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Corporate Social Responsibility and Firm Size on Earnings Management: Financial Profitability as Mediating Variable

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Abstract

his study examines and determines the effect of corporate social responsibility disclosure and firm size on earnings management with profitability as an intervening variable in banking companies listed on the Indonesia Stock Exchange. The population in this study are banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period, a total of 43 banking companies. The sampling technique used in this study used purposive sampling, so the research data obtained were 11 banks. The data source used in this study is secondary data in the form of annual financial statements of banking companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021. The analytical method consists of descriptive statistical analysis, classical assumption test (normality test, multicollinearity test, heteroscedasticity test) and testing all hypotheses through multiple linear regression analysis, path analysis, t-test and coefficient of determination test. The results show that CSR disclosure has a positive and insignificant effect on earnings management in banking companies listed on the Indonesia Stock Exchange. Firm size negatively and significantly impacts earnings management in banking companies listed on the Indonesia Stock Exchange. Profitability positively and substantially affects earnings management in banking companies listed on the Indonesia Stock Exchange. CSR disclosure has a positive and insignificant impact on banking companies' profitability on the Indonesia Stock Exchange. Firm size positively and significantly affects profitability in banking companies listed on the Indonesia Stock Exchange. Profitability cannot influence CSR disclosure and company size on earnings management in banking companies listed on the Indonesia Stock Exchange.

Keywords: Corporate Social Responsibility; Firm Size; Earnings Management; Profitability

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Introduction

Each company prepares financial reports for use by various internal and external parties. The financial report aims to provide information to its users. The information in the financial statements contains the use of the company's financial resources in an accounting period. Therefore, the financial information in financial statements is continuously analyzed and considered to make decisions for the users, such as investors, creditors, the government, the public, and other parties (Suryani & Herianti, 2015). The company's financial statements consist of several components, such as balance sheets, income statements, reports of changes in equity, cash flow statements, and notes to financial statements (Arief & Ardiyanto, 2014). Of all the components of financial statements, the income statement is the financial statement that gets the most significant attention from users of financial statements. This is because the income statement provides information about the ability of a company to earn a profit or loss in one period. Therefore, the income statement is full of manipulation because managers are motivated to appear to achieve targets, but in a way that goes against company principles. One way is to manage earnings (Prasetya & Gayatri, 2016). Pramudhita, (2017) defines earnings management as an effort by company management to intervene or influence the information in financial statements to deceive stakeholders who want to know the performance and financial condition. Many factors can motivate managers to take earnings management actions: disclosure of corporate social responsibility and Firm Size.

Corporate social responsibility disclosure is reporting everyday social responsibility activities for investors, customers, and other stakeholders to demand greater transparency regarding all aspects of the business. The annual report becomes more reliable for investors and those who use the report in making decisions. Socially responsible companies that expend effort and resources in selecting and implementing corporate social responsibility disclosure practices to meet the ethical expectations of shareholders tend to limit their use of earnings management, thereby providing investors with more transparent and reliable financial information (Kim et al. al., 2012). The study's results (Suryani & Herianti, 2015) found that the disclosure of corporate social responsibility significantly affected the company's earnings management. On the other hand, the results of research (Arief & Ardiyanto, 2014) show that the disclosure of corporate social responsibility has no significant effect on earnings management. Firm Size describes the size of a company as indicated by total assets, total sales, average total sales, and average total assets. Large companies receive greater attention from external parties such as investors, creditors, and the government. Therefore, large companies are more careful in reporting their financial condition. Meanwhile, smaller companies tend to manage earnings by reporting more enormous profits to show satisfactory financial performance (Pramudhita & Sugiyanto, 2017). The study's results (Pramudhita & Sugiyanto, 2017; Prasetya & Gayatri, 2016) found that Firm Size affected earnings management. In contrast, the research results (Aurora, 2018) found that Firm Size did not affect earnings management.

This study also includes an intervening variable, profitability, to support the effect of corporate social responsibility disclosure and firm size on earnings management. Profitability is the ability of a company to generate profits. Based on a preliminary study of previous research (Pramudhita & Sugiyanto, 2017), profitability affects earnings management. In contrast, research results (Fatmasari, 2016) show that profitability does not affect earnings management. Based on the results of a review of previous research, it was found that there was a research gap in the form of inconsistencies in research results. In other words, earnings management is not always influenced by corporate social responsibility, Firm Size, and profitability disclosure. Thus, researchers are motivated to re-examine the effect of corporate social responsibility disclosure and firm size on earnings management with profitability as an intervening variable in banking companies listed on the Indonesia Stock Exchange. The banking sector is an important sector for the country's economy, and this is due to the intermediation function of banking companies—the distribution of funds from people who have excess to those who lack and need funding. The banking sector is also different sector from many sectors on the Indonesia Stock Exchange because, in the banking sector, there is a central bank that issues strict regulations and criteria as a condition for a banking company. These criteria and regulations trigger managers to manage earnings in the company's efforts to meet the criteria required by Bank Indonesia (Setiawan et al., 2019). Agency theory assumes that everyone has his or her interests, giving rise to a conflict of interest between the principal and the agent. According to Pangestuti, (2016) "agency theory is the relationship or contact between the principal and the agent. The principal employs the agent to perform tasks in the principal's interest, including delegating decision-making authority from the principal to the agent.

Stakeholders are all parties, internal or external, who can influence or be influenced by the company either directly or indirectly. The underlying concept of who is included in the company's stakeholders has now developed following changes in the business environment and the complexity of the company's business activities (Almahrog et al., 2018). According to the Clarkson center for business ethics (Palacios Manzano et al., 2021), types of stakeholders are primary and secondary stakeholders. CSR is essential in the company's sustainable framework, including economic, environmental, and socio-cultural aspects. A world organization, the World Business Council for Sustainable Development (WBCSD), as quoted by Sial (2018), defines corporate social responsibility as a business commitment to contribute to the economy of sustainable development, working with company employees, their families, and local communities. local) Moreover, the community as a whole order to improve the quality of life.

The profitability ratio is a ratio to assess the company's ability to seek profit. This ratio also measures the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. The purpose of using the profitability ratio for the company and parties outside the company (Fatmasari, 2016; Grougiou et al., 2014): 1. To calculate the profit earned by the company in a certain period; 2. To assess the company's profit position in the previous year with the current year; and 3. To assess profit development from time to time. Meanwhile, the benefits obtained are for (Fatmasari, 2016): 1. Knowing the level of profit earned by the company in one period; 2. It knows the company's profit position in the previous year with the current year; and 3. Knowing the profit development from time to time. Earnings management is the ability to manipulate the available options and make the right choices to achieve the desired profit level (Gras-Gil et al., 2016). The definition of earnings management is also put forward by Schipper (Setiawan et al., 2019), who sees earnings management as a deliberate intervention in the external reporting process to obtain personal gain. Amelia, (2016) defines earnings management as the choice of accounting policies made by managers for specific purposes.

Information related to the company's activities, as well as the impact on the social conditions of the community and the environment, will be disclosed in CSR disclosures (Chariri & Ghazali, 2007). CSR disclosure by the company reduces conflicts between agents and principals that occur in agency theory. This conflict can be minimized because the agent is responsible to the principal for attaching social responsibility disclosures and reporting on the company's business sustainability so that information asymmetry can be reduced. Voluntary disclosure reduces information asymmetry when earnings information provides little information about firm value. Companies' disclosure of information in annual reports is expected to reduce information asymmetry and agency problems (Jao & Pagalung, 2011). The study's results (Suryani & Herianti, 2015) found that the disclosure of corporate social responsibility significantly affected the company's earnings management.

H_1: Disclosure of corporate social responsibility has a negative effect on earnings management in banking companies listed on the Indonesia Stock Exchange.

According to (Aurora, 2018), Firm Size is a value that shows the company's size. Various proxies are usually used to represent Firm Size, namely total assets. Large companies usually have a role as a wider stakeholder. This makes various policies of large companies more significantly impact the public interest than small companies. Large companies tend to be paid more attention by the public to be more careful and accurate in their financial reporting. The bigger the asset, the more capital invested, the more sales, the more money circulation, and the bigger the market capitalization, the bigger it is known in the community. The study's results (Pramudhita & Sugiyanto, 2017; Prasetya & Gayatri, 2016) found that Firm Size affected earnings management.

H_2: Firm size has a negative effect on earnings management in banking companies listed on the Indonesia Stock Exchange.

According to Hernitra (2011), profitability is an indicator of management performance in managing company assets, which the profits generated by the company indicated. If the company's profitability is low, the bonus received by the company's management will also be low. Therefore, management generally tends to take earnings management actions so that the company's management gets bonuses or compensation. So, if profitability is high, investors will believe that the company's performance is good. The profit generated by the company during the current year can be an indicator of the occurrence of earnings management practices in a company. Usually, managers carry out earnings management to manipulate the components of profit and loss reported by the company. In this study, it turns out that profitability has a positive effect on earnings management. Based on a preliminary study of previous research (Pramudhita & Sugiyanto, 2017), profitability affects earnings management.

H_3: Profitability positively affects earnings management in banking companies listed on the Indonesia Stock Exchange.

CSR can be done in various ways as a strategy to minimize risk and increase profitability. The implementation of CSR provides many benefits, including reducing the company's operating costs, increasing sales volume and market share, attracting potential investors through the positive image created, and so on. The company's reputation is a concern for potential investors, which can be assessed from its profitability, so it needs to be maintained to support the company's survival. Through CSR, it is expected to be able to achieve the company's primary goal, namely seeking profit without ignoring the interests of stakeholders and environmental sustainability as a form of responsibility for the impacts that the company's operational activities have caused. The study's results (Dewi & Pitawati, 2018) found that CSR significantly affected ROA.

H_4: Disclosure of corporate social responsibility positively affects profitability in banking companies listed on the Indonesia Stock Exchange.

If the company's size is related to agency theory, the growing company has a large enough cost to explain important information in reducing agency costs. Size can also be used as a proxy to explain various annual report disclosures regarding information from the company. Large companies will find it easier to obtain capital from creditors (banks) than small companies because the ease of access means that large companies have greater flexibility (Sartono, 2010). The higher the funds needed to pay for the needs to finance company's needs. So, the tendency to use foreign capital will also increase. Research conducted (by Setiadewi & Purbawangsa, 2015) found that firm size positively affected profitability. The lower risk of the company will cause the cost of debt of large-scale companies to be smaller than small-scale companies; the low risk of these companies will encourage companies to use more debt. So, it can be said that firm size positively affects profitability.

H_5: Firm size positively affects profitability in banking companies listed on the Indonesia Stock Exchange.

Disclosure of corporate social responsibility tends to have a negative effect on earnings management. The negative influence proves that companies that disclose CSR will rarely practice earnings management (Rahmawardani & Muslichah, 2020). In line with this, research (Ricardo & Faisal, 2015) states that companies will reduce earnings management practices if they disclose corporate social responsibility. In general, disclosing the company's social and environmental responsibilities is to form the image or good name of the company. To achieve this, managers become more careful and avoid fraudulent practices or excessive manipulation, such as earnings management. Therefore, the better the level of CSR disclosure, the lower the earnings management practice. Research conducted by (Amertha, 2013) states that if the company's performance is in a poor or good performance, it will trigger managers to act opportunistically by increasing profits or decreasing accounting profits following the company's performance. If the company's performance is terrible, the management will take earnings management actions by increasing its accounting profit, and vice versa. This shows that there is a positive influence between profitability and earnings management.

H$_6$: Disclosure of corporate social responsibility affects earnings management through profitability in banking companies listed on the Indonesia Stock Exchange

Firm Size is a value that gives an idea of how big or small a company is with proxies that are usually used to represent Firm Size, namely the number of employees, total assets, total sales, and market capitalization (Reviani & Sudantoko, 2012). Previous studies have shown that firm size is closely related to earnings management. Pagalung (2011) said that the company's size has a significant negative effect because the larger the company is measured using total assets, the reduced earnings management action. Dan Reviani (2012) said that the company's size has a significant effect because large companies still need funds from investors, so it is necessary to manipulate financial statements to attract investors' attention. Profitability is an indicator of management performance in managing the company's wealth, as indicated by the profits generated by the company. The profit generated by the company during the current year can be an indicator of the occurrence of earnings management practices in a company. Usually, earnings management is carried out by managers to manipulate the components of profit and loss reported by the company (Amelia & Hernawati, 2016).

H$_7$: Firm size affects earnings management through profitability in banking companies listed on the Indonesia Stock Exchange.

Research Design and Method

This type of research is quantitative research. The population in this study are banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period, a total of 43 banking companies. The sampling technique used in this study used purposive sampling, namely the determination of the sample based on specific criteria. The criteria used include a. Banking companies listed on the IDX according to the 2019-2021 observation year: b. The company publishes annual reports periodically according to the observation year period 2019-2021, and c. Have complete corporate social responsibility disclosure data. Based on these characteristics, the research data obtained were from 11 banks. The companies that become the research data include:

Table 1. Research Samples

No.	Code	Firms
1.	AGRO	PT. Bank Rakyat Indonesia Agroniaga, Tbk
2.	BBCA	PT. Bank Central Asia, Tbk
3.	BBNI	PT. Bank Negara Indoensia (Persero), Tbk
4.	BBRI	PT. Bank Rakyat Indoensia (Persero), Tbk
5.	BMAS	PT. Bank Maspion Indonesia (Persero), Tbk
6.	BNBA	PT. Bank Bumi Arta, Tbk
7.	BNGA	PT. Bank Cimb Niaga Tbk
8.	BSIM	PT. Bank Sinarmas, Tbk
9.	BTPN	PT. Bank Tabungan Pensiunan Nasional, Tbk
10.	INPC	PT. Bank Artha GrahaInternasional, Tbk
11.	BBKP	PT. Bank Bukopin, Tbk

The source of data used in this study is secondary data. The data collection method in this study uses documentation. Documentation is by collecting data that is already available or has been documented in the form of annual financial reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021 published by the Indonesian Capital Market Directory (ICMD) and IDX Statistics through the Investment Gallery. (www.idx.co.id). The analytical methods that will be used include descriptive statistical analysis and path analysis to test the effect of intervening or mediating variables.

Table 2. Operational Variables

Variable	Indicator	Reference
Corporate Social Responsibility (X1)	$\mathrm{SRDI} = \frac{\mathrm{N}}{\mathrm{J}}$	(Arief & Ardiyanto, 2014)
Firm Size (X2)	Firma Size = Ln Total Assets	(Aurora, 2018)
Profitability (Z)	$\mathrm{ROA} = \frac{\text{Net profit after tax}}{\text{Total Assets}}$	(Fatmasari, 2016)
Earning Management (Y)	$\text{Scaled Earning Changes}_{it} = \frac{\text{Net Income}_{it} - \text{Net Income}_{i(t-1)}}{\mathrm{MVE}_{i(t-1)}}$	(Ricardo & Faisal, 2015)

Results and Discussion

Statistical Result

This research was conducted by collecting data from 11 banking companies on the Indonesia Stock Exchange, which became the research sample with an observation period from 2019 to 2021. The test results can be seen in table 3.

Table 3. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean
CSR	33	.09	.27	.1945
Firm Size	33	29.31	34.66	31.98
Earning Management	33	.00	1.00	.6667
Profitability	33	.13	4.05	1.4348
Valid N (listwise)	33			

Sumber: Output Eviews V.12 (2022)

Table 3 shows that the highest value of CSR disclosure is 027; the lowest is 0.09, and the average CSR disclosure is 0.1945. The highest acquisition value of Firm Size is 34.66; the lowest was 29.31, and the average Firm Size is 31.9858. Profitability proxied by ROA has the highest value of 4.05; the lowest is 0.13, and the average ROA value is 1.4348. Meanwhile, the earnings management value is one, and the lowest is 0. Furthermore, the normality test in this study uses the Jarque-Bera (JB) test, with a significance level of = 0.05. The test results are shown in Figure 2.

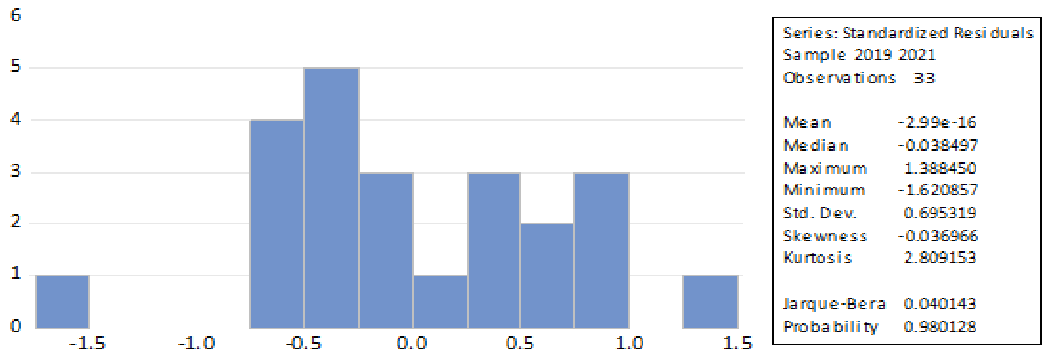

Figure 1. Normality Test
Source: Output Eviews V.12 (2022)

Based on the results in figure 1, the probability value is 0.980128 > 0.05. So, it can be concluded that the data used in this study is normally distributed

Table 2. Autocorrelation Test Results

No	Information	Breusch-Godfrey Result
1	F. Statistic Prob. F	0,6246 0,5173
2	Obs* R-Square Prob. Chi-Square	2,4186 0,4472

Source: Output Eviews V.12 (2022)

The f-value probability of 0.5173 is greater than the 5% significance level, so there is no autocorrelation. Then test heteroscedasticity is carried out to see whether some disturbances appear in the regression function can be done with the following Glejser test:

Table 3. Heteroskedasticity Test Glejser Results

No	Information	Glejser Test
1	F. Statistic Prob. F	1,6241 0,1362
2	Obs* R-Square Prob. Chi-Square	5,6529 0,1636

Source: Output Eviews V.12 (2022)

The value of Probability dari F calculated and Chi-Square count of the entire test is greater than the significance value of 5%, hence no hetersokedadisticity occurs in the equation model. Furthermore, the multicholinearity test uses Pearson Correlation as follows:

Table 4. Multikolinearity Result

No	Auxiliary	Variance Inflation Factors (VIF).
1	CSR (X1)	0,26641
2	Firm Size (X2)	0,37966
3	Profitability (Z)	0,21172
4	Earning Management (Y)	0,46793

Source: Output Eviews V.12 (2022)

The test results show that the coefficient value between variables is less than 0.9, so this research data does not have a multicollinearity problem. The determinant coefficient test

(Adjusted R2) was conducted to measure the extent to which the independent variables in this study consisted of CSR and Firm Size in explaining the dependent variable, namely profitability.

Table 5. Coefficient of Determination Test Results

Variable	R Squared	Adj. R-Squared
Profitability (Z)	0,619912	0,439351
Earning Management (Y)	0,782860	0,522293

Source: Output Eviews V.12 (2022)

Based on table 5, the Adjusted R-squared 0.439351 or 43.93%. This shows that the independent variables include CSR and Firm Size can explain the dependent variable, namely profitability of 43.93%. While the remaining 45.98% is influenced by other variables not included in this study. And the amount is used to find the coefficient of sub model I (e1) with the formula e1 = √1 – 0.4598 = 0.7349. Furthermore, the Adjusted R-squared value is 0.522293 or 52.22%. This shows that the independent variables include CSR, Firm Size and profitability can explain the dependent variable, namely earnings management by 52.22%. While the remaining 47.78% is influenced by other variables not included in this study. And the amount is used to find the coefficient of sub model II (e2) with the formula e1 = √1 – 0.4778 = 0.9758.

Table 6. T-Test

Variables	Coefficient	Std.Error	t-Statistic	Prob.	Information
CSR → Profitability	0.018500	0.050145	1.368841	0.41179	Insignificant
Firm Size → profitability	3.229637	0.644980	5.007344	0.00000	Significant
CSR → Earning management	1.134159	0.640250	1.771431	0.10619	Insignificant
Firm Size → Earning Management	-1.244951	0.282803	-1.921739	0.00053	Significant
Profitability→ Earning management	1.109101	0.332154	3.339396	0.00034	Significant

Source: Output Eviews V.12 (2022)

Based on table 6, the effect of CSR on profitability has a t-calculated of 1.368841 and a t-estimated value of 1.697, then the t-calculated < t-estimated means that hypothesis 1 is rejected. The significance value of the CSR variable is 0.41179, and the value is greater than 0.05 (0.41179 > 0.05). This means that the CSR variable has no significant effect on profitability. Then, the effect of firm size on profitability has a t-count of 5.007344, and the t-estimated value is 1.697, then t-calculated > t-estimated means that hypothesis 2 is accepted. The significance value of the firm size variable is 0.00000; the value is smaller than 0.05 (0.0000 <0.05). This means that the firm size variable has a significant effect on profitability. Furthermore, the effect of CSR has a t-calculated of 1.771431 with a t-table value of 1.699, then t-calculated > t-estimated means that H0 is rejected and Ha is accepted. The significance value of the CSR variable is 0.10619; the value is greater than 0.05 (0.10619 > 0.05). This means that the CSR variable has a positive but not significant effect on earnings management; The effect of Firm Size has a t-calculated of -1.921739 with a t table value of 1.699, so t arithmetic > t-estimated means that H0 is rejected, and Ha is accepted. The significance value of the firm size variable is 0.00053; the value is smaller than 0.05 (0.00053 < 0.05). This means that the firm size variable has a negative and significant effect on earnings management; The effect of profitability has a t-calculated of 3.339396 with a t-estimated value of 1.699, then t-calculated > t-estimated means that H0 is rejected and Ha is accepted. The significance value of the profitability variable is 0.00034; the value is smaller than 0.05 (0.00034 <0.05). This means that the profitability variable has a positive and significant effect on earnings management. Thus, the path diagram of the Sub Model Path Analysis (Path Diagram) is obtained as follows.

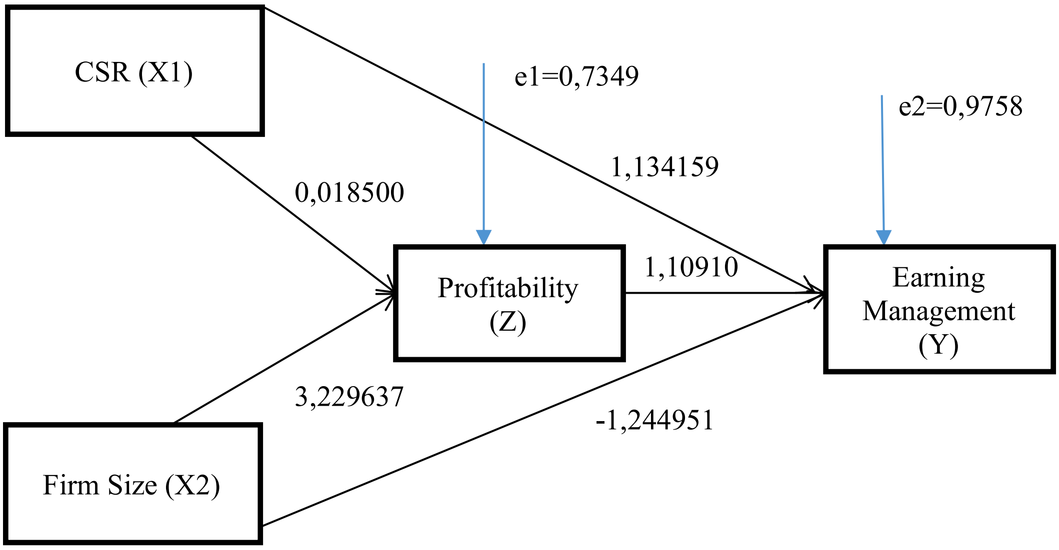

Figure 2. Path Analysis Model (Path Diagram) Sub Model
Source: Output Eviews V.12 (2022)

Based on the figure in the Path Analysis Model (Path Diagram), it can be interpreted that the direct effect of CSR disclosure (X1) on earnings management (Y) is 1.134159. In contrast, the indirect effect of CSR disclosure (X1) through profitability (Z) on earnings management (Y) is 0.7349. Meanwhile, it is known that the value of the direct influence of CSR disclosure (X1) on earnings management (Y) is greater than the value of the indirect effect of CSR disclosure (X1) through profitability (Z) on earnings management (Y) (1,1341> 0.7349). This shows that CSR (X1) is not able to through the influence of profitability (Z) on earnings management (Y). Thus, this study's sixth hypothesis (H6) was rejected. Furthermore, the direct effect of the company's size (X2) on earnings management (Y) is -1.2449. Meanwhile, the indirect effect of firm size (X2) through profitability (Z) on earnings management (Y) is 0.9758. The total effect of firm size (X2) on profitability (Z) is 3.2296. Meanwhile, it is known that the value of the direct influence of firm size (X2) on earnings management (Y) is greater than the value of the indirect effect of firm size (X2) through profitability (Z) on earnings management (Y) (0.9578> -1.2449). This shows that the size of the company (X2) is not able to through the influence of profitability (Z) on earnings management (Y). Thus, this study's seventh hypothesis (H7) was rejected.

Discussion

Based on the results of panel regression analysis, it is known that CSR disclosure has a positive coefficient. This indicates that CSR disclosure has a direct effect on earnings management. In other words, the more companies disclose CSR activities, the higher the management practices earnings management. Although it has a positive effect, CSR disclosure in this study is not proven to affect earnings management significantly. In other words, CSR disclosure is not a determining factor in earnings management practices. These results indicate that the greater the disclosure of CSR information carried out by the company does not guarantee a more ample opportunity for management to carry out earnings management. This study's results align with the study's findings (Rahmawardani & Muslichah, 2020), which found a negative and insignificant effect between the disclosure of corporate social responsibility on earnings management. According to Rahmawardani (2020), implementing CSR in Indonesia does not guarantee a reduction in earnings management practices. The different perspectives and cultures of the community significantly affect the implementation of CSR in Indonesia and developed countries. The results of this study are also inversely proportional to the agency theory of CSR present to suppress earnings management behavior by increasing transparency. Strong financial performance is not due to the behavior of earnings management but because of social responsibility related to real economic income that companies often use to improve relationships with stakeholders. The results of this study are not consistent with the results of the study (Kim et al., 2012), which shows a negative and significant effect of corporate social responsibility disclosure on earnings management practices. The results of Kim's research (2012) argue that social responsibility will make financial reporting transparent to encourage managers to reduce earnings management practices.

This CSR disclosure creates a positive image of the company by attracting the attention of investors and other parties who use the financial statements, thereby diverting the attention of investors from monitoring or detecting earnings management. As identified, earnings management is shown through the management of the accruals of the company's finances. Managers generally tend to collude through the implementation and disclosure of CSR by using excess profits for consumption and opportunistic behavior. However, this relationship is not supported empirically by increasing CSR disclosure, which will increase the opportunity for managers to carry out earnings management. The results of this study support the results of previous research (Arief & Ardiyanto, 2014), showing that the disclosure of corporate social responsibility disclosures has no significant effect on earnings management. This shows that the greater disclosure of CSR information the company carries does not guarantee a more ample opportunity for management to carry out earnings management.

Based on the results of panel regression analysis, it is known that Firm Size has a negative coefficient. This indicates that firm size has the opposite effect on earnings management. In other words, the larger the size of a company, the lower the management practice of earnings management. Meanwhile, the Firm Size in this study proved to have a significant effect on earnings management. In other words, firm size is a determining factor in earnings management practices. This is because large companies pay more attention to the public, so they will be more careful in conducting financial reporting so that the impact of these companies reporting their conditions more accurately. The results of this study also follow the theory used by stating that the larger the company's size, the greater the effect on earnings management. This means that the larger the company, the smaller the indication of its earnings management. This is because large companies usually have a role as a broad stakeholder, so the public pays more attention to it. As a result, companies will be more careful in conducting financial reporting to produce accurate reports. This study's results align with previous research from (Pramudhita & Sugiyanto, 2017; Priya & Mohanasundari, 2016), which found that firm size influenced earnings management. The results of previous studies explain that the larger the company as measured by total assets, the more earnings management action decreases. In addition, large companies will be more careful in conducting financial reporting and tend to report financial conditions accurately because the public pays more attention to them. In contrast, small companies tend to manage earnings by reporting more significant profits to show better company performance.

Based on the results of panel regression analysis, it is known that profitability has a positive coefficient. This indicates that profitability has a direct effect on earnings management. In other words, the higher the company's profitability, the higher the management practice of earnings management. This is following agency theory, where the company's management as an agent takes actions that are only concerned with their interests because they have manipulated financial statements to the detriment of investors. In addition, this study supports positive accounting theory, which explains the motivation for company management to take earnings management actions. By adjusting the reported profit to maximize the bonus, he will receive. However, based on the results of the partial test of profitability in this study, it is not proven to have a significant effect on earnings management. In other words, profitability is not a determining factor in earnings management practices. This study proves that profitability does not affect earnings management restrictions. Companies with a high level of profitability will not perform earnings management. This study's results align with previous research (Fatmasari, 2016), which found that profitability had no effect on earnings management. This explains that earnings management is not influenced by high or low profitability.

Based on the results of panel regression analysis, it is known that CSR disclosure has a positive coefficient. This indicates that CSR disclosure has a direct effect on profitability. In other words, the more companies disclose CSR activities, the higher the profitability. Although it has a positive effect, CSR disclosure in this study is not proven to affect profitability significantly. In other words, CSR disclosure is not a determinant of profitability. These results indicate that it does not guarantee that the greater the company's disclosure of CSR information, the greater the profitability. Based on the data obtained, the researcher concludes with several possible reasons CSR does not significantly affect profitability (ROA). First, there is still a lack of concern from a company's entrepreneurs and/or shareholders about the importance of a CSR activity. Setiadewi (2015) states that entrepreneurs or shareholders, and the community still care less about CSR activities carried out by companies. In Indonesia, not many companies have sustainably developed CSR programs. This can be seen from the number of companies with an organizational structure and human resources managing CSR. So, it is not uncommon for CSR programs to be short-term and do not minimize the risk of the company's operations but is more focused on charity and 'small' imagery of compensation or social service activities. The company needs to do imagery, which has become part of the business strategy. However, imaging alone does not guarantee business continuity.

Second, there is still a small and weak role of the government concerning CSR. Arief (2014) revealed that the regulations governing CSR by companies are still few and weak. The first thing the government can do is to regulate the signs and guidelines for its implementation and reporting; there is no need to make CSR a source of 'coffers' of private funds for the government. The government's role in advancing CSR is not only to make regulations, guidelines, and controls, but the government is also expected to provide exemplary best practices, provide and facilitate information, coordinate, and partner in planning. Third, according to Rahmawardani (2020), this is caused by the level of public awareness, which is generally not good. That is, even if the entrepreneur has taken care of the environment, if the consumer community as the user of the company's products does not have concern for the environment, then the business will not positively impact the company's financial performance (profitability). In this case, consumers are still thinking at an introductory level that their needs are affordable, not yet thinking about whether the product is environmentally friendly or not. This study's results align with research (Hernitra, 2011) which found that CSR disclosure had no effect on profitability.

Based on the results of panel regression analysis, it is known that firm size has a positive coefficient. This indicates that the size of the company has a direct effect on profitability. In other words, the larger the size of a company, the higher its profitability. Meanwhile, the Firm Size in this study proved to have a significant effect on profitability. In other words, firm size is a determinant of profitability. This is because large companies pay more attention to the public, so they will be more careful in conducting financial reporting so that the impact of these companies reporting their conditions more accurately. If the company's size is related to agency theory, the growing company has a large enough cost to explain important information in reducing agency costs. Size can also be used as a proxy to explain various annual report disclosures regarding information from the company.

This significant positive effect indicates that an increase in Firm Size will also increase the company's profitability. The results of this significant positive influence indicate that the Firm Size and profitability are in line, where the size of the company, in this case, total assets, total employees, and increased total sales, can be maximized by the company to increase its profitability. Increasing the size of the company will also increase the costs incurred by the company to pay employees, cost of selling, and the cost of maintaining the assets owned by the company. The value is still smaller than the profit the company gets from maximizing the size of the company. The results of this study strengthened research (Pangestuti & Oetomo, 2016), who found evidence that firm size had a positive and significant effect on firm profitability. In addition, this study's results align with the research findings (Setiadewi & Purbawangsa, 2015), finding that firm size positively affect profitability.

Profitability is one of the essential indicators that can be used to assess the company's wealth. The profit generated by the company during the current year can be an indicator of the occurrence of earnings management practices in a company (Amelia & Hernawati, 2016). Managers often manipulate the components of the company's profit and loss in earnings management. The position of profitability as an intervening variable in this study is explained by agency theory, where company management as an agent takes actions that are only concerned with their interests because they have manipulated financial statements to the detriment of investors. In addition, positive accounting theory also explains the motivation for company management to take earnings management actions. By adjusting the reported profit to maximize the bonus, he will receive. However, this study's results indicate that profitability cannot strengthen the effect of CSR disclosure and firm size on earnings management practices. In other words, company managers will practice earnings management, whether the company's profitability is high or low. The results of this study are supported by previous tests, which found that profitability had no significant effect on earnings management, so it could not strengthen the effect of CSR disclosure and firm size on earnings management practices. This study's results align with previous research (Fatmasari, 2016), which found that profitability had no effect on earnings management. In other words, profitability is not a determining factor in earnings management practices. This study proves that profitability does not affect earnings management restrictions. Companies with a high level of profitability will not perform earnings management.

Conclusions

Based on the results of research and discussion, this study concludes that CSR disclosure has a positive and insignificant effect on earnings management in banking companies listed on the Indonesia Stock Exchange. CSR disclosure is not a determining factor in earnings management practices. Firm size negatively and significantly affects earnings management in banking companies listed on the Indonesia Stock Exchange. This means that the company's size is a determining factor in earnings management practices. Profitability positively and significantly affects earnings management in banking companies listed on the Indonesia Stock Exchange. This means that profitability is not a determining factor in earnings management practices. CSR disclosure has a positive and insignificant effect on banking companies' profitability on the Indonesia Stock Exchange. This means that CSR disclosure is not a determinant of profitability. Firm size positively and significantly affects profitability in banking companies listed on the Indonesia Stock Exchange. This means that the company's size is a determining factor in earnings management practices. Profitability cannot influence CSR disclosure and Firm Size on earnings management in banking companies listed on the Indonesia Stock Exchange. This means that profitability cannot increase CSR disclosure's effect on earnings management.

Based on these conclusions, the suggestions that can be given include 1. For further researchers, it is recommended to extend the observation period in their research in order to obtain more complete data related to this research. In addition, further researchers are also advised to increase the number of samples related to this study. 2. For further researchers, it is recommended to add institutional ownership, auditor quality, leverage, and other variables that also affect earnings management in a company. 3. Further researchers are also expected to examine short-term investors in the stock market because short-term investors' decisions impact the negative effect of CSR disclosure on firm value.

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