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The Effect of Corporate Social Responsibility (CSR) on Company Value: The Moderating Role of Earnings Management

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Abstract. This study aims to analyze the effect of corporate social responsibility on firm value by considering earnings management as a moderator based on ethical theory. The research method used was content analysis of the company's annual reports to measure corporate social responsibility. Earnings management was measured using the modified Jones model, and firm value was measured by Tobin's Q. The sample of this research is manufacturing companies listed on the Indonesia Stock Exchange in the period 2020-2022. Data was collected from the company's annual report and the company's website, while financial data was taken from the Thomson Reuters Eikon database. This study found evidence that CSR has a significant negative effect on firm value and earnings management strengthens the effect of CSR on firm value. The results of this study have implications in providing better guidance for companies in implementing CSR, taking into account the importance of financial transparency and accountability, as well as reducing the risks associated with earnings manipulation.

Keywords: Corporate Social Responsibility (CSR), Earnings Management, Firm Value

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Introduction

The company's contribution to society and its environment beyond just making profits is the modern concept of Corporate Social Responsibility (CSR) (Sadewa & Mulyani, 2024; Sanusi & Kartini, 2022). CSR is more than just paying salaries, offering scholarships to needy students, engaging employees in volunteer work or supporting various charities. In many cases, including those shown by various researchers, CSR has the ability to improve a company's reputation which can have a positive impact on shareholder value (Qonita et al., 2022). Companies that implement CSR will benefit from customer retention; increased foreign investment inflows; and reduced risks associated with a negative image. (Hong & Andersen, 2011).

However, CSR does not necessarily directly affect the value of the company (Farook et al., 2024). In fact, there are various other variables including corporate governance and accounting practices that can play an important role in determining how much CSR affects the value of the company. Earnings management can be one of the triggers that link company performance to CSR (Sial et al., 2018). This is a phenomenon characterized by the manipulation of financial statements by companies that intend to achieve certain performance measures. This can result in the emergence of actions to hide the company's true financial position, thus affecting investors' perceptions of the company's value. Several studies have revealed that organizations that carry out CSR have lower earnings management, thus showing higher social accountability and transparency in their financial statements (Chen & Hung, 2021).

An empirical study conducted by Bahar et al. (2021) and Murdifin et al. (2019) confirms that, despite the existence of a good and comprehensive regulatory basis through UU No. 40 Tahun 2007 Tentang Perseroan Terbatasand Peraturan Pemerintah No. 47 Tahun 2012 Tentang Tanggung Jawab Sosial dan Lingkungan Perusahaan Terbatas, CSR disclosure in the industrial sector in Indonesia, especially manufacturing and mining, still faces various challenges, especially in terms of transparency of social and environmental reporting.

Several studies have proven and confirmed the positive impact of corporate social responsibility (CSR) on company value (Ghardallou & Alessa (2022); Khuong & Anh (2023); Schiessl et al. (2022). Based on the research Schiessl et al. (2022) shows that the integration of CSR with environmental innovation can provide long-term economic added value for companies. Likewise, Ben Fatma & Chouaibi (2024) found that CSR mediates the relationship between Good Corporate Governance (GCG) and firm value in the European financial sector. Khuong & Anh (2023) Furthermore, it states that the positive impact of CSR on firm value becomes more significant at the growth stage of the company. Meanwhile, Ghardallou & Alessa (2022) it also found a non-linear relationship between CSR investment and firm value in the Middle East, where the benefits are only visible after passing a certain threshold. Overall, these findings suggest that CSR not only provides social and environmental benefits, but can also make a significant contribution to increasing the value of the company. In contrast, a study by Cherkasova et al. (2023) stated that investment in CSR programs can actually result in a decrease in firm value in the North American and European markets. Likewise, Gupta & Garg (2022)which stated the same results in India, where compliance with CSR spending had a negative effect on firm value.

Several studies have shown different results regarding the impact of Corporate Social Responsibility (CSR) on firm value. Although many studies have examined the effect of CSR on firm value, the results are still inconclusive. Therefore, this study has a contribution by adding earnings management variables as variables that can moderate the effect of CSR on firm value.

This research is very important which has several contributions (1) This research adds to the literature related to the relationship between corporate social responsibility (CSR) and company value with the moderating role of earnings management based on ethical theory (2) This research is useful for investors, because investors can use this information to make better investment decisions based on the quality of CSR and company earnings management practices (3) This research is also important for regulators to design regulations that encourage companies to not only implement CSR but also improve the quality of their financial reporting. Good regulations will prevent companies from using CSR to hide unethical earnings management practices.

Literature Review and Hypothesis Development

Ethical Theory

In understanding and exploring the idea of corporate social responsibility (CSR) in principle relies on ethical theory. Carroll (1979) said that companies have a moral obligation to society and the environment as part of the implications of their business activities. This statement is supported by Mohammed et al. (2016)stating that CSR is also a corporate strategy to gain legitimacy from various stakeholders. In addition, Garriga & Melé (2004)emphasizing that ethical theory has been used for years in CSR studies that reveal the importance of ethics in this case. In addition, the application of ethics in CSR can affect the value of the company. As found by Daryaei et al. (2024), in his research, companies with good CSR implementation can increase the value of the company by cultivating business ethics. This can be proven by more conservative financial reporting so as to gain more trust from stakeholders. Therefore, socially responsible businesses not only benefit society as a whole, but can also increase the value of the company over time.

Company Values

The value of a company is generally considered to be the maximum value that can be given to shareholders. Various policies have been adopted by managers with the aim of increasing the value of the company, one of which is CSR. Brigham & Houston (2013)argues that CSR can be used as a corporate strategy to influence public perception of the company and shape the way stakeholders view the company's sustainability prospects (Perks et al., 2013). This implies that CSR functions as a signal for shareholders to invest in a company, thereby increasing the value of the company (Cahan et al., 2016; Reverte, 2016). To measure the value of the company, Tobin's Q Theory has been developed by James Tobin who uses the ratio as a tool to determine market value. The use of Tobin's Q is very important in assessing company performance because this ratio calculates all forms of debt and equity capital, not limited to common stock (Park et al., 2018). The position of Tobin's Q in economics, finance, and accounting cannot be ignored. Based on the stock market price which indicates how external stakeholders view the long-term benefits of CSR activities better than others, Orlitzky & Benjamin (2001)claims that Tobin's Q is an appropriate measure for assessing a company's long-term value.

Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) implies a company's commitment to promoting the welfare of society and the environment. According to Kotler & Lee (2008), CSR can be defined as the discretionary allocation of corporate resources. It further Branco & Rodrigues (2006)adds that CSR combines ethical and moral aspects in business decision-making related to social and ecological issues. In addition, Lawrence et al. (2014)it also Sarfraz et al. (2018)emphasizes the social, environmental, and economic aspects of CSR. The principle of CSR legitimacy according to Wood (1991)refers to the understanding that companies need to gain approval from society through actions that have a positive impact on society. In general, some of the most common ways to implement CSR can involve promotions, marketing related to social activities, corporate social marketing, corporate philanthropy, and volunteer activities in the community (Kotler & Lee, 2008).

Earnings Management

Earnings management is a practice carried out by management to manipulate accounting figures in order to influence reported earnings. Watts & Zimmerman (1979) defines earnings management as an action to regulate earnings.Healy & Wahlen (1999) also added that earnings management is carried out for various purposes, such as to meet profit targets, satisfy external party expectations, and engineer management bonuses. This practice can be detrimental to various parties, including investors, creditors, and other users of financial statements, because the information does not reflect the actual condition of the company. The types of earnings management are divided into two, namely accrual earnings management and real earnings management (Bozzolan et al., 2015). Accrual earnings management involves manipulating accounting figures, such as choosing a more profitable accounting method, to achieve the desired profit (Dechow & Skinner, 2000). This practice can be easily detected by auditors because it involves manipulating the figures in the financial statements (Cohen et al., 2007). Another type of earnings management is real earnings management, which involves manipulating non-accounting transactions.

CSR and Corporate Values

Corporate value is formed through close interaction between business ethics and corporate social responsibility (CSR). CSR activities based on business ethics can signal a company's commitment to society and the environment; this makes it a tool to

improve reputation and build trust among a company's various (Bardos et al., 2020) *stakeholders*. Therefore, by adhering to ethical values and acting with integrity, companies can improve their relationships with customers, investors, and the wider community. There are several studies that prove that efficient CSR can improve a company's performance through various mechanisms, including: increasing trust (Zhu et al., 2014), improving relationships with *stakeholders* (Singh et al., 2017)and increasing market effectiveness (Deng et al., 2013; Dhaliwal et al., 2012). Therefore, the hypothesis that is built is as follows:
H1: CSR has a positive effect on company value

The Role of Earnings Management in Moderating the Effect of CSR on Company Value

Ethical theories suggest that companies should be held accountable for their actions including in preparing financial statements. Corporate Social Responsibility (CSR) is one of the core values of business ethics that is seen as an effective control measure against profit engineering actions. Empirical research has demonstrated this proposition by proving that ethical companies, in order to enhance their reputation, tend not to engage in earnings management practices. (Scholtens & Kang, 2013; Sial et al., 2018). In other words, CSR can improve the company's image and at the same time reduce the incentives of company executives to commit fraud in manipulating profits through its role as an internal control system. Therefore, well-managed CSR can increase stakeholders' trust *in* the credibility of the company's financial statements (Gaio et al., 2022). Therefore, the hypothesis that is built states:
H2: Earnings management strengthens the positive influence of CSR on firm value.

Research Methods

Data and Data Sources

This study focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX). The selection of Indonesia as the object of study is based on the interest in deepening the understanding of the role of corporate social responsibility (CSR) in the scope of developing countries. Most previous studies on CSR were conducted in developed countries such as Italy (Florio & Leoni, 2017)and the United States (Pencle & Mălăescu, 2016). Therefore, it is possible that the results of existing studies cannot be applied directly to the Indonesian context which has different economic characteristics and regulations.

The selection of the number of samples uses purposive sampling, namely the selected sample must have several criteria as follows:
1. Manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period
2. Companies with negative equity reporting were not included in the research sample because it would cause a disturbing effect and would be difficult to interpret because it is one of the signs of a company experiencing financial difficulties (Adhikari et al., 2006).
3. Has a reporting period of one full year and a reporting period on December 31. (Harymawan & Nowland, 2016).
4. Have all the data needed to calculate the variables in this study.

This study uses secondary data that includes financial data and also data from analysis of the contents of the company's annual report that is the research sample. In order to obtain this data, several data sources used in this study include: financial data obtained from datastream and company annual reports obtained through downloading the official website of the Indonesia Stock Exchange or the company's official website. This study chooses to use Panel data using STATA as a statistical analysis tool.

Dependent Variables

This study uses Tobin's Q (Lechner & Gatzert, 2018)as the dependent variable to measure firm value. This indicator was chosen because it has several advantages. First, Tobin's Q is a measure that focuses on the future because it is based on the market price of shares. Second, Tobin's Q reflects the perspective of external parties on the long-term value of the company, especially in relation to CSR practices (Orlitzky & Benjamin, 2001). Third, Tobin's Q has been widely used in economic, financial, and accounting research (Park et al., 2018). Based on this explanation, Tobin's Q can be calculated using the following equation:

$$Tobin's\ Q\ (Q) = \frac{MV\ of\ equities\ (EMV) + BV\ of\ Liabilities\ (D)}{BV\ of\ Total\ Assets\ (TA)}$$

Information:
Q = Company Value
EMV = Market value of equity (EMV= closing price x number of shares outstanding)
D = Book value of the company's total liabilities
TA = Book value of total assets of the company

Independent Variables

In this study, the independent variable is the level of CSR disclosure. The GRI G4 framework is used to evaluate the level of disclosure by examining the company's annual report. GRI G4 is a framework from the Global Reporting Initiative (GRI) which has emerged as a widely recognized corporate sustainability reporting standard. Companies that have been implementing GRI G4 for a long time will experience challenges transitioning to the newer standard. Understanding the framework and mechanics of preparing G4 reports leads to smoother reporting. In addition, companies do not need to conduct in-depth retraining. Several studies have found that GRI G4 has improved the quality and breadth of disclosures related to the environment and social (Massari & Giannoccaro, 2023; Truant et al., 2017; Verbeeten et al., 2016). In addition, GRI G4 also encourages companies to identify and address sustainability risks and incorporate sustainability principles into the company's business strategy (Simmons Jr et al., 2018). Furthermore, GRI G4 has played an important role in advancing transparency and accountability in business practices especially in sectors such as pharmaceuticals and construction (Chang et al., 2022; Kolsi et al., 2021). Therefore, based on the description above, CSR is calculated based on the following equation:

$$\text{CSRD} = \frac{\sum Xij}{Nij}$$

Information:
CSRD_{ij} = Corporate social responsibility disclosure
$\sum Xij$ = Number of company CSR disclosures
N_{ij} = Number of items for the company as many as 91 indicators

Moderating Variables

The moderating variable in this study is accrual earnings management. In measuring accrual earnings management, this study refers to the modified Jones model (Dechow et al., 1995). The use of this model is because this model includes the variable of changes in accounts receivable which can improve the previous research model (Jones, 1991). In addition, the modelDechow et al. (1995) is also considered more informative to identify earnings management practices because it contains elements of estimation and determination of values that can be engineered. The accrual earnings management model equation Dechow et al. (1995)is as follows:
Discretionary accruals can be obtained by measuring total accruals first. With the formula:

$$\text{TACt} = NIt - \text{CFOt}$$

Next, the total accrual components are decomposed into discretionary accrual components and nondiscretionary accrual components.

$$\frac{TACt}{TAit-1} = a_1\left(\frac{1}{TAit-1}\right) + a_2\left(\frac{\Delta REV}{TAit-1}\right) + a_3\left(\frac{PPEt}{TAit-1}\right)eit$$

Next, find the *nondiscretionary accrual* (NDAC) value obtained using the following formula:

$$\text{NDA} = a_1\left(\frac{1}{TAit-1}\right) + a_2\left(\Delta REVt - \frac{\Delta REC}{TAit-1}\right) + a_3\left(\frac{PPEt}{TAit-1}\right)$$

To calculate the discretionary accrual (DAC) value, which is a measure of earnings management, the following formula is used:

$$\text{DAt} = \frac{TACt}{TAt-1} - NDA$$

Information:

TACit	=	Total accrual value of company i in year t calculated from the difference between net income minus operating cash flow.
NIt	=	Company's net profit in year t
CFOt	=	Operating cash flow in company year t
Ai,t-1	=	Total assets of company i in year t-1
ΔREVi,t	=	Change in revenue at company i in year t-1 to t

ΔRECi,t	=	Change in receivables at company i in year t-1 to t
PPEi,t	=	Gross fixed asset value of company i in year t
NDAC	=	Nondiscretionary Accruals
DAC	=	Discretionary Accruals

Control Variables

In addition to including the main independent variables in the model, this study also includes other independent variables as control variables.

1. Company size (SIZE) is calculated using the logarithm of the company's total assets. This variable is included in the research model as a control variable because a large company will be of concern to the surrounding community so that the company tries to show its concern for social and environmental issues which will then have an impact on increasing the company's value (Z. Wang & Sarkis, 2017). This SIZE variable is thought to have a positive direction towards the company's value.
2. Financial Leverage (LEV) is calculated using the debt to equity ratio referring to the measurement (Lechner & Gatzert, 2018). The Leverage variable is thought to have a positive relationship direction to the company's value because investors assume that the company will carry out a development project that can generate profits for its investors. (Fuente et al., 2017). This LEV variable is thought to have a positive relationship with company value.
3. Profitability (ROA) is measured by return on assets (ROA) by following the measurement Nekhili et al. (2017)that states that high profitability can increase the value of the company because investor decisions in making investments tend to see the company's opportunities in generating returns on the investments that have been invested. ROA is estimated to have a positive relationship to company value.

Research Model

In accordance with the hypothesis that has been formulated in this research and the presentation of research variables and their operationalization, the model formed is as follows:

$$FVit = \beta 0 + \beta 1CSR + \beta 2\ CSR\ it{*}EMit + \beta 3SIZEit + \beta 4LEVit + \beta 5\ ROAit + \varepsilon it$$

If the research results are in accordance with the prediction of hypothesis 1, then the value of $\beta 1$ in the model is significantly positive, which means that CSR has a significant positive effect on company value. If the research results are in accordance with the prediction of hypothesis 2, then the value of $\beta 2$ in the model is significantly positive, which means that earnings management can strengthen the significant positive effect of CSR on company value.

Information:

FV it	=	Value of company i in year t
CSRD it	=	CSR disclosure in the annual report of company i in year t
EM	=	Modified jones model
ROAit	=	Ratio of net profit to total assets
LEVit	=	Debt to equity ratio of the company
SIZEit	=	Firm size measured by the natural logarithm of the total asset value of firm i in year t.
$\beta 1$ - $\beta 5$	=	Regression Coefficient.
εit	=	*Standard error regression*

Results and Discussions

Sample Selection Results

The population in this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period 2020-2022. Furthermore, sample selection is carried out based on criteria through a selection process that can be seen in table 1. From this table, it can be seen that from a population of 153 firm-years, a research sample of 132 firm-years (86.27%) was obtained.

Table 1
1 Sample Selection Process

No	Criteria	Violation of Criteria	Number of Companies
1	Manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period	-	51
2	Companies with negative equity reporting	0	51
3	Have a full year reporting period ending December 31.	0	51

4	Have all the data needed to calculate the variables in this study	-7	44
Total data during the research period 2020-2022 (3*44)			132

Descriptive Statistical Analysis

For descriptive statistical results can be seen in table 2. The average FV value is quite high, which is 1.965338, indicating that in general the sample companies have a fairly large market value compared to the book value of their assets. For the accrual earnings management variable, on average the sample companies have a discretionary accrual value of 1.965338. The smallest discretionary accrual value is -6.555092 while the largest discretionary accrual value is 5.470853.

Table 2
2 Descriptive Statistics Results

Var.	*Mean*	*Std. Dev*	*Min.*	*Max.*
FV	1.96533	1.5143	0.47222	5.96506
EM	-0.05436	1.7246	-6.5550	5.470853
CSR	0.23434	0.0470	0.14285	0.362637
ROA	0.06275	0.1107	-0.2157	0.599024
LEV	0.41668	0.1867	0.09791	0.792736
SIZE	1.270	3.240	10.2	18.000

Information:
FV = Market capitalization plus book value of liabilities divided by book value of total assets;
EM = Modified jones model;
CSR = Total company CSR disclosures divided by the number of items;
ROA = Ratio of net profit to total assets of the company;
LEV = Ratio of total company debt to total assets;
SIZE = Company size (in 10.000.000.000)

The discretionary accrual value shows that the greater the value of the company's discretionary accrual, the greater the company is indicated to be carrying out accrual earnings management actions. The level of disclosure of information related to corporate social responsibility with a relatively low average value of 0.234349 can be interpreted that the sample companies have not yet focused too much on the CSR aspect. For the control variables, return on assets which describes the company's ability to earn profit from its assets has a positive average value of 0.0627532, which means that in general the companies in the sample have been able to generate profit. Furthermore, Leverage, which is the level of debt usage in the company's capital structure, has a moderate average value of 0.4166876, which reflects that the companies in the sample are not too dependent on debt. And the last control variable is company size which has a very wide range of values, indicating that the sample consists of companies with very diverse sizes, ranging from very small to very large companies.

Results of Hypothesis Testing and Analysis

Based on Table 3, the sample of this study is free from multicollinearity problems which can be seen from the results of the classical assumption test. This study uses tolerance and variance inflation factor (VIF) values to determine whether or not there is multicollinearity. The results of the multicollinearity test show that there is no VIF value that exceeds 10. For autocorrelation and heteroscedasticity, they automatically pass because they use GLS.

Table 3
Multicollinearity Test Results

Variables	*VIF*	*1/VIF*
CSR	1.23	0.810206
CSR_EM	4.04	0.247221
ROA	2.14	0.466916
LEV	2.46	0.406327
SIZE	1.10	0.906235

Table 4 shows the correlation coefficient of the variables in the model, namely the effect of CSR disclosure on company value with earnings management moderation. The correlation coefficient between CSR disclosure and company value shows a negative relationship.

Table 4
Coefficient Correlation Model

Var	*FV*	*CSR*	*EM*	*ROA*	*LEV*	*SIZE*
FV	1.000					
CSR	-0.025	1.0000				
EM	0.015	0.1000	1.0000			
ROA	0.550	-0.140	-0.16	1.000		
LEV	0.089	0.027	-0.10	-0.120	1.000	
SIZE	0.149	-0.190	0.00	0.260	-0.010	1.000

The results of testing the influence of CSR on company value and the moderating role of earnings management can be seen in table 5. The results of hypothesis testing (H1), CSR on company value has a significant negative effect of 5% so that H1 is not accepted. This shows that CSR programs require significant investments, both in finance and resources. If the costs incurred are not offset by increased revenue or operational efficiency, it can reduce the company’s value in the eyes of investors. The results of this study are in line with several studies conducted by (Brooks et al., 2022; Ghardallou & Alessa, 2022;

Pasko et al., 2022; Schiessl et al., 2022; Tarjo et al., 2022). The results of hypothesis testing (H2), earnings management strengthens the significant positive influence of CSR 5% on company value so that H2 is accepted. The show that Earnings management can help companies adjust their financial statements to remain attractive to investors despite high CSR spending. For example, companies can use accrual techniques to smooth out earnings from period to period so that the impact of fluctuations in CSR costs on the financial statements is not too significant. This gives investors greater confidence that CSR initiatives are not sacrificing profitability. This is in line with several studies such as (Aqabna et al., 2023; Garanina, 2024; Hamza et al., 2023; Jamel Chouaibi et al., 2023; Meqbel et al., 2024).

Table 5
Regression Results

$$FVit = \beta 0 + \beta 1CSR + \beta 2CSRit*EMit + \beta 3SIZEit + \beta 4LEVit + \beta 5ROAit + \varepsilon it$$

Var	*Coef.*	*Stand. Error*	*Z-Stat*	*Prob*
Constant.	0.23300	0.08833	2.64	0.008***
CSR	-8.73786	0.69071	-12.65	0.000***
CSR*EM	3.99845	0.09542	41.90	0.000***
SIZE	-0.05143	0.02543	-2.02	0.043**
LEV	-0.30760	0.16873	-1.82	0.068**
ROA	0.416364	0.22579	1.84	0.065**
N	132			
R2	96.12%			
Prob (F-Statistic)	0.0000			
Significant Level	***p<0.01;**p<0.05; *p<0.10			

Information:
FV = Market capitalization plus book value of liabilities divided by book value of total assets;
EM = Modified jones model;
CSR = Total company CSR disclosures divided by the number of items;
ROA = Ratio of net profit to total assets of the company;
LEV = Ratio of the company's total debt to total assets;
SIZE = Company size assessed based on the logarithm of total assets

Meanwhile, for the control variable, company size has a significant negative effect on company value. This shows that large company size can cause obstacles that result in a decrease in company value, such as greater pressure to innovate. (Dong et al., 2024; L. Wang et al., 2024). The leverage control variable also has a significant negative effect on the company's value, this is in line with other studies such as Amyar et al. (2024)saying that high leverage can restrain the growth rate of assets and have an impact on decreasing the company's value. The ROA control variable has a significant positive effect on the company's value which is in line with research (Alsultan, 2023; Imran et al., 2023; Trakarnsirinont et al., 2023).

Conclusion

This study aims to test the influence of CSR on company value moderated by management using the main basis of ethical theory. Earnings management practices are considered unethical because they can mislead users of financial statements by presenting financial statements that are not in accordance with the actual conditions. In addition, CSR is an ethical action that can affect company value. From the test results, it can be concluded that CSR has a significant negative effect on company value. This shows that CSR cannot increase company value due to certain situations such as when costs are greater than benefits or are not supported by strong GCG (*Corporate Governance).* Earnings management can strengthen the significant positive influence of CSR on firm value. This shows that when a company uses earnings management, information about CSR can be considered more valuable or relevant by the market, because it can improve shareholders' and investors' perceptions of the company. The implications of the results of this study are as follows. For companies, especially management, management needs to re-evaluate the CSR activities carried out to be more effective in increasing the company's value, the CSR strategy implemented should be more focused on activities that provide direct and long-term benefits that are quite large for *stakeholders* and companies must be more transparent in carrying out profit management and CSR practices so that these activities are not considered manipulative or misleading by stakeholders *which* can have a negative impact on the company's reputation. For users of financial statements, especially investors, the results of this study can be a reference for making the right and useful decisions. So that users of financial statements such as investors, analysts, and shareholders need to be aware of the possibility of earnings management practices that can affect the assessment of the company's performance and value. Users of financial statements need to consider more deeply the CSR report and other financial indicators that can be affected by earnings management practices. In addition, users of financial statements need to use CSR information in a broader context by considering other factors such as financial stability, corporate governance, and company prospects. For regulators, OJK can consider creating more appropriate and standardized CSR reporting guidelines so that the information presented by companies becomes more comparative, relevant, and reliable. Thus, this can reduce the level of uncertainty or manipulation that may occur. OJK, as a regulator, needs to increase supervision and regulation of earnings management practices carried out by public companies. This is important to prevent the presentation of misleading information that can harm investors and the market as a whole.

This research is not free from various limitations that can be used as space for further research, namely as follows. For the accrual earnings management model, the measurement method used may not necessarily separate discretionary and non-discretionary appropriately so that the accrual value of accrual earnings management used in this study may not necessarily reflect the earnings management practices carried out by the sample companies. Therefore, it is necessary to conduct a trial of other types of accrual earnings management measurements. This study only focuses on manufacturing companies. Therefore, further research can try to focus on examining all companies listed on the IDX so that the research results are expected to be more accurate and relevant.

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