Earnings Management as an Finance Strategy for Company Image

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THIS ARTICLE IS AVAILABLE IN: https://e-journal.umc.ac.id/index.php/JPK

DOI: 10.32534/jpk.v10i3.4476

CITATION:
Nurcahyono, N., & Sinarasri, A. (2023). Earnings Management as an Finance Strategy for Company Image. *Jurnal Proaksi*, *10*(3), 337–351. https://doi.org/10.32534/jpk.v10i3.4476

Riwayat Artikel :
Artikel Masuk:
23 Juli 2023

Di Review:
10 Agustus 2023

Diterima:
9 September 2023

Abstract

Earnings management is a management action performed when a company is experiencing financial distress and during an IPO. Earnings management is carried out so that financial reports always appear to have a positive trend and good prospects. This study aims to empirically examine the various factors that influence earnings management actions by management. This research focuses on financial sector companies listed on the IDX from 2018 to 2022. The sampling method used is purposive sampling with 90 companies and 450 units of analysis (five years). The selected data analysis to test the research hypothesis is multiple linear regression. The research results show that tax planning can be an early warning of earnings management. Audit quality has a positive effect on earnings management. Accounting conservatism and CSR disclosure by the company is a signal that the company does not practice earnings management. Deferred tax expense and institutional ownership variables cannot be used as predictors for detecting earnings management.

Keywords: Tax Planning, CSRD, Earnings Management

Abstrak

Manajemen laba merupakan tindakan manajemen yang dilakukan pada saat perusahaan sedang mengalami financial distress dan pada saat IPO. Manajemen laba dilakukan agar laporan keuangan selalu terlihat memiliki tren positif dan memiliki prospek yang baik. Penelitian ini bertujuan untuk menguji secara empiris berbagai faktor yang mempengaruhi tindakan manajemen laba yang dilakukan manajemen. Penelitian ini berfokus pada perusahaan sektor keuangan yang terdaftar di BEI tahun 2018 hingga 2022. Metode sampling yang digunakan adalah purposive sampling dengan 90 perusahaan dan 450 unit analisis (lima tahun). Analisis data yang dipilih untuk menguji hipotesis penelitian adalah regresi linier berganda. Hasil penelitian menunjukkan perencanaan pajak yang dilakukan dapat menjadi peringatan dini terjadinya manajemen laba. Kualitas audit berpengaruh positif terhadap manajemen laba. Konservatisme akuntansi dan pengungkapan CSR yang dilakukan perusahaan merupakan sinyal bahwa perusahaan tidak melakukan manajemen laba. Variabel beban pajak tangguhan dan kepemilikan institusional tidak dapat digunakan sebagai prediktor untuk mendeteksi manajemen laba.

Kata Kunci: Perencanaan Pajak, CSRD, Manajemen Laba.

INTRODUCTION

Business competition triggers companies to display the best performance because it will impact the company's market value and affect investors' interest in making investment decisions and company prospects (Sugiyanto & Febrianti, 2021). Profit is the most potential information and becomes a stakeholder's reference in determining strategic choices. Profits reported by the company are helpful for stakeholders to assess the company's performance and value and business prospects in the future. Profit information also presents cash flow information generated by the company from exploiting its resources. Management always tries to show good company performance in various conditions by minimizing losses or intending to get incentives, so management tries to manage earnings using legal methods. Earnings management is carried out by selecting accounting policies and methods that display financial reports with positive trends and increasing profit levels. Earnings management performed by managers can be in the form of earnings management with real and accrual approaches (Asim & Ismail, 2019).

Earnings management is an action that regulates profits as desired by certain parties, especially the management. Earnings management is based on various goals and interests, primarily providing a positive company image (Ishaku & Junaidu, 2020). Earnings management aims to manipulate financial statements by creating a profit bias about the company's financial performance, which continues to improve under various circumstances. Stakeholders highly dependent on profit information published in the financial statements tend to rely heavily on this information. A manager's judgment is necessary to utilise earnings management to change financial statements in financial reporting and transaction preparation (Marfiana & Putra, 2021).

There are many cases of earnings management in Indonesia. PT Jiwasraya started in 2017 by posting an apparent profit of Rp. 360.3 billion, but the BPK audit found insufficient financial reserves of Rp. 7.7 trillion, in 2018, recorded a loss of Rp. 15.3 Trillion (Nurcahyono et al., 2021). In 2019 BPK found the transfer of saving plan funds into mutual funds and made losses of up to Rp. 6.4 trillion. Then the earnings management case conducted by Bank Bukopin recorded a net profit in 2016 of Rp. 1.08 trillion to Rp. 183, 56 billion, a decrease in fees and must carry out financing restatements to subsidiaries with Sharia businesses related to loss reserves. Therefore, funding for impairment losses on assets was revised from 649.05 billion to Rp. 797.65 billion. At the end of 2016, Bukopin changed its equity by Rp. 2.62 trillion from Rp. 9.53 trillion to Rp. 6.91 trillion. The decrease was due to the downward revision of retained earnings of Rp. 2.62 trillion to Rp. 5.52 trillion because previously reported earnings were incorrect (Rachman, 2018).

The Bukopin bank case is a phenomenon that represents the company's moral hazard behaviour towards its stakeholders (Rachman, 2018). Earnings management is carried out to maintain investor confidence so that it does not affect business operations; therefore, it will harm stakeholders (García et al., 2022). The management has the motivation to minimize losses and increase profits by the wishes of management. Managers devise tactics to deceive stakeholders legally by displaying high accounting profits. To identify the earnings management practice of a company, we analyze several variables that can be predictors of earnings management activities, namely tax planning, deferred tax expense, audit quality, accounting conservatism, institutional Ownership and disclosure of corporate social responsibility.

Tax planning is a strategy to regulate accounting and company finances to minimize the tax burden by not violating tax regulations (Rochmawati & Musyarofah, 2020; Trisanti, 2019). The purpose of tax planning is a form of manipulating so that the tax burden can be paid below its proper value by utilizing regulations to maximize after-tax income because tax is an element of profit reduction so that tax planning by the company will have the potential for earnings management (Religiosa & Surjandari, 2021). Study Religiosa and Surjandari (2021) explain that tax planning has a positive effect on earnings management. Meanwhile, according to Jayanti, et al (2021), tax planning is not significant to earnings management.

Deferred tax expense is the deferred tax expense (income) arising from recognising deferred tax liabilities or assets (Religiosa & Surjandari, 2021). Deferred tax expense can be used to detect earnings management carried out by the company in meeting two objectives, namely (1) to avoid a decrease in profit and (2) to avoid losses (Almahrog & Lasyoud, 2021). So that every time the deferred tax burden increases, the possibility that the company will carry out earnings management will increase and vice versa (Bunaca & Nuryadi, 2019). Study Rosharlianti and Hidayat (2019) explain that deferred tax expense positively affects earnings management. Meanwhile, according to Yosen & Tarigan (2019), it is noted that deferred tax expense does not affect earnings management.

A quality audit will encourage the auditor to quickly detect and find fraud committed by the company and provide a non-compliance audit opinion (Zwageri et al., 2020). According to the Indonesian Institute of Accountants, an audit classified as quality is when the audit meets established quality control standards. A quality audit can become a control system that will encourage management to avoid earnings management behaviour. As an audit quality control system, it will minimize misleading information that will damage the company's reputation (NGO & LE, 2021). Study Irawan et al (2021) explain that audit quality positively affects earnings management. Meanwhile Zwageri et al (2020) explain that audit quality does not affect earnings management.

Conservatism is a prudent reaction to finding uncertainties in economic and business activities (Malo-Alain et al., 2021). Conservatism is one of the bases in the publication of financial statements in measuring assets and profits with the precautionary principle carried out under conditions of business uncertainty (Sugiyanto & Febrianti, 2021). The study of Malo-Alain et al (2021) explains that accounting conservatism affects earnings management. Based on the study of Lakasse et al (2021), Sugiyanto and Febrianti (2021), defining accounting conservatism is not the reason for management to carry out earnings management.

Institutional ownership is assets or ordinary shares owned by organizations, government agencies, the private sector and other institutions (Chabachib et al., 2019; Elim, 2019). The ownership structure of the organization functions as a control system that oversees management so that it works appropriately and optimally, following the interests of shareholders. Studies conducted Panda and Leepsa (2019), report that institutional ownership can reduce managers' moral hazard behaviour. A study Elim (2019) reports that institutional ownership is not a predictor of earnings management actions, but studies Kusumawati and Setiawan (2019) report that institutional ownership increases management behaviour in seeking opportunities to manage earnings.

CSR disclosure is the company's responsibility to formulate policies, make decisions, or follow the desired line of action regarding community goals and values (Malo-Alain et al., 2021). Companies that disclose CSR are a signal that the company is in good financial condition, so they will not practice earnings management. Based on the study by Arniati et al (2019), Ifada & Istiqomah (2021), Setiawan, et al (2021) explaining that CSR disclosure affects earnings management, the study Reniati (2020) explains that CSR disclosure does not affect earnings management.

This research aims to empirically analyze various factors that can be predictors of earnings management actions taken by managers. The predictor variables used are taxes, conservative accounting records, ownership structure and disclosure. This research is expected to help companies reduce earnings management practices, can help investors and other stakeholders be more careful in making investments and is expected to assist regulators in increasing supervision of companies to avoid earnings management practices.

LITERATURE REVIEW

Agency Theory

Agency Theory is an agency relationship that is a contract that occurs between the manager and the owner of the company (Jansen & Meckling, 1976). The agent's and principal's powers and responsibilities are regulated in a work contract upon mutual agreement. Principals are shareholders or investors, and agents are management or managers who manage the company. Agency theory is a consequence of separating the control function (administration), which directly accesses company information from the ownership function (shareholders).

Agency theory explains agency costs arising from moral hazard and adverse selection. The basis of this theory is that managers work for their interests materially and in terms of position, managers have limitations in analysis, and the level of decision-making must always be rational and avoid risks which are certainly detrimental personally. Therefore this theory clearly describes the behaviour of very opportunistic managers (Eisenhardt et al., 2016).

The discussion on earnings management is related to agency theory, which states that earnings management practices are influenced by conflicts of interest between company owners and managers, prioritizing each other's goods to maximize their utility. The existence of differences in thinking between the agent and the principal in controlling the company causes management to act not by the principal's wishes, causing agency conflict. This conflict occurs because the agent does not maximize the welfare of the principal but tends to benefit the individual agent's interests at the expense of the owner's interests (Purnama & Kusumawardhani, 2020).

The data manipulation in the financial statements is in the form of earnings management practices. Earnings management occurs when agents prefer judgment in selecting transactions that can change the preparation of financial statements. This practice can reduce the principal's trust in the agent. If the situation is handled quickly, it can lead to agency conflicts that positively impact both parties. The decrease in trust between the principal and the agent can be overcome by tax planning, tax burden, audit quality of accounting conservatism, institutional Ownership and also by carrying out social, economic and environmental activities that impact society and the government (Timoty et al., 2022).

Tax Planning

Tax planning is a form of tax management and the first step in tax management. Tax planning is intended to select all types of tax-saving actions the company will carry out and ensure its implementation has complied with applicable tax regulations (Yosen & Tarigan, 2019). Internal tax planning occurs because there are differences in the interests of companies trying to pay minimal taxes so as not to reduce profits. At the same time, the government expects taxes from companies to mark state expenditures (Abubakar et al., 2020). Thus, the higher the tax planning, the more excellent the opportunity for the company to carry out earnings management, in line with Religiosa and Surjandari (2021) and Yosen and Tarigan (2019) explaining that tax planning has a positive effect on earnings management.

H1: Tax planning has a positive effect on earnings management.

Deferred Tax Expanse

Deferred tax expense is an expense that arises as a result of temporary differences between accounting profit and fiscal profit (Gayatri & Wirasedana, 2021). High deferred tax expense will result in lower company profitability, so the potential for earnings management will be higher. The difference between accounting profit and taxable income is one of the instruments for managers to manage earnings. It will result in a higher level of manager policy manipulating earnings (Ishaku & Junaidu, 2020). This aligns with the Yosen and Tarigan (2019) research, which explains that deferred tax expense positively affects earnings management. The greater the company's profit, the greater the tax burden.

H2: Deferred tax expense has a positive effect on earnings management

Audit Quality

Audit quality is the probability of an auditor finding and reporting an error or fraud in a client's accounting system (Alyaarubi et al., 2021). A professional accounting firm will quickly detect

and discover the potential for the company to carry out earnings management to advise the company (Irawan et al., 2021). Less thorough accounting firms will tend to provide opportunities for leadership to practice earnings management; this is in line with research by Zwageri et al (2020), explaining that audit quality has a negative effect on earnings management.
H3: Audit quality has a negative effect on earnings management.

Accounting Conservatism

Conservatism can be defined as reducing profits and shrinking net assets in response to bad news but not increasing earnings in response to good news (Septiansyah & Asmara, 2021). Conservatism is forcing timely recognition in recognizing losses and delaying the recognition of gains. In this case, it can reduce the opportunity for managers to successfully apply earnings management practices (Kusumawati & Setiawan, 2019). This is in line with the study of Jaimuk et al (2020), explaining that accounting conservatism has a negative effect on earnings management.
H4: Accounting conservatism has a negative effect on earnings management.

Institutional Ownership

Institutional Ownership is share ownership by the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year (Panda & Leepsa, 2019). Institutions have an important role in supervising the performance of the management to carry out their duties properly. Therefore, institutional Ownership can suppress the tendency of management to practice earnings management and provide quality financial reports. The study by Nair et al (2019) explains that institutional Ownership negatively affects earnings management.
H5: Institutional Ownership has a negative effect on earnings management.

Disclosure of Corporate Social Responsibility

Disclosure of CSR is a form of company concern for the business impact it generates. The business commitment must be oriented towards future life with economic, social and environmental performance. Disclosure of CSR is a signal to stakeholders that the company has good business practices. The study by Arniati et al (2019) disclosed that Corporate Social Responsibility (CSR) has a negative effect on earnings management. CSR disclosure can reduce conflicts of interest between companies and stakeholders because companies want their companies to get a positive image in the eyes of the public and investors.
H6: Corporate Social Responsibility (CSR) has a negative effect on earnings management.

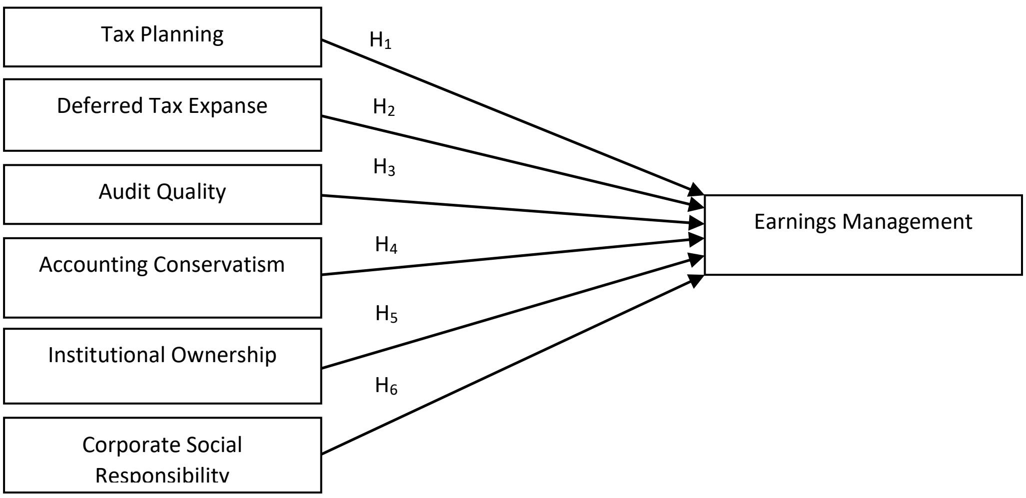

Figure 1. Conceptual Framework

RESEARCH METHOD

The type of research used in this research is quantitative research. The population in this study are banking and insurance companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This study uses the purposive sampling method in sampling. Some criteria that have been set are (1) banking and insurance companies listed on the Indonesia Stock Exchange for the 2018-2022 period and (2) banking and insurance companies that have complete financial statement data for the 2018-2022 period. This research uses data from the Indonesia Stock Exchange website https://www.idx.co.id and the company's official website. Tests in this study used descriptive tests, classical assumption tests, multiple regression tests and hypothesis testing with the SPSS 26. Program. Data analysis using multiple linear regression is intended to build a research model that connects the dependent and independent variables, which are then used to predict the value and relationship of the variables (Sekaran & Bougie, 2019).

Variable Measurement

Table 1. Variable Measurement

No	Variable	Measurement
1	Earning management	$TAC = NIit - CFOit$ $\frac{TA_{it}}{A_{it}-1} = \beta 1\left(\frac{1}{A_{it}}\right) + \beta 2\left(\frac{\Delta Rev_{it}}{A_{it}-1}\right) + \beta 3\left(\frac{PPE_{it}}{A_{it}-1}\right) + \varepsilon$ $NDA_{it} = \beta 1\left(\frac{1}{A_{it}-1}\right) + \beta 2\left(\frac{\Delta REV_{it}}{A_{it}-1} - \frac{\Delta REC_{it}}{A_{it}-1}\right) + \beta 3\left(\frac{PPE_{it}}{A_{it}-1}\right)$ $DA_{it} = \frac{TA_{it}}{A_{it}-1} - NDA_{it}$ (**Islam et al., 2011**)
2	Tax planning	$TRR_{it} = \frac{\text{Net Income}_{it}}{\text{Pretax Income(EBIT)}_{it}}$ (**Camerer, 2004**)
3	Deferred Tax Expenses	$DTE_{it} = \frac{DTE_{it}}{TA_{it-1}}$ (**Phillips et al., 2003**)
4	Audit Quality	Audit quality uses a dummy variable, namely giving a point of 1 if the company is audited by a KAP affiliated with the big four KAP and assigning a score of 0 if a non-big four KAP audits the company. (**Jaya Kirana et al., 2020**)
5	Accounting conservatism	$CONAAC = \frac{(NIO + DEP - CFO)X - 1}{TA}$ (**Hansen et al., 2018**)
6	Institutional Ownership	$KI = \frac{\text{Total Institutional Share}}{\text{Total Shares Outstanding}} x100\%$ (**Sajid et al., 2012**)
7	Corporate Social Responsibility Disclosure	$CSRDI_j = \frac{\sum X_{ij}}{nj}$ (**Bagaskhara, 2016**)

This study uses multiple linear regression to analyze research data. The regression equation used in this study is:

$$EM = \alpha + \beta_1 TP + \beta_2 DTE + \beta_3 AQ + \beta_4 AC + \beta_5 KI + \beta_6 CSRD + \varepsilon$$

Information:

EM	: Earning management
A/ β1- β6	: Constant Coefficient/ Regression coefficient.
TP	: Tax Planning.
DTE	: Deferred Tax Expense.
QA	: Audit Quality
AC	: Accounting conservatism
KI	: Institutional Ownership
CSRD	: CSR Disclosure
ε	: Error

RESULT AND DISCUSSIONS

Descriptive Statistics Test

Based on Table 2, the average value of tax planning is 0.807, which indicates that the sample companies carry out tax planning on average. This is intended to reduce the amount of total tax that must be paid legally by taxpayers. Thus it will increase the net profit generated by the company. Tax planning has a standard deviation of 0.401. This value is lower than the average value and shows that there is a common variation between the maximum and minimum values in the observation period, which are 2.873 and -3.973. The average weight of deferred tax expense shows the number 0.001, which means that banking and insurance companies have a deferred tax expense ratio of 0.001. Deferred tax expense has a standard deviation of 0.003. This value is higher than the average value and indicates that in the observation period, there is a high variation between the maximum and minimum values, namely 0.017 and -0.006.

Audit quality has an average value of 0.41, which indicates that, on average, the sample companies use non-big four auditors. Hence, this needs to be driven by regulations to improve audit quality so that companies audited by the big four and non-big four are the same. The audit quality has a standard deviation of 0.494. This value is higher than the average value and indicates that there is a high variation between the maximum and minimum values in the observation period, namely 1,000 and 0.000. The accounting conservatism variable has the lowest value of -2.857 and the highest value of 1.296, with an average value of -0.006 and a standard deviation of 0.313. This indicates that the trend of accounting conservatism data between companies has a deviation rate of 0.313. This value is closer to the maximum value. This indicates that the financial reporting principles used to calculate and measure assets and profits are carried out carefully and use IFRS principles.

Table 2. Descriptive statistical test results

Variabel	Minimum	Maxsimum	Mean	Standard Deviation
Tax Planning	-3.973	2.873	0.807	0.401
Deferred Tax Expanse	-0.006	0.017	0.001	0.003
Audit Quality	0.000	1.000	0.410	0.494
Accounting Conservatism	-2.85	1.296	-0.006	0.313
Institutional Ownership	0.000	0.998	0.630	0.283
CSR Disclosure	0.023	1.000	0.525	0.277
Earning management	-5.332	26.042	3.989	17.698

Source: Data processed by SPSS, 2022

The institutional ownership variable has the lowest value of 0.000, the highest value of 0.998, the average value of 0.630, and the standard deviation is 0.283. This indicates that the tendency of institutional ownership data between companies has a deviation rate 0.283. Furthermore, on the CSR disclosure variable, the lowest value is 0.023, the highest value is 1.00, the average value is 0.525, and the standard deviation is 0.277. Institutional ownership is close to the maximum value. This indicates that institutional ownership has a reasonably high ratio. Institutional ownership is vital in a company because it acts as an internal control system to control management behaviour. This indicates that the tendency of CSR disclosure data between companies has a deviation rate 0.277. The average value of earnings management is 3,989, which means that, on average, banking and insurance companies have an earnings management ratio of 3,989. Earnings management has a standard deviation of 57,698. This value is higher than the average value and shows that in the observation period, there is a high variation between the maximum and minimum values, which are 826,042 and -5,332.

Multiple Linear Regression

Table 3. Multiple Regression Test Results

Variable	Beta	Sig.	R-Square
Tax Planning	0.048	0.031	0.682
Deferred Tax Expanse	-2.779	0.373	
Audit Quality	0.009	0.022	
Accounting Conservatism	-1.432	0.003	
Institutional Ownership	7.590	0.536	
CSR Disclosure	-6.453	0.000	

Source: Data processed by SPSS, 2022

Regression equation:

EM = 0.883 + 0.048TP - 2.779DTE + 0.009AQ - 1.432AC + 7.590KI - 6.453CSRD

DISCUSSION

Tax Planning and Earning Management

Based on Table 6, the tax planning variable positively affects earnings management, with multiple regression coefficients of 0.048, a t-count value is 2.181, and a significance value of 0.031 <0.05. This means that if the tax planning in the company has increased by 1%, earnings management has risen by 4.8%. The results of this test prove that the first hypothesis is accepted, meaning that tax planning has a positive effect on earnings management. This is because, in this study, as many as 63.5% of companies display modest profits to minimize corporate tax payments. The goal is that the company can optimize net income to show the best possible company performance information to be conveyed to investors.

The results of this study are supported by Yosen and Tarigan (2019), which states that tax planning positively affects earnings management. With good tax planning and management, the company can save tax to a minimum without violating applicable tax regulations. The studies of Gayatri and Wirasedana (2021), Ishaku and Junaidu (2020), Religiosa and Surjandari (2021) explain that tax planning has a positive and significant effect on earnings management. The higher the company's tax planning, the more excellent the opportunity to carry out earnings management. The study by Mustika et al (2020) explains that tax planning positively affects earnings management. This is because changes in corporate income tax rates can affect the behaviour of companies in managing their finances by reducing the amount of taxable profit so that companies can reduce the amount of taxes paid (Agustin et al., 2023).

Deferred Tax Expense and Earnings Management

Based on Table 6, the deferred tax expense variable negatively affects earnings management with multiple regression coefficients of -2.779 and a significance value of 0.373 > 0.05. This means that if the deferred tax expense increases by 1%, earnings management will experience a decrease of 277.9%. The results of this test prove that the second hypothesis is rejected, meaning that the deferred tax expense does not affect earnings management. This is because, in this study, 85% of companies have a minus result in calculating deferred tax expenses during the research period. This is because the deferred tax burden is smaller than the company's net profit, and this variable's average descriptive statistical analysis is only 0.001. This means the company prefers another way to do earnings management because the deferred tax burden cannot help the company relieve the taxes that must be paid, following constitution RI No. 36 Tahun 2008.

Study Gayatri and Wirasedana (2021) explains that deferred tax expense does not affect earnings management. The results of this study are supported by the study of Almahrog and Lasyoud (2021), which explains that the deferred tax burden does not affect earnings management. There is no earnings management action in minimizing profits by taking advantage of tax regulations loopholes on the amount of tax burden owned by the company because tax regulations are more stringent in providing limitation of expense recognition calculation when calculating taxable profit or loss so that earnings management cannot manipulate the figures in deferred tax expense. This means that the deferred tax expense is ineffective in detecting earnings management because the deferred tax expense cannot describe the company's earnings management.

Study Pramana and Firnanti (2020) explain that deferred tax expense does not significantly affect earnings management because if the company lowers its profit, the impact on deferred tax expense is small, so if you want to detect earnings, leadership in the company it is not practical. Studies by Ishaku and Junaidu (2020), Yosen and Tarigan (2019) and Permatasari et al (2023) explain that deferred tax expense does not affect earnings management because management has limitations in influencing deferred tax expense accounts, because there are regulations on deferred tax expense in commercial accounting and fiscal accounting that are regulated according to tax regulations, thus limiting management to choose policies in preparing financial statements.

Audit Quality and Earnings Management

Profit management. Based on Table 6, the audit quality variable positively affects earnings management with multiple regression coefficients of 0.009, a t-value of 2.328 and a significance value of 0.022 <0.05. This means that if the audit quality in the company has increased by 1%, earnings management has risen by 0.9%. The results of this test prove that the third hypothesis is rejected, meaning that audit quality has a positive effect on earnings management. Based on the data in this study, as many as 54% of companies in the research period were audited by non-big Four KAPs, and the average descriptive analysis was below the standard limit, which was only 0.41, this means that the higher the audit quality of the company, the higher the chance of occurrence.

The results of this study are supported by the study of Al-Abedi et al (2020), which states that audit quality has a positive effect on earnings management because companies audited by large KAPs are not proven to limit earnings management behaviour by companies. Big four KAPs are more competent than non-big four KAPs, so they know more about detecting and manipulating financial reports and earnings management actions. Study Jaya Kirana et al (2020) study state that audit quality has a positive and significant effect on earnings management. This is because, in general, companies use the services of the big four KAPs only to increase the credibility of financial statements so that they can be more trusted by investors but have not been able to limit the occurrence of earnings management the company does.

The studies of Aditia and Nasution (2020), Fanani (2020) report that audit quality has a positive and significant effect on earnings management. External audit quality cannot reduce earnings management in companies, and this is because companies use external audit services with high quality only to attract investors. Besides that, some parties may have low integrity even though these parties come from high-quality KAPs or big four KAPs.

Accounting Conservatism and Earnings Management

Based on Table 6, the independent variable of accounting conservatism has at value of -3.002 with a significant level of 0.003. Because the value of sig < 0.05, it can be concluded that the fourth hypothesis is accepted, meaning that accounting conservatism harms earnings management. If conservatism increases, managers doing earnings management will decrease. This shows that conservatism limits managers in managing earnings by playing with company earnings. The more conservative the financial reporting, the less likely managers are to misuse financial information, so the company's managers are less likely to manipulate earnings.

The results of this study are linear with the study of Pasupati (2020), stating that accounting conservatism has a negative effect on earnings management which says that with the principle of accounting conservatism, the company will be more careful in choosing the accounting method to be used and tend to delay revenue recognition. So the profit reported to external and internal parties of the company did not increase significantly. Accounting conservatism can be explained from a theoretical perspective, and managers have the opportunity to maximize their welfare at the expense of shareholder interests. Potential conflicts due to the separation between companies and stakeholders tend to carry out financial reporting by their objectives without paying attention to the principal's interests (Malo-Alain et al., 2021).

The more conservative the financial reporting, the more opportunities for managers to manipulate and overstate financial statements so that cash flow and firm value can be increased (Kusumawati & Setiawan, 2019). Management will use prudence so that reported earnings are not overstated. The nature of sense used is higher when the administration says low income (income decreasing) because management tends to be less aggressive in reporting earnings so that there is no overstatement. The higher the principle of accounting conservatism, the higher the practice of earnings management by reporting lower earnings (income decreasing) (El-Habashy, 2019; Gonçalves et al., 2021; Widharma & Susilowati, 2020).

Institutional Ownership and Earnings Management

Based on Table 6, the independent variable of institutional Ownership has a t-value of 0.620 with a significant level of 0.536. Because the value of sig > 0.05, it can be concluded that hypothesis five is rejected, meaning that institutional Ownership is not substantial to earnings management. Institutional Ownership is considered not to have the expertise to monitor managers' behaviour so that managers can carry out earnings management. This is because institutional investors do not act as sophisticated investors who have more abilities and opportunities to monitor and discipline managers to be more focused on firm value and limit management policies in manipulating earnings, but instead act as temporary owners who are more focused on current salaries. (Moslemany & Nathan, 2019). So that the existence of institutional Ownership cannot limit the management in carrying out earnings management actions (Wahyudi et al., 2020).

Study Elim (2019) explains that institutional Ownership has a positive and insignificant effect. This indicates that the higher or lower share ownership portion owned by institutional parties is not very meaningful as a tool to monitor the actions of company managers in committing fraud regarding earnings information in financial statements. Transient current investors will make managers take policies to achieve the profit targets desired by investors. The existence of institutional Ownership causes managers to feel bound to meet the profit targets of investors, so managers will still tend to be involved in earnings manipulation. This is because investors have many opportunities to monitor managers to focus more on firm value and limit managers' policies in manipulating earnings (Chabachib et al., 2019; Elim, 2019; Gonçalves et al., 2021; Moslemany & Nathan, 2019; Rahma et al., 2022; Shaikh et al., 2019).

Disclosure of Corporate Social Responsibility and Earnings Management

Based on Table 6, the independent variable of Corporate Social Responsibility (CSR) disclosure has a t value of -3,822 with a significant level of 0.000. Because the deal of sig <0.05, it can be concluded that hypothesis six is accepted, meaning that CSR disclosure hurts earnings management. The more often a company discloses CSR each year, it can minimize earnings management actions in the company. CSR disclosure is carried out by the company so that the company's operating activities get support from the community and the company's activities can run smoothly.

CSR disclosures by managers in a company that are disclosed in the annual report create the information presented in the financial statements and gain more trust from users of financial statements (Arniati et al., 2019). Companies that disclose more CSR tend to reduce earnings management practices because the company's management is more transparent. On the other hand, the lower the company's CSR disclosure, allows managers to practice earnings management. The company will try to cover up information related to the company's operations to stakeholders. The results of this study are linear with the investigations of Arniati et al (2019), Javeed and Lefen (2019), Zamir and Saeed (2020) and Nurcahyono et al (2023), which explain the disclosure of Corporate Social Responsibility (CSR) has a negative effect on earnings management.

CONCLUSION

Based on the results and discussion, tax planning positively affects earnings management, so companies that carry out tax planning have enormous potential to conduct earnings management. Deferred tax expense does not affect earnings management because if the company carries out earnings management to lower the tax to be paid, the company cannot pass the deferred tax burden following Constitution No. RI. 36 of 2008, so it is ineffective when detecting earnings management through deferred tax expense. Audit quality has a positive effect on earnings management. Companies that get opinions from independent auditors also have the potential to carry out earnings management because they have gained legitimacy from the authorities. Accounting conservatism hurts earnings management, meaning the more careful management is in running their business, the more they will always put stakeholders' interests first. Institutional Ownership is not significant to earnings management. Institutional Ownership is considered not to have the expertise to monitor managers' behaviour so that managers can manage earnings; this is because institutional investors do not act as sophisticated investors. CSR disclosure hurts earnings management. The more often a company discloses CSR each year, it can minimize earnings management actions in the company.

This research has practical implications for companies and regulators. Companies must be careful in applying accounting policies that seek to manage earnings. Because earnings management that produces biased information will impact stakeholders' losses, companies are usually asked to restate. Furthermore, for regulators to provide policy recommendations to make stricter regulations related to tax planning, tax burden, and corporate governance. This is intended to minimize management's moral hazard behaviour through earnings management. Furthermore, management as an agent in its business must prioritize stakeholders because the company's primary goal is to maximize profits from its stakeholders. This study has limitations, namely the ability of predictor variables is still moderate, as evidenced by the r-square, which is only 68%, so theoretically, it opens opportunities for further research by adding variables such as moderating, intervening or control.

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