Reinforce Corporate Social Responsibility through Earnings Management

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Abstract
Tujuan Utama - Tujuan penelitian ini yaitu untuk mengidentifikasi pengaruh dari variabel leverage dan manajemen laba terhadap corporate social responsibility.
Metode - Metode regresi linier berganda digunakan untuk menganalisis penelitian ini. Uji statistik t-test (parsial) digunakan sebagai pengujian hipotesis, data diolah dengan menggunakan software Product and Service Solutions (SPSS) versi 25.
Temuan Utama - Temuan kami bermanfaat bagi investor dan pembuat kebijakan. Investor disarankan untuk tidak begitu saja percaya pada perusahaan yang terlibat dalam proyek CSR dan memberikan laporan keuangan yang transparan. Karena dimungkinkan perusahaan memanipulasi pendapatan dan memberikan laporan keuangan yang kurang akurat kepada pemegang saham, Proyek CSR perusahaan harus dinilai kredibelitanya dengan hati-hati.
Implikasi Teori dan Kebijakan - Penelitian ini menunjukkan bahwa peran leverage dapat menjadi sinyal bagi investor yang ingin menanamkan sahamnya pada perusahaan. Selain itu, ukuran dewan komisaris dan praktik manajemen laba dapat mempengaruhi munculnya masalah keagenan antara pemegang saham dan manajer perusahaan.
Kebaruan Penelitian – Perbedaan penelitian ini dengan penelitian sebelumnya adalah periode pengamatan dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di BEI selama periode 2017-2019, Perbedaan lainnya adalah alat ukur corporate governance yang digunakan dalam penelitian ini adalah dewan komisaris, yang dilihat dari ukuran dewan komisaris dalam suatu perusahaan dan menggunakan manajemen laba sebagai variabel mediasi.

Kata Kunci: *Corporate social responsibility*, leverage, manajemen laba

Abstract
Main Purpose - *This study aims to identify the effect of leverage and earnings management on corporate social responsibility.*
Method - *Multiple linear regression method was used to analyze this research. Statistical t-test (partial) was carried out for the used of hypothesis testing, data were processed using software Product and Service Solutions (SPSS) versi 25.*
Main Findings - *These findings are helpful for investors and policymakers. Investors are advised not to trust companies involved in CSR projects and provide transparent financial reports. Because companies can manipulate earnings and provide less accurate financial reports to shareholders, CSR projects must be assessed for credibility carefully.*
Theory and Practical Implications - *This study indicates that the role of leverage can be a signal for investors who want to invest their shares in the company. In addition, the size of the board of commissioners and earnings management practices can affect the emergence of agency problems between shareholders and company managers.*
Novelty - *Meanwhile, what distinguishes this research from previous research is that the observation period in this study is manufacturing companies listed on the IDX during the 2017-2019 period. Another difference is that the corporate governance measurement tool used in this study is the board of commissioners, which is seen from the size of the board of commissioners in a company and uses earnings management as a mediating variable.*

Keywords: *Earnings management, corporate social responsibility, leverage*

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INTRODUCTION

Weakness of CSR in developing countries, governments may provide CSR principles to sanction companies to initiate a substantial contribution for public life (Campbell, 2007). In Indonesia, the implementation of Corporate Social Responsibility (CSR) has been regulated in Law no. 40 of 2007 article 74 paragraph (1) concerning Limited Liability Companies and Law no. 40 of 2007 article 66 paragraph (2c) which explains that all companies in the company's annual report are required to report on the implementation of social and environmental responsibilities. CSR includes actions and decisions made by companies that consider the social, ethical, and environmental responsibilities discretionarily considering to a broadly inclusive range of stakeholders, including the general community and society (Buehler & Shetty, 1974).

Factors that affect Corporate Social Responsibility include leverage. According to legitimacy theory, leverage affects CSR when companies with high leverage tend to carry out CSR to create an image that companies can pay their debts (Wasito et al., 2016). Research on leverage on CSR was conducted by (Dewi and Sedana, 2019) and (Sofwan, 2019), found that leverage has a negative and significant effect on CSR disclosure. In contrast to the research of (Purba and Yadnya, 2015), (Wahyuningsih and Mahdar, 2018), (Saputra, 2016), (Rofiqkoh and Priyadi, 2016), it showed that leverage has a positive effect on CSR.

Another factor that influences CSR is earnings management. Revealed that companies with better CSR performance and more comprehensive CSR disclosures tend to be involved in earnings management so that managers only use the existence of CSR disclosure as a tool to divert the attention of shareholders from supervision related to earnings management practices that are happening (Machmuddah et al., 2017).Previous studies examining the relationship between earnings management and CSR disclosure have been carried out by (Dewi and Yanti, 2019), (Lau and Lasdi, 2017), that found earnings management does not affect the disclosure of Corporate Social Responsibility. However, in contrast to the research conducted by (Machmuddah et al., 2017), (Sofwan, 2019), (Setyastrini, and Wirajaya, 2017), there is a positive influence between earnings management and Corporate Social Responsibility disclosure.

Earnings management can also be affected by leverage. research on the relationship between leverage and earnings management has been conducted by (Zurriah, 2017), (Puspitasari, 2019), (Almalita, 2017), (Hasty and Herawaty, 2017), which found that leverage had a positive effect on management. profit. However, it is different from research conducted by (Nahar and Erawati, 2017), (Asyati and Farida, 2020), (Santi and Sari, 2019) found that leverage had no significant effect on earnings management.

This study modifies the research conducted by (Sukasih and Sugiyanto, 2017) and (Sofwan, 2019). Meanwhile, what distinguishes this research from previous research is that the observation period in this study is manufacturing companies listed on the IDX during the 2017-2019 period. Another difference is that the corporate governance measurement tool used in this study is the board of commissioners. The inconsistency of the results of previous studies encourages researchers to use other variables that can mediate the relationship between leverage and CSR. The author is interested in reviewing the effect of leverage and CSR by including earnings management as a mediating variable. The reason for using earnings management as a mediating variable is that earnings are significant in management's assessment, and there is an allegation that managers of these companies are motivated to devalue earnings (DeAngelo & Elizabeth, 1988). Based on the description above, then the purpose of this research examiner and analyze the influence of leverage on earnings management, examiner and analyze the influence of Leverage and

Earnings Management on Corporate Social Responsibility.

Agency Theory

Agency theory is a relationship in which one or more people (principals) employ other people (agents) to perform some services on their behalf by involving some authority to delegate authority in decision-making to agents (Jensen & Meckling, 1976). Agency theory asserts that companies provide CSR disclosures to minimize information asymmetry between shareholders and managers. The focus of this theory is the interests of ordinary shareholders.

(Chih et al.,2008) argue that companies with social responsibility will not use revenue manipulation to cover their poor performance. The agency theory perspective argues that CSR is negatively related to earnings management because CSR minimizes agency problems. Companies involved in CSR activities tend to be more obedient, honest, and trustworthy in their operational activities. As a result, companies that implement high CSR performance are more likely to withhold earnings management behavior (Choi et al., 2013). CSR actions can reduce agency problems between shareholders and managers and improve the company's future performance. Therefore, social initiatives might contribute to the reduction of agency costs. This shows that there is a positive influence of CSR on the agent-principal relationship. They mainly conclude that managers' social behavior impacts ethical, reputational, and financial performance.

(Kim et al., 2012) states that companies with social responsibility must accept ethical obligations, adhere to high standards of behavior so that they are trustworthy and honest in their decision-making and disclosure processes, etc. In addition, (Sun et al., 2010) found that a limited sample of UK firms engaged in socially responsible activities provided more informative and extensive disclosures than firms that were less focused on achieving social goals. (Wu & Shen, 2013) support the evidence that CSR increases financial reporting transparency and reduces managers' opportunities to manage earnings.

Legitimacy Theory

Legitimacy theory is a theory that considers the interests of society at large. Legitimacy theory explains that organizations are inseparable from society and stakeholders (Woodward et al., 1996). The core of legitimacy theory is a theory that targets society at large. CSR activities are based on legitimacy theory which explains that the company continues to strive to ensure that the company has performed in accordance with the rules and norms that apply in the environment in which the company is located, where it is carried out by the company trying to ensure that the operational activities carried out are acceptable (Deegan, 2002).

(Deegan, 2002) also argues that legitimacy can be obtained when there is a match between the existence of a company that is appropriate or not contrary to the value system in society and the local environment. In addition, CSR is expected to benefit the company by bringing legitimacy from the community and increasing company profits in the future. (Grougiou et al., 2014) argue that CSR is a form of engagement and a management strategy to gain legitimacy.

Therefore, legitimacy has a process that requires companies to continue to develop indicators of measuring their activities and performance related to environmental and social standards to show the public about the company's compliance in implementing these standards. Thus, companies engage in CSR to maintain legitimacy in society. (Velte, 2020) supports this view of Velayutham (2018), that managers use CSR disclosure as an effective way to show legitimacy to their organizations. Furthermore, (Almahrog et al.,2018) also argue that CSR is seen as a means to provide information to stakeholders about the company's most significant interests and

accountability which encourages managers to behave in a socially responsible manner.

Positive Accounting Theory

(Watts, 1986) defines Positive Accounting Theory (PAT) as an expression of economic theory based on rational choice theory, namely, self-interest to gain self-interest. This is usually referred to as opportunistic behavior as the basis for all economic activities. Therefore, in Positive Accounting Theory (PAT), self-interest (opportunistic behavior) is the reason for choosing accounting methods and techniques and policy decisions.

This theory is essential in the accounting literature. This is because this theory contains a variety of accounting practices that can be applied to influence performance results. This theory explains that managers can assume two types of behavior: opportunistic behavior (actions carried out in their interests at a certain level) and behavior to use accounting values professionally to achieve maximum results. (Watts & Zimmerman, 1986) describes three elements that make earnings management clearer, namely: bonuses, firm size, and debt.

Positive accounting theory has explained the circumstances in which management tends to manage earnings. For example, earnings are managed when management bonuses depend on reported earnings (Healy, 1985). Top management chooses to accelerate and intensify earnings to make the best use of their wealth, primarily if proper relationships are found between results achieved and compensation ratios. Such measures have been predicted to increase welfare regardless of the interests of other stakeholders being compromised.

Effect of Leverage on Earnings Management

The leverage ratio generally describes the source of operating funds used by the company. The closer the company is to accounting-based debt covenant violations, the more likely it is for company managers to choose accounting procedures that transfer reported earnings from the future to the current period (Watts and Zimmerman, 1986). According to Roychowdhury (2006), this was done to avoid reporting losses. When a company agrees to take on debt, it wants to be seen as a good debtor. As a result, companies have committed fraud by manipulating reported earnings to influence future debt negotiations. Previous studies highlight that leverage affects earnings management activities. Most researchers argue that leverage increases the potential for earnings management to avoid debt covenant violations (Sweeney, 1994). Sweeney (1994) supports the hypothesis that the higher the debt-to-equity ratio, the more likely managers are to choose income-increasing accounting procedures. Jaggi & Lee, (2002) examined earnings management motivation among managers of firms with financial difficulties. They conclude that the purpose of using discretionary accruals is to provide confidence to creditors that the financial difficulties they are experiencing are temporary and that the situation will soon improve or normalize.

This is in line with research conducted by Moreover, (Zurriah, 2017), (Puspitasari, 2019), (Hasty and Herawaty, 2017) also get the results that leverage has a positive effect on earnings management. Based on the description above, the hypothesis is formulated as follows:

H1: Leverage has a positive effect on earnings management.

Effect of Leverage on Corporate Social Responsibility

Leverage is the amount of debt used to finance company assets. It measures the long-term risk involved and describes its financial structure (Watson et al., 2002). The lower the level of leverage the company owns indicates that the company can finance its assets with its

capital. In contrast to companies with a high level of leverage, it indicates that the company financing its assets is more dependent on debt or loans from outside. According to the legitimacy theory, leverage affects corporate social responsibility. When companies have high leverage, they tend to carry out corporate social responsibility to create an image that companies can pay their debts (Wasito et al., 2016). So that companies with a high level of leverage should meet creditor information needs and convince creditors that the company can fulfill creditor rights, namely through disclosure of corporate social responsibility. Watts and Zimmerman (1978) explain that companies with high leverage ratios have more significant pressure from creditors to disclose more information because they are characterized as risky companies so that creditors have expectations that the company will disclose more about these risks.

In line with research conducted by (Saputra 2016; Rofiqkoh and Priyadi 2016), leverage had a positive effect on CSR disclosure. Based on the description above, the hypothesis is formulated as follows:

H2: Leverage has a positive effect on Corporate Social Responsibility.

Effect of Earnings Management on Corporate Social Responsibility

Earnings management is an action taken by managers by manipulating the profits generated by the company to obtain profits for themselves. The theory that underlies the existence of earnings management is agency theory. Agency theory suggests that companies can use different methods, such as compensation planning or voluntary disclosure, to reduce conflicts of interest between managers and shareholders (Machmuddah et al., 2017). The relationship between earnings management and CSR in agency theory is when managers are involved in earnings management practices. One way for managers to avoid the attention of stakeholders, protect their position in the company and maintain capital flows from external parties is to seek positive perceptions from external parties to ensure optimal performance. Then, one way for managers to obtain positive perceptions from external parties is through voluntary disclosures in financial statements, such as disclosure of social and environmental responsibility or CSR. This is considered essential to show the existing stakeholders regarding the company's awareness of the surrounding environment. Furthermore, it can be said that the greater the manager performs earnings management, the wider the company in its CSR disclosure. (Salewski & Zülch, 2012) found that firms with higher levels of CSR are more likely to engage in earnings management and report bad news in a less timely manner. They explain that companies can report more CSR activities for opportunistic reasons such as management interests without considering stakeholders' interests. Earnings management is a managerial practice resulting from various studies in agency theory and positive accounting theory. There has also been the development of information about disagreements between business partners or stakeholders and company managers. In this view, managers have been motivated to manage earnings in favor of more informative disclosures (Watts & Zimmerman, 1986).

This is in line with research conducted by (Sofwan, 2019) and (Setyastrini and Wirajaya, 2017), that there is a positive influence between earnings management and CSR. Based on the description above, the hypothesis is formulated as follows:

H3: Earnings management has a positive effect on Corporate Social Responsibility.

Moderating Effect of Earnings Management Practices on Leverage and Corporate Social Responsibility.

The development of CSR practices has created skepticism among many stakeholders because CSR disclosures that do not reflect sustainability performance or business are

commonly referred to as symbolic CSR. Several previous studies have shown that the practice of CSR is an exercise to make their own decisions to deal with every situation (discretionary) that aims to increase profits (Barnett, 2007). Managers can improve CSR practices as a means to promote themselves by improving financial performance. Therefore, managers will take a discretionary attitude to achieve their benefits, such as increasing the bonuses they get. (Handelman and Arnold, 1999) added that companies with high levels of leverage would distance themselves from the high risk of default. Therefore, managers of companies will be motivated to carry out earnings management activities to show good performance. Their research yielded evidence of a positive relationship between real earnings management and leverage. (Healy & Wahlen, 1999) provide a complete explanation of why managers are motivated to perform earnings management. The three motivations are the capital market, contractual and regulatory motivations. Motivation from the capital market side assumes that investors and financial analysts use accounting information to value their shares. This makes managers more motivated to manipulate earnings to influence the value of stock price performance. Thus, companies can use earnings management to influence the expectations of certain types of investors. Based on the description above, the hypothesis is formulated as follows:

H4: Earnings management strengthens the relationship between leverage and corporate social responsibility.

METHOD

This study used quantitative data types because to determine the relationship between variables in a population and was processed and analyzed by using statistical calculation techniques. Furthermore, the data source is from an audited financial reports and annual reports of a company during the 2017–2019 period, obtained from the Indonesia Stock Exchange website.

Based on the predetermined sample criteria, a sample of 66 companies was obtained, so that in 3 years of observation, 198 research sample data were obtained. Table 1 presents the minimum, maximum, mean, median and standard deviation values.

In this study, CSR disclosure uses indicators issued by the 4th generation Global Reporting Initiatives (GRI) with a total of 91 items, which can be accessed through the official GRI website www.globalreporting.org. The leverage ratio used in this study can be found using Debt to Total Asset Ratio. Earnings management in this study is real earnings management which is measured using the Abnormal Cashflow Operation according to the formula developed by (Roychowdhury, 2006). The calculation of real earnings management through Abnormal Cashflow Operation is obtained from the difference between the actual operating cash flow value scaled with total assets one year before the test minus the normal operating cash flow calculated using the estimated coefficient.

RESULTS AND DISCUSSION

Based on the descriptive statistical data in Table 1, the mean value of the leverage variable is 37.76% which indicates that the company's leverage is high. The mean value of earnings management is -0.43%, which means that the average sample company manages earnings by lowering profits. On the other hand, CSR has a mean value of 34.61%, which means that the average company still has a low CSR disclosure score.

Table 1. Descriptive statistical results

Variable	**Mean**	**Median**	**Std. Deviation**	**Minimum**	**Maximum**
LEV	0,3676	0,3396	0,17744	0,08	0,84
ML	-0,0043	-0,0158	0,08227	-0,22	0,21
CSR	0,3461	0,3077	0,17837	0,01	0,63

Source: secondary data (2021)

Classic Assumption Test Results

The results of the classical assumption test consisting of the Monte Carlo normality test with a significance of model 1 0.138 > 0.05 and model 2 0.102 > 0.05, which shows that the data is normally distributed. Multicollinearity test has a tolerance value of Tolerance > 0.1 and VIF < 10. It can be concluded that all independent variables in the regression model tested in this study, both in model 1 and model 2, do not occur multicollinearity. The heteroscedasticity test has a significant value > 0.05, so that it can be concluded that all independent variables in the regression model tested in this study, both in model 1 and model 2, are free from heteroscedasticity. Autocorrelation test shows a value of 1.941 and 1.941 for equation two, which means that the Durbin-Watson value in both models is still in the autocorrelation-free region (between 2 to +2).

Hypothesis Test Results

This study has three results of hypothesis testing. The test results of model 1 and model 2 are shown in table 2. Model 1 has an Adjusted R-Square value of 13.6%. In the Model 2 test, the value of Adjusted R-Square decreased to 5.8%. Table 2 presents the results of hypothesis testing for both research models. The results show that leverage has a p-value with a significance of 0.000 <0.05 concerning earnings management and corporate social responsibility. On the other hand, earnings management does not affect corporate social responsibility in model 2. It can be concluded that the results support H1 and H2 but do not support H3. This study has three results of hypothesis testing as follows.

Table 2. Hypothesis Test Results

Variables		Model		Model 2	
	Dependent Variable	ML		CSR	
		t-statistics	p-value	t-statistics	p-value
LEV		-5.477	0.000	3.557	0.000
ML				0.441	0.660
R Square			0.146		0.074
Adjusted R-Square			0.136		0.058
F - Statistic			0.000		0.004

Source: the results of researchers' calculation

Mediation test results (Sobel test)

Based on the results of the Sobel test, a significance value of 0.66198829 was obtained, which means the value is more than 0.05. It can be concluded that earnings management cannot be an intervening variable or unable to mediate the relationship between leverage and corporate social responsibility.

DISCUSSION

Effect of Leverage on Earnings Management

Based on the results of the study, leverage has a significant negative effect on earnings management. The reason is that the higher the level of leverage owned by the company, the tighter the supervision carried out by creditors, so that management activities to carry out earnings management practices are also decreasing. In addition, companies with a high level of leverage due to the large total debt to assets will face a high default risk. Positive accounting theory states several managers' incentives to perform earnings management, namely debt contracts, management compensation contracts, and political costs. Concerning debt contracts, there is a possibility that debt policy is related to the opportunistic attitude of managers to manipulate earnings or earnings management. Moreover, company is threatened, cannot fulfil its obligations on time. In this case, earnings management actions cannot be used by company management as a way to avoid violating the default because the fulfilment of obligations must still be carried out and cannot be avoided with earnings management practices (Arlita et al., 2019). In addition, seeing the leverage test on CSR with significant positive results indicates that the company is focused on social activities such as CSR, so it is possible that when a company focuses heavily on CSR, managers are committed to the ethical values they hold. This means, these managers will be motivated to act more honestly when generating financial figures because CSR is seen as a moral responsibility to maintain the ethical values they believe in (Porter & Kramer, 2006). Kaplan, (2001) explains that an important part of social responsibility is business ethics, and earnings management has been viewed as unethical. Thus, by practicing earnings management, managers will be judged to be manipulating the company's performance, and managers guided by business ethics have doubts about doing this kind of behavior. This study supports research conducted by Rahmanto (2017), Arlita et al., (2019).

Effect of Leverage on Corporate Social Responsibility

Based on the results of this study, leverage had a significant positive effect on corporate social responsibility. This supports the legitimacy theory, that companies with high leverage tend to carry out corporate social responsibility, by creating an image that companies can pay their debts (Wasito et al., 2016). A recent study by (Khan et al., 2012) also provides empirical support for this theory and concludes that managers use CSR disclosure as a strategic tool to achieve legitimacy. In addition, a high level of leverage indicates that the company is more dependent on outside parties in financing the company's operational activities. Thus, companies with a high level of leverage should meet creditor information needs and convince creditors that the company can fulfill creditor rights, one of which is through corporate social responsibility disclosure. This result is also in accordance with agency theory which states that companies with higher debt ratios are motivated to disclose more information. Empirical evidence seems inconclusive for some cases. The results of this study support research conducted by Saputra (2016), Rofiqkoh & Priyadi (2016), that leverage has a significant positive effect on corporate social responsibility, and is significant to CSR disclosure. Moreover, leverage can increase corporate social responsibility due to the relationship with corporate governance. Jo & Harjoto (2011) found that an effective corporate governance structure increases the company's involvement in doing CSR.

Beltratti,(2005) shows that when a company has a good corporate governance system, it minimizes the possibility that stakeholders will think negatively about what managers do. The effect of leverage with CSR in a positive direction can also mean that the company can improve the environmental performance in CSR. This is supported by Cyert & March, (1963), that additional resources are needed for the company's operations in the long term. When companies have excess financial resources, they undertake CSR projects that seek to improve the company's image and seek long-term investment opportunities. This helps improve future business outcomes for the firm (Waddock & Graves, 1997).

Effect of Earnings Management on Corporate Social Responsibility

Based on the results obtained, earnings management does not affect corporate social responsibility. The average value of earnings management is -0.0043, it indicates that earnings management practices in this study tend to use income minimization patterns. This pattern of declining profits may indicate a decline in performance by the company so that this decline in performance has given a bad signal to stakeholders. Therefore, stakeholders no longer have high expectations of the company, and the company also feels no need to disclose CSR, only to hide fraudulent actions in the form of earnings management carried out by the company. It can be said that the practice of real earnings management through abnormal operating cash flows carried out by the company's management does not affect the company's high or low CSR disclosures. The results of this study are also under an agency theory, which expresses an imbalance of information owned by management. Companies responsible for the environment will report accurate information about the company. Fraudulent practices can also have an impact on CSR disclosure information so that people do not believe in the truth of the disclosure and erase the positive influence that the company has made. This study supports the research conducted by Lau & Lasdi (2017), that earnings management has no significant positive effect on corporate social responsibility. Chih et al., (2008) argue that companies with a strong commitment to CSR are less likely to engage in earnings management because they do not hide the realization of unprofitable earnings and do not engage in earning management because it is considered an irresponsible act with CSR principles. Choi et al., (2013) added that companies with a strong commitment to CSR are more motivated to act responsibly when reporting financial statements. Likewise, Scholtens & Kang, (2013) investigated whether earnings management is related to CSR in ten Asian countries in 2009 with a sample of 139. It was found that socially responsible companies are less likely to be involved in earnings management.

Effect of Leverage on Corporate Social Responsibility through Earnings Management

Based on the results of the Sobel test, earnings management cannot be used as an intervening variable or indirectly is not able to mediate leverage on corporate social responsibility. While the results of the regression test in model 2 show that leverage has a significant positive direct effect on corporate social responsibility. Thus, leverage in manufacturing companies can increase or decrease corporate social responsibility without being mediated by earnings management variable. This study is based on the theory of legitimacy because the company maintains legitimacy or public trust by not practicing earnings management. In line with Choi et al., (2013), managers who involve themselves in CSR activities will tend to behave ethically to seek the attention of stakeholders that they can be trusted to act ethically for optimal results. Managers who have social responsibility tend to be unmotivated to manage revenue on the grounds of maintaining long-term relationships with stakeholders and realizing their standard set of goals (Alsaadi et al., 2017). Lyra et al,(2017) add that managers use CSR disclosure as a strategic tool to gain confidence in their actions

to stakeholders so that they can maintain their activities.

CONCLUSION

The results of this study produce evidence that the company's leverage ratio has an effect on earnings management in a negative direction and has an effect on corporate social responsibility. However, this study shows that the company's earnings management does not affect corporate social responsibility. Furthermore, earnings management cannot mediate between leverage and corporate social responsibility.

This study can be used as a reference for manufacturing companies in making a policy that can assist management in increasing the company's stock price. The management can make a policy that regulates the source of funding to increase the company's CSR disclosure. This research can be used to consider investors who will invest their capital in manufacturing companies. Investors should pay more attention to the state of the company, such as the assets owned by the company, the level of leverage, earnings management practices, CSR disclosure, and the company's stock price so that they will be right in making decisions to invest in the manufacturing company.

This study has two research limitations. *First*, in this study, the value of Adjusted R Square in influencing earnings management is 13.6%, while in influencing corporate social responsibility is 5.8%. *Second*, this study used a less diverse composition of data, where there are still some data that are classified as outliers, which impacts the research results obtained. future research is recommended to test CSR in various countries such as ASEAN countries. (Matten & Moon, 2008) explains that the perception of CSR tends to differ in some countries because it depends on how CSR is seen in specific social, political, financial, and institutional systems. In addition, views related to CSR practices also depend on organizational culture and regulations.

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