ASEAN CORPORATE GOVERNANCE SCORECARD, PROFITABILITY, AND DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY ON EARNINGS MANAGEMENT

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Abstract: The objectives of this study are as follows: 1) To assess the ASEAN Corporate Governance Scorecard on earnings management; 2) To assess the profitability of earnings management; and 3) To assess the effect of Corporate Social Responsibility Disclosure on earnings management. This type of research used in this research is casual associative research (causal associative research). The population in this study were all manufacturing companies included in the TOP 50 ASEAN Corporate Governance Scorecards during the 2015-2017 period. The sample selection was using purposive sampling method. The analytical method used to test the hypothesis is multiple regression test. The results showed that: 1) the variable ASEAN Corporate Governance Scorecard has no effect on earnings management in a positive direction; 2) The profitability variable has a positive effect on earnings management; 3) The variable of Corporate Social Responsibility disclosure has no effect on earnings management in a negative direction.

Keywords: ASEAN Corporate Governance Scorecard, Profitability, Corporate Social Responsibility, Earnings Management

INTRODUCTION

The company was founded with the aim of getting as much profit as possible. Owners usually leave existing company resources to management. The management is later responsible to the owner to report on the company's resource management activities through a financial report. These financial statements reflect the results of management performance in managing the company. Within the company, according to Sumomba et al (2010), management as an internal company has an interest in making efforts to improve earnings quality. Earnings quality needs to be considered because earnings are an important parameter used to measure management performance.

In practice, there are several parties who have different interests in a company, such as company owners, management, and the government. The owner of the company has an interest in the development of invested capital, while the management has an interest in the bonus (reward) that will be obtained (Dista, 2012). Management will usually justify any means, one of which is to carry out earnings management to achieve these goals. Apart from that, there are also governments that have an interest in the taxes that will be collected.

According to Aditama (2013) earnings management is a managerial activity to “influence” financial reports either by manipulating the company's financial data or information or by selecting an accepted accounting method in generally accepted accounting principles, which ultimately aims to gain company profits. Efforts to manipulate information through earnings management practices have become the main factor causing financial statements to no longer reflect the fundamental value of a company (Astitik, 2015).

According to Wardani and Kusuma (2018) there are two ways to manage earnings, first is by manipulating accruals without affecting cash flow (accrual earnings management), and secondly by real activities that affect the company’s cash flow (real earnings management). Profit management by a company in addition to these two methods can also be opportunistic and efficient (informative). If earnings management is opportunistic, the decisions taken by the manager will benefit the manager himself, whereas if earnings management is efficient (informative), the manager's decisions tend to benefit the shareholders (Yudanto and Ratmaningsih, 2012).

One of the earning management phenomena that has occurred is that of PT Toshiba. The top management of PT Toshiba...
Toshiba Corporation was "systematically" involved in the scandal of US $ 1.2 billion in corporate profits over the years (Kompas, 21 July 2015). Based on the results of the investigation, it is known that the profit inflating action was carried out because PT Toshiba had failed to reach its profit target plus the global crisis that hit at that time. The act of inflating profits made CEO Hisao Tanaka decided to resign, besides that the name Toshiba was also removed from the stock index and a significant drop in sales (Integrity-Indonesia.com, 14 September 2017). From this case, it can be concluded that earnings management actions will ultimately harm the company itself in the future.

One of the factors causing the practice of earnings management within the company according to agency theory is that there are differences in interests between the parties involved (company owners, management, and government). Apart from these factors, earnings management can also be influenced by several factors. The first factor is the implementation of good corporate governance (GCG). Agency theory provides an overview that problems in earnings management can be minimized by monitoring through good corporate governance. Corporate governance is a concept to improve management performance in supervision or monitoring of management performance and ensure management accountability to shareholders based on a regulatory framework.

In order to improve the achievement of company goals, the improvement of services and monitoring mechanisms needs to be improved through the implementation of corporate governance. The implementation of corporate governance is expected to be able to inhibit fraudulent management behavior, so that the company's performance report (company value) illustrates the true fundamental value. In addition, it can create transparent, accountable, responsible and fair organizational performance so as to minimize earnings management.

In Indonesia, research with this theme was conducted by Priharta, et al (2018). This study examines companies that are included in the Corporate Governance Perception Index (CGPI) ranking. The results of this study concluded that the Corporate Governance Perception Index (CGPI) rating has a negative effect on earnings management. However, different from previous research, research (Yanti&Sartika, 2017) shows that Corporate Governance, which is proxied by the CGPI ranking, affects earnings management practices.

The second factor that can influence earnings management is profitability. Profitability is the ability of a company to operate in the long term which depends on obtaining an adequate level of profit (Pearce and Robinson, 2008). To assess profitability, you can use benchmarks such as ratios or indexes that connect two financial data in financial statements. An assessment of profitability can also be seen by analyzing financial ratios. For this reason, researchers use financial ratios to see the condition of a company. The financial ratio that is often used in analyzing profitability is Return on Assets (ROA), which describes the extent to which the company's assets can generate profits.

Research conducted by Wibisana et al. (2014) and Lestari &Wulandari (2019) state that the level of profitability affects the income smoothing actions carried out by the company, where income smoothing is one of the methods used by companies in earnings management. Meanwhile, Bestivano's (2013) research states that profitability does not have an effect on earnings management, because investors ignore ROA information so that management ignores profitability.

The third factor that can influence earnings management is Corporate Social Responsibility (CSR) or corporate social responsibility. In running its business, the company has an external responsibility in the form of Corporate Social Responsibility (CSR) or social responsibility. This CSR activity is a company obligation which is regulated in Law No. 40 of 2007 concerning limited liability companies and government regulation no. 47 of 2012 concerning corporate social responsibility. Companies that carry out CSR activities and disclose them in financial reports benefit in the form of a positive image from the public and investors. The positive image of CSR activities and reporting can be an opportunity for management to take earnings management actions because indirectly investors and other users of financial reports have provided a good assessment of the company. In line with the statement of Kusuma et al (2014), this CSR activity is used by management as a shield or an entrenchment strategy from its actions in managing company profits so that the company's reputation is well maintained and protects the manager's career personally. Previous research conducted by Suryani (2014), Prawitaningrum (2015) and Wardani& Santi (2018) stated that CSR has a positive and significant effect on earnings management. Different results were found in research conducted by Ricardo et al (2015), and Prasetya et al (2015), which stated that CSR
had a negative effect on earnings management.

Based on the description above, the authors are interested in conducting a study entitled "ASEAN Corporate Governance Scorecard, Profitability, and Disclosure of Corporate Social Responsibility towards earnings management".

From the description of the background of the research above, the main problems that will be discussed in this study can be formulated, namely: 1) Does the ASEAN Corporate Governance Scorecard have a significant effect on earnings management?; 2) Does profitability have a significant effect on earnings management?; and 3) Does disclosure of Corporate Social Responsibility have a significant effect on earnings management?

LITERATURE REVIEW

Signaling theory

Signaling theory is a theory that discusses the ups and downs of prices in the market such as the prices of stocks, bonds, and so on, so that it will influence the investor's decision. Investors' responses to positive and negative signals are very influential in market conditions, they will react in various ways in responding to these signals. If the company gives a convincing signal to potential investors, investors will be interested and this will affect the price of the security.

According to Tandelilin (2010), this signal theory assumes that asymmetric information that occurs in the market causes it to have to make corrections of information by giving concrete actions and will clearly be captured as a signal that distinguishes it from others. The impact of a signal error will actually cause a negative response greater than a positive response when sending the wrong signal to the market.

Agency Theory

Jensen and Meckling (1976) state that an agency relationship is a contract between a manager (agent) and an investor (principal). There is a conflict of interest between the owner and agent because the possibility of the agent acting is not in accordance with the interests of the principal, thereby triggering agency costs. Conflict in agency theory is usually caused by decision makers who do not participate in taking risks as a result of decision making mistakes. According to decision makers, the risk should be borne by the shareholders. This is what causes the asynchronous between the decision maker (manager) with the shareholders. Conflicts between shareholders and company management can be minimized in a way, managers must run the company in accordance with the interests of shareholders as well as in making decisions by managers must be adjusted to the interests of shareholders (Wahyuni, 2013).

Stakeholders Theory

According to Clarkson (1995) in Hasian (2017), stakeholders are divided into two groups, namely primary and secondary. Primary stakeholders are groups of stakeholders who do not take part or participate in the operations of a company. Secondary stakeholders are groups of stakeholders who influence and are influenced by the company, but are not involved and are not so important for the survival of the company.

Stakeholder theory is a theory that states that a company is an entity that not only operates for its own interests, but must provide benefits to all its stakeholders, because the survival of a company is supported by stakeholders (Ghazali and Chariri, 2007 in Bintara, 2019). Shareholders, creditors, consumers, suppliers, the government, the public, analysts, and other parties are stakeholder groups that are considered by the company to disclose or not reveal information in the company's financial statements. All stakeholders have the right to obtain information about company activities.
Good Corporate Governance

According to Keasy, Corporate governance is a structure, process, culture and system for creating successful operational conditions for an organization (Sunarto in Haris 2008 in Syukri and Chenny, 2018). Koesnohadi (in Haris 2008 in Syukri and Chenny, 2018) said that "Good Corporate Governance is a relationship among stakeholders that is used to determine and control the strategic direction and performance of the organization".

From the above understanding it can be concluded that Good Corporate Governance is a system of corporate governance in order to be better and can increase the value of the company by promoting fairness for all stakeholders, transparency regarding the condition of the company as part of the external environment. (Haris, 2008 in Syukri and Chenny, 2018)

The aim of Good Corporate Governance in general is to create added value for all interested parties, which explicitly by Global Corporate Governance is an important global issue. The Indonesian Institute for Corporate Governance (IICG) reveals the objectives of Good Corporate Governance:

1) Regain the confidence of investors and national and international creditors.
2) Meet the demands of global standards.
3) Minimizing the costs of losses and the costs of prevention of abuse of management authority.
4) Minimizing the cost of capital by reducing the risk faced by creditors.
5) Increase the value of the company's shares.
6) Raise the company's image in the public eye.

The principles of Good corporate governance are:

1) Transparency (transparency)
2) Responsibility
3) Accountability
4) Professional (professional)
5) Fairness

According to the Corporate Governance in Indonesia (FCGI) Forum, there are several benefits that we can take from implementing good GCG, including:

1) Improve company performance through the creation of a better decision making process, improve company operational efficiency and further improve services to stakeholders.
2) Make it easier to obtain cheaper funding so that it can further enhance corporate value.
3) Restoring investor confidence to invest in Indonesia.
4) Shareholders will be satisfied with the company's performance because it will simultaneously increase shareholder value and dividends.

According to the Bassel Committee on Banking Supervision (BCBS) in Sari (2010 in Syukri and Chenny, 2018), the objectives and benefits of good corporate governance include the following:

1) Reducing agency costs, costs incurred due to abuse of authority, or in the form of supervision costs incurred to prevent a problem from arising.
2) Reducing capital costs arising from good management, which is able to minimize risk.
3) Maximizing the value of company shares, so as to improve the company's image in the eyes of the public in the long run.
4) Encouraging banking management in a professional, transparent, efficient and empowering functions and increasing the independence of the board of commissioners. Directors and GMS.
5) Encourage the board of commissioners, members of the board of directors, shareholders in making decisions and carrying out actions based on high morale and compliance with applicable laws.
6) Maintain the Going Concern of the company.

Profitability

Profitability is the ability of a bank to generate profits, both from operational activities and those from non-operational activities. Profitability is one of the factors considered in assessing whether a bank is healthy or not other than capital, asset quality, management and liquidity (Hafidz and Safira, 2018).
Profitability in this study was measured by Return On Assets (ROA). According to Brigham and Ehrhardt (2005) in Praptiningsih (2009) ROA is the ratio of earnings before interest and taxes (EBIT) or net income divided by the book value of assets at the beginning of the fiscal year. Return on Assets measures the company's profits related to all disposal resources (shareholder capital plus short and long term borrowed funds). Therefore ROA is an excellent gauge in calculating the rate of return for shareholders. If the company has no debt, then the return on assets and return on equity will be the same. ROA measures how the profitability of a company is related to total assets. ROA provides an idea of how efficient management uses its assets to generate profits.

Based on Bank Indonesia Circular Letter No.13 / 24 / DPNP dated 25 October 2011 (Hafidz and Safira, 2018). Return On Assets can be calculated using the formula:

\[
ROA = \frac{\text{Profit before tax}}{\text{Total Assets}}
\]

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an action or concept carried out by the company (according to the company's ability) as a form of their responsibility towards the social or the environment around the company (Silaban and Purba, 2020). Corporate Social Responsibility involves all relationships that occur in the company with all stakeholders including customers, or customers, employees, communities, owners or investors, government, and even the community. If a company manages the company's CSR well, then the company will get significant benefits and benefits in the form of a company's reputation, namely, in terms of employee recruitment, motivation and reference as well as suggestions for building and maintaining cooperation.

Corporate social responsibility disclosure is measured by CSRI (corporate social responsibility index) proxy based on CSR Disclosure indicators guided by the fourth generation Global Reporting Initiative (GRI) or called G4 with 91 CSR disclosure indexes. Information on Corporate Social Responsibility based on GRI 4 consists of 3 disclosure focuses, namely social, economic, and environmental (Heryanto&Julianto, 2017).

Earnings Management

Earnings management is one of the factors that can reduce the credibility of financial reports, and increase bias in financial reports and disturb users of financial statements who believe that these engineered profit figures are unmanaged profit figures. According to Scott (2015), "Earning management is the choice by a manager of accounting policies, or real actions affecting earnings so as to achieve some specific reported earnings objectives". In essence, earnings management is a manager’s choice of accounting policies to achieve certain goals.

Earnings management is measured using real earnings management. According to Roychowdhury (2006), the definition of real earnings management is a deviation from the company's normal operating activities which is motivated by the management's desire to provide a false understanding to interested parties that certain financial reporting objectives have been achieved through the company's normal operating activities. Roychowdhury (2006) states that there are three methods that can be used in earnings management practices. The methods are as follows:

a. Sales Manipulation
   It is a manipulation by buying the residents themselves in the desired period so that the sales appear to increase and then return again in the next period or it can also be given a discount or bonus in the current year but the sale will return to normal after the discount or bonus is not valid.

b. Reducing Discretionary Expenditures
   Manipulate costs by delaying or reducing them. Postpone the recognition of costs by utilizing an accrual gap, ie what should be accrual should not be done accrual.such as maintenance costs.

c. Overproduction
   Manipulation by increasing production excessively so that the unit's overhead costs are smaller, the cost of goods sold is lower and operating profit is better. But it will result in goods in warehouses piling up.
Cohen and Zarowin (2010) provide empirical evidence that companies overproduction results in positive abnormal production costs. The higher the value of abnormal production costs, the reported profits will be higher.

**Prior Research**

Previous studies that can support this research are as follows: Yanti & Sartika (2017) in their research entitled "The Effect of Corporate Governance on Earnings Management based on the 2011-2014 CGPI Rankings". The results showed that corporate governance has an effect on earnings management practices in companies that participate in the Corporate Governance Perception Index (CGPI).

Wardani & Santi (2018) in their research entitled "The Effect of Tax Planning, Company Size, Corporate Social Responsibility (CSR) on Earnings Management". The results of this study conclude that a) Tax planning has no effect on earnings management., B) Firm size has a negative effect on earnings management, and c) Corporate social responsibility (CSR) has a positive effect on earnings management.

Priharta et al. (2018) in his research entitled "The Influence of CGPI, Audit Quality, Company Size and Laverage on Earnings Management". The results showed that partially CGPI has a significant negative effect, audit quality has a negative and insignificant effect, firm size has a significant negative effect, and leverage has a significant positive effect on earnings management.

Lestari & Wulandari (2019) in their research entitled "The Effect of Profitability on Earnings Management". The results showed that profitability by measuring the ratio of Return of Assets (ROA) and Return of Equity (ROE) has a positive effect on earnings management.

**Thought Framework**

Based on the theoretical foundation and previous studies, the researcher develops the research framework tested as shown in the following figure:

![Figure 1.1 Frameworks for Thinking](image)

**Hypothesis**

The research hypotheses proposed are as follows:
- Ha1 : ASEAN Corporate Governance Scorecard has a positive effect on Earnings Management
- Ha2 : Profitability has a positive effect on Earnings Management
- Ha3 : Disclosure of corporate social responsibility has a positive effect on Earnings Management

**RESEARCH METHOD**

**Types of research**

The research used in this study is casual associative research (causal associative research). According to Sanusi (2011), associative-causal research is a research that seeks a relationship between two or more variables. The purpose of associative research is to look for relationships between one variable and another.
Definition of Variable Operations

Operational research variables on the ASEAN Corporate Governance Scorecard, Profitability, and Corporate Social Responsibility Disclosure of Earnings Management can be summarized in the following table:

Table 1.1 Operasionalisasi Variabel

<table>
<thead>
<tr>
<th>Variable Type</th>
<th>Operational definition</th>
<th>Measurement</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent</td>
<td><strong>Earnings Management</strong>&lt;br&gt;A deviation from the normal operating activities of the company which is motivated by the management's desire to give the parties a misunderstanding that certain financial reporting objectives have been achieved through the company's normal operating activities. (Roychowdhury, 2006)</td>
<td>(( \text{AB}<em>\text{CFO} ) - ( \text{AB}</em>\text{PROD} ) + ( \text{AB}_\text{DISEXP} ))</td>
<td>Ratio</td>
</tr>
<tr>
<td>Independent</td>
<td><strong>ASEAN Corporate Governance Scorecard</strong>&lt;br&gt;An initiative of the ACMF (ASEAN Capital Market Forum) to provide guidelines for the implementation of good corporate governance in ASEAN member countries</td>
<td>ASEAN CorporateGovernance Scorecard Rating taken from research and assessment programs conducted by ACMF (ASEAN Capital Market Forum)</td>
<td>Score</td>
</tr>
<tr>
<td></td>
<td><strong>Profitability</strong>&lt;br&gt;The ability of a bank to generate profits, both from operational activities and from non-operational activities.</td>
<td>ROA</td>
<td>Ratio</td>
</tr>
<tr>
<td></td>
<td><strong>Disclosure of Corporate Social Responsibility</strong>&lt;br&gt;Mechanisms for an organization to voluntarily integrate environmental and social attention into its operations and interactions with stockholders, which exceeds organizational responsibility in the legal field.</td>
<td>( \frac{\sum \text{Skor}}{\text{Skor Maks}} )</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Data Types and Sources

The data used in conducting this research is secondary data, namely data obtained through intermediaries from second parties or certain media that support this research. The data used in this study are secondary data in the form of financial statements of manufacturing companies including the 50 TOP ASEAN Corporate Governance Scorcards during the 2015-2017 period which were obtained from the Indonesia Stock Exchange website (www.idx.co.id) and the respective official websites. the company.

Population and Research Samples

The population in this study were all manufacturing companies included in the TOP 50 ASEAN Corporate Governance Scorcards during the 2015-2017 period. The sampling technique is using purposive sampling technique. According to Widyani (2010), the purposive sampling method is the selection of samples based on the suitability of the sample characteristics with the predetermined sample selection criteria. The sample in this study were manufacturing companies that were included in the 50 TOP ASEAN Corporate Governance Scorcards during the 2015-2017 period that met the predetermined research criteria. The sample criteria used in this study
are:
1) Manufacturing company included in the TOP 50 ASEAN Corporate Governance Scorecards during the 2015-2017 period.
3) Companies that use the rupiah value unit in their financial statements.
4) The company did not experience a loss during the study year.
5) Data owned by the company is complete and in accordance with the variables studied.

According to the above criteria, the number of sample companies used was 13 companies for 3 periods, namely 2015, 2016 and 2017. Then the total sample size was 13 companies x 3 periods = 39 data to be used in this study.

Data collection technique

Data collection methods in this research are literature study and documentation methods. Literature study method by studying literature and reviewing a variety of literature such as various journals, articles and other literature books that support the research process. While the documentation method is the process of collecting data by recording documents related to this research.

Analysis Method

Descriptive statistics

Descriptive statistics in this study are used to provide a description of the character of the research variable using a frequency distribution table that shows the mode number, the range of scores and the standard of division.

Classic assumption test

This research was conducted with a simple regression analysis. The use of simple regression analysis must be free from testing classic assumptions. For this reason, before a simple regression analysis is required, classical assumptions must be tested first. Testing classic assumptions is done using normality test, multicollinearity test, heterokedasticity test and autocorrelation test.

Hypothesis testing

In this study the authors used three independent variables and one dependent variable. The analytical method used to test hypotheses is the multiple regression method, which is regression used to find out how much influence the independent variable has on the dependent variable. Regression analysis using SPSS software version 25. The regression equation is as follows: \( Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \)

Dimana :

\( Y \) = Earnings Management

\( \alpha \) = constant or price \( Y \) if \( X = 0 \)

\( \beta \) = number or direction of the regression coefficient, which indicates an increase or decrease in the dependent variable based on the independent variable

\( X_1 \) = ASEAN Corporate Governance Scorecard (ACGS)

\( X_2 \) = Profitability

\( X_3 \) = Disclosure of Corporate Social Responsibility

\( \epsilon \) = level of disturbing error / error

In this study, the significance level (\( \alpha \)) of 0.05 or 5% was used. To test whether the proposed hypothesis is accepted or rejected, a test of the research variables is carried out by simultaneously testing through the simultaneous significance test (F statistic test), which intends to explain the effect of the independent variable on the dependent variable. Meanwhile, to test each variable partially, it is carried out by means of an individual parameter significance test (statistical \( t \) test) which aims to find out whether the independent variable influences the dependent variable, and which of the dominant variables influences the dependent variable.
RESEARCH RESULTS AND DISCUSSION

Research Data Description

The following are descriptive statistical results about the research variables as follows:

Table 1.2 Descriptive statistical results

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN CG Scorecard</td>
<td>39</td>
<td>65,44</td>
<td>89,90</td>
<td>77,73</td>
<td>6,560</td>
</tr>
<tr>
<td>Profitability</td>
<td>39</td>
<td>0,03</td>
<td>0,58</td>
<td>0,18</td>
<td>0,157</td>
</tr>
<tr>
<td>CSR</td>
<td>39</td>
<td>0,18</td>
<td>0,60</td>
<td>0,37</td>
<td>0,120</td>
</tr>
<tr>
<td>Earnings Management</td>
<td>39</td>
<td>-0,99</td>
<td>0,34</td>
<td>-0,001</td>
<td>0,261</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2020)

Based on table 1.2 above, the descriptive statistical results of the research variables can be presented as follows:

The mean value of the ASEAN Corporate Governance Scorecard variable is 77.73% with a standard deviation value of 6.560%, this shows that the data used is very fluctuating from 2015 to 2017. The ASEAN Corporate Governance Scorecard variable ranges from the lowest value of 65.44%, namely the company PT Wijaya Karya (Persero) Tbk in 2015 to the highest value of 89.90%, namely the company PT Telekomunikasi Indonesia (Persero) Tbk in 2017.

The average value of the Profitability Variable as measured by Return on Assets (ROA) is 0.18 or 18%, with a standard deviation value of 0.157 or 15.7%, which means the data used fluctuates greatly from 2015 to 2017. Profitability variables ranges from the lowest value of 0.03 (0.3%), namely the company PT Astra OtopartsTbk in 2015 to the highest value of 0.58 (58%), namely the company PT Matahari Department Store Tbk in 2015. Average Profitability Value amounting to 0.18 indicates that for every Rp. 1 of funds invested by investors as share capital, will generate a net profit of 18%.

The variable of Corporate Social Responsibility Disclosure has an average of 0.37 or 37% with a standard deviation value of 0.12 or 12%, this indicates that the data used fluctuated greatly from 2015 to 2017. Disclosure variables of Corporate Social Responsibility ranged from the lowest value. 0.18 or 18%, namely the company PT Unilever Indonesia Tbk in 2017 up to the highest value of 0.60 or 60%, namely the company PT Matahari Department Store Tbk in 2017.

The Earnings Management variable has an average value of -0.001 (-0.1%) with a standard deviation value of 0.261 (26.1%), which indicates the level of variation in data distribution. Earnings Management Variables range from the lowest value of -0.99 (-99%), namely the company PT Astra OtopartsTbk in 2015 to the highest value of 0.34, namely the company PT Unilever Indonesia Tbk in 2017.

Classic Assumption Test

Normality test

Testing for normality using the Lilliefors test. Provisions in the error test are if the statistic L count < L table (α = 0.05), then the error data is normally distributed. But if L count > L table (α = 0.05), then the data is not normally distributed.

Thus the overall results of the normality test calculation using the Lilliefors test can be seen in the summary in Table 1.3.
Table 1.3 Normality Test Summary

<table>
<thead>
<tr>
<th>No</th>
<th>Prediction</th>
<th>n</th>
<th>L Count</th>
<th>L Table</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Y of X1</td>
<td>81</td>
<td>-0.1699</td>
<td>0.0984</td>
<td>0.1146</td>
</tr>
<tr>
<td>2</td>
<td>Y of X2</td>
<td>81</td>
<td>-0.1015</td>
<td>0.0984</td>
<td>0.1146</td>
</tr>
<tr>
<td>3</td>
<td>Y of X3</td>
<td>81</td>
<td>-0.1665</td>
<td>0.0984</td>
<td>0.1146</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2020)

Multicollinearity Test

The tolerance calculation results are in accordance with Table 1.4, indicates that there are no independent variables that have a tolerance value of less than 10%; all tolerance values are more than 10%; which means there is no correlation between variables. The results of the calculation of the variance inflation factor (VIF) value also show the same thing, there are no independent variables that have a VIF value of more than 10; All of the variance inflation factor (VIF) values are less than 10. The conclusion is that there is no multicolieny between the independent variables in the regression model based on the tolerance value test.

Table 1.4 Multicollinearity Test Summary

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN CG Scorecard</td>
<td>0.976</td>
<td>1.025</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.815</td>
<td>1.227</td>
</tr>
<tr>
<td>CSR</td>
<td>0.812</td>
<td>1.232</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2020)

Autocorrelation Test

Autocorrelation test can be done by testing the Durbin-Watson (DW). The autocorrelation test results can be seen in Table 1.5 below:

Table 1.5 Autocorrelation test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.641</td>
<td>0.410</td>
<td>0.560</td>
<td>0.209</td>
<td>2.218</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2020)

Heteroscedasticity Test

Detection of heterokedastisitas are: 1) Probability value > 0.05 means free from heterokedastisitas. 2) Probability value <0.05 means it is exposed to heterokedasticity. The test results using the Spearman rank test can be seen in the following Table 1.6:

Table 1.6 Heterokedastisity test Results

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absrres</td>
<td>Correlation Coefficient</td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Spearman's rho</td>
<td>0.302</td>
<td>0.184</td>
<td>0.155</td>
</tr>
<tr>
<td></td>
<td>0.062</td>
<td>0.263</td>
<td>0.346</td>
</tr>
</tbody>
</table>
The results of the Spearman rank test in the table above show that the significance probability value of each variable is 0.062; 0.263; and 0.346. Because the significance probability value is greater than 0.05, it can be concluded that the data are free from heteroscedasticity.

**Hypothesis test**

**Multiple regression analysis**

Multiple regression analysis is used to get the regression coefficient which will determine whether the hypothesis made will be accepted or rejected. By using multiple linear regression methods the following results are obtained:

**Table 1.7 Regression analysis Results**

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>T_count</th>
<th>Sig</th>
<th>T_table</th>
<th>adj R²</th>
<th>F_count</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Constant)</td>
<td>0.046</td>
<td></td>
<td></td>
<td>1.684</td>
<td>0.360</td>
<td>8.121</td>
</tr>
<tr>
<td>X1</td>
<td></td>
<td>0.000</td>
<td>0.084</td>
<td>0.934</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td></td>
<td>0.008</td>
<td>3.317</td>
<td>0.002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td></td>
<td>-0.597</td>
<td>-1.899</td>
<td>0.066</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed (2020)

Based on the results of the regression tests above, an equation can be formed as follows: \( Y = 0.046 + 0.000X1 + 0.008X2 - 0.597X3 + \varepsilon \)

**Determination Coefficient Test (R2)**

The coefficient of determination indicated by the adjusted R Square value. The adjusted R-Square value of the regression model is used to determine how much the ability of the independent variable to explain the dependent variable. From table 1.7 it is known that the adjusted R square value is 0.360. This means that 36% of earnings management can be explained by variations in the independent variables, namely the ASEAN Corporate Governance Scorcard, profitability, and CSR disclosure, the remaining 64% (100% - 36%) is explained by other causes outside the model.

**Simultaneous Significance Test (Statistical Test F)**

The simultaneous significance test (Test F) is used to show whether all the independent variables included in the model have a joint influence on the dependent variable. (Ghozali, 2009). If the analysis uses the F test shows that all independent variables are simultaneously significant explanations for the significance of the dependent variable. From the Anova test or F test in table 1.7 above, the calculated F value is 8.121 with a significance probability that shows 0.000. This shows that jointly (simultaneously) earnings management can be influenced by the ASEAN Corporate Governance Scorcard variable, profitability, and CSR disclosure.

**Significance Test of Individual Parameters (t Test)**

The effect of the ASEAN Corporate Governance Scorcard on earnings management. Based on the results of the calculations in table 1.7 above, it shows that the ASEAN Corporate Governance Scorcard variable has no effect on earnings management, which can be seen from the comparison between \( t \) table and \( t \), namely \( t \) table is greater than \( t \), with a value of 1.684 and \( t \) count of 0.084 and the level of significance that is above 0.05. Thus \( H_a \)1 was rejected.
Effect of profitability on earnings management

Based on the results of the calculations in table 1.7 above, it shows that the profitability variable has a positive effect on earnings management, which can be seen from the comparison between t and t, namely t is smaller than t, with a value of 1.684 and of 3.317 and the level of significance is much smaller than 0.05. Thus Ha2 is accepted.

The effect of corporate social responsibility disclosure on earnings management

Based on the results of the calculations in table 1.7 above, it shows that the disclosure variable of Corporate Social Responsibility has no effect on earnings management, which can be seen from the comparison between t table and t count, namely t is greater than t, with a value of 1.684 and t of -1.889 and the level of significance is more. greater than 0.05. Thus Ha3 was rejected.

Discussion

The effect of the ASEAN Corporate Governance Scorcard on earnings management

From the research results, it is known that the ASEAN Corporate Governance Scorcard variable has no effect on earnings management in a positive direction. So it can be stated that the higher the ACGS score, the company's earnings management tends to be high. The absence of the influence of the ASEAN Corporate Governance Scorcard on earnings management, is due to the fact that the implementation of good corporate governance is felt by go public companies as a demand for existing regulations, not as an important requirement for companies, so that there is less awareness of these companies to implementing good corporate governance. The results of this study are not in line with research conducted by Priharta, et al. (2018) and Yanti&Sartika (2017) which states that corporate governance, which is proxied by CGPI ranking, has an effect on earnings management practices.

Effect of profitability on earnings management

From the research results it is known that profitability as measured by Return on Assets has an effect on earnings management. This indicates that company management tends to carry out earnings management by means of income minimization (profit minimization) and income maximization (profit maximization). The behavior of company management in earnings management by means of income minimization (profit minimization) aims for tax consideration purposes, namely minimizing corporate tax liabilities, while the income maximization method is intended to maximize manager bonuses, creating good company performance so as to increase firm value. (capital market considerations) which aim to gain the trust of investors so that they want to invest in the company, delay the breach of debt covenants and that managers can gain control over the company. The results of this study are in accordance with agency theory in which company management as an agent takes actions that are only concerned with their own interests because they have manipulated financial statements to the detriment of investors. In addition, this study supports a positive accounting theory which explains the motivation for company management to take earnings management actions. By adjusting the profit he reports with the aim of maximizing the amount of bonus he will receive. These results support the research conducted by Wibisana et al. (2014) and Lestari &Wulanadi (2019) state that the level of profitability affects the income smoothing actions carried out by the company, where income smoothing is one of the methods used by companies in earnings management. Meanwhile, Bestivano's (2013) research states that profitability does not have an effect on earnings management, because investors ignore ROA information so that management ignores profitability.

The effect of corporate social responsibility disclosure on earnings management

From the research results, it is known that the variable of Corporate Social Responsibility disclosure has no effect on earnings management in a negative direction. Companies with high CSR get legitimacy or trust from the public. The company uses this legitimacy to cover up its earnings management actions. Management is more flexible in carrying out these actions because they feel protected by the legitimacy or public trust. The results of this study are not in line with research conducted by Suryani (2014), Prawitaningrum (2015) and Wardani& Santi (2018) which states that CSR has a positive and significant effect on earnings management.
Conclusion

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn: 1) The ASEAN Corporate Governance Scorcard variable does not affect earnings management in a positive direction; 2) The profitability variable has a positive effect on earnings management; 3) The variable of Corporate Social Responsibility disclosure has no effect on earnings management in a negative direction.

Limitation

This research is inseparable from the shortcomings and limitations. Limitations in this study are as follows: 1) Companies that are sampled in this study have not included all the countries in ASEAN that are included in the Asean scorecard measurement, so they do not reflect the overall performance of ASEAN companies; 2) The observation period is limited during 2015-2017.

Suggestions

As explained earlier that this study contains limitations. But the results of this study can at least motivate further research. Considering the existing limitations, it is expected that future research will improve the following factors: 1) In subsequent studies, the following research will include all countries included in the ASEAN Corporate Governance Scorecard, namely Indonesia, Malaysia, the Philippines, Thailand, and Vietnam; 2) To obtain better research results, further research can extend the research period.

REFERENCES