%. Based on these conditions, it can be concluded that the independent variable of CSR Performance (KCSR) has negative and significant influence on earnings management variables. Finally, the beta coefficient shows a negative value, of -0,098. This means that the CSR Disclosure (CSRD) variable has a negative influence on earnings management. More and more companies are doing and reporting CSR Disclosure (CSRD) activities, the lower earnings management company. The beta coefficient for the independent variable CSR Disclosure (CSRD) is -0,098 shows that, if the CSR Disclosure (CSRD) variable increases by 1 unit, it will reduce earnings management by 0,098 or 9,8%. It can be concluded that the independent variable CSR Disclosure (CSRD) has negative and significant influence on earnings management variables.

## CONCLUSION

In this research, the main objective is to investigate the influence of Corporate Social Responsibility (CSR) on earnings management practices by considering antecedent variables, such as CSR Disclosure, CSR Performance, and the Chief Executive Officer (CEO) ability. The research method used is quantitative with panel data from 2017 to 2022, involving non-financial companies listed on the Indonesia Stock Exchange. The results of descriptive statistics show significant variation in the independent variables, with CEO Ability (CSRA) tending to be low, CSR Performance (KCSR) having a higher variation, and CSR Disclosure (CSRD) having a significant level of variation. Data analysis was carried out using linear regression, and the results showed that the three independent variables together had an influence on the dependent variable, namely earnings management. The classical assumption test shows that the data is normally distributed, there is no multicollinearity, no autocorrelation, and no heteroscedasticity in the model. The coefficient of determination ( $R^2$ ) is 4,3%, which means that CEO Ability (CSRA), CSR Performance (KCSR), and CSR Disclosure (CSRD) can explain a small part of the variation in earnings management practices. Hypothesis testing with the F statistical test shows that the three independent variables significantly influence earnings management. Furthermore, the individual parameter t-test shows that CEO Ability

(CSRA) has no significant influence on earnings management. Meanwhile, CSR Performance (KCSR) and CSR Disclosure (CSR D) have a negative and significant influence on earnings management practices. This research concludes that earnings management practices are influenced by CSR Performance and CSR Disclosure, but not influenced by CEO Ability. These results contribute to understanding the dynamics of the relationship between CSR and earnings management as well as can serve as a guide for business practitioners in the context of corporate social responsibility. It is hoped that the implications of this research will expand knowledge.

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