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The Influence of Corporate Governance System and Corporate Social Responsibility on Corporate Profit Management Kompas 100

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Abstract

This study aims to provide benefits for understanding the impact of corporate governance (GCG) and corporate social responsibility (CSR) on profit management. This research focuses on companies or entities included in the Compass100 index. In this index, some companies have been examined, and the selected company has a satisfactory company performance, a good business stock condition, and a good company portfolio. It covers the theories of legitimacy and agency, where legitimacy theory focuses on the sustainable survival of the company's operations, focusing on the interests of nature and the environment in which the entity operates. Selection of sample data using purposive sampling by selecting annual and financial reports from 2018 to 2021. The total sample selected was 32 entities, then processed using Eviews 12 software. The results obtained from the research showed that corporate governance had no influence on profit management, and corporate social responsibility showed significant negative results on profit management.

Keywords: *Corporate Governance, Corporate Social Responsibility, Profit Management, Corporate Index.*

INTRODUCTION

Accounting serves as a bridge for managers to exchange benefits with stakeholders. In particular, companies must comply with accounting standards and information disclosure regulations on the stock exchange. Financial statements are employed as a tool to convey information to investors and other parties. However, in reality, many managers have manipulated financial statements or attempted to adjust earnings to influence the company's stock price, secure a successful listing, issue new shares, or take advantage of corporate income tax incentives (Luu Thu, 2023).

Practices that do not violate general accounting principles, aimed at either reducing or increasing financial value, can also be referred to as profit management (Tjaraka et al., 2022). Profit management will continue to increase if there is a result management component as part of the entity manager's efforts to obtain more flexible information and a deeper understanding of company problems and developments critical for business continuity, compared to the entity's owners. Thus, this is one of the causes of profit management (Listia et al., 2022).

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Earning management (EM) is a set of activities used to manipulate profits reported in financial statements. It arose due to the flexible principles that allow managers to use discretion in reporting income (Tran et al., 2022).

Social responsibility and governance of an entity are two important concepts that have received much attention in recent literature. Corporate Social Responsibility, often abbreviated as CSR, relates to the ethical and social obligations of the company towards society and the environment, while Corporate Governance, abbreviated as GCG, refers to policies, procedures, and rules used to oversee the company's activities and ensure its long-term sustainability.

Especially concerning profit management, research (Aggarwal et al., 2023) has demonstrated its significant influence on CSR or GCG. CSR has gained substantial popularity worldwide, with the implementation of corporate social activities progressing from a charity-oriented approach to a more strategic one (Tran et al., 2022).

The world, industry is currently entering the era of 4.0 where there is a world development with the entry of innovations by developing biology, as well as digitalization in 21 centuries that have taken place for the view (Nurharjanti, 2020) internet of things and internet of systems that allow integration into the CSR implementation process. This condition allows for an integrated strategy to improve the CSR process. Current human resources can be developed and strengthened by a theory of legitimacy that can be applied to the disclosure index (Nurharjanti, 2020).

The major financial crisis that swept across the world, known as the global crisis of 2008, was primarily triggered by housing loans in the United States. This crisis had a global impact, affecting not only the United States but also countries like Indonesia. In addition to the global financial crisis, there was a global economic slowdown that resulted in numerous financial cases being addressed by the leading financial authorities in the United States. These actions had a ripple effect on liquidity in financial markets worldwide, particularly impacting companies from countries investing in the United States (Dyah, 2020). The impact of the global financial crisis varied for each country, depending on their policies and economic fundamentals, leading to different approaches to handling the crisis.

In Indonesia, the global financial crisis of 2008 also had consequences for the property sector. In 2007 the demand for apartments reached 13,400 units with a supply of 13,800 units. However, during the crisis, demand for apartments plummeted by -39%, and this trend continued until 2010. Learning from past crises, developers became cautious and postponed project launches until economic conditions improved. Although the property performance was affected by declining GDP and high-interest rates, the Rupiah exchange rate at Rp.11,000 had an impact, albeit not a long-lasting one (Dyah, 2020).

From these existing problems, a new term and system called corporate governance has been generated. Many business people state that good corporate governance is a way to prevent financial problems, at least avoid them, although it cannot be completely overcome. Ensuring the quality of a company's financial reporting has been a public concern since the accounting scandal. Financial statements are presented fairly by general accounting standards. The internal control system of the organization is functioning properly (Hanifah et al., 2018).

Perhaps not surprisingly, there is no universally accepted consensus on what 'good' corporate governance means. The economic and financial literature focused on the problem of agency relations between shareholders and managers resulting from the separation of ownership and control, particularly in large corporations (Citation, 2007). The stakeholder model requires that all parties affected by management decisions, including management itself, shareholders, employees, customers, suppliers, local and global environments, and governments should all be considered fairly. As a result, while shareholders occupy significant positions, management seeks to balance the interests of large groups of stakeholders to ensure that the decision-making process is consensus-oriented (Giamouzi, 2008).

Various research findings from prior studies reveal differences in opinions and inconsistent results. According to research (Andrian & Murwaningsari, 2021), Corporate social responsibility variables do not impact profit management. This is because companies that engage in upward earnings management often participate in more CSR activities, possibly as a distraction from their mistakes. (Indrawati & Hanif, 2023) also found no significant relationship between governance variables and profit management in their research.

The governance variables used in the study (Andrian & Murwaningsari, 2021) showed that, even when used as a moderation variable, they were unable to moderate the relationship between CSR and profit management. This finding is supported by research conducted by Supardi and Asmara (Supardi & Asmara, 2019).

Social responsibility under study (Azizah et al., 2021) provides positive results on profit management and gets support with similar results from research (Finishtya et al., 2021) and also supported by research (Ajward, 2019) and (Kurniawati et al., 2023) in contrast to research from (Yangklan & Sincharoonsak, 2021) which gave the opposite result which was positive but negative with research on the stock exchange of Thailand.

The results of previous research that has been explored, inspire researchers to conduct different studies, namely examining the influence of corporate governance and corporate social responsibility on profit management. This investigation involves the use of various measurements, including the Good Corporate Governance Index and the Corporate Social Responsibility Index. These indices serve as differentiators in the research process. In a recent research update conducted by (Khan et al., 2023), it was found that the Corporate Governance Index adopts a comprehensive approach. This approach involves considering the average of all company variables. This choice stems from the belief that not only one governance variable impacts a company; rather, all corporate governance variables play a role in promoting and implementing green innovation practices within organizations. Furthermore, a novel quantitative index has been developed to assess the level of corporate social responsibility (CSR). This new index offers a user-friendly tool for analyzing and implementing a continuous improvement approach in the realm of CSR. Importantly, it can engage all potential stakeholders, as highlighted in the study conducted by (Bascompta et al., 2022).

THEORETICAL REVIEW

Corporate Governance (GCG)

Corporate Governance arises as a response to the separation between business ownership and its control in the system by which a company is directed and controlled (Rodriguez-Fernandez, 2016). Internal governance is often weak as a means of disciplining controlling shareholders (Claessens & Fan, 2002). Corporate governance ensures that non-profits comply with legal and ethical requirements while enhancing the organization's overall strength (Malini & Yulistri, 2022). With this governance system, managers must provide information to those interested in the company. Good Corporate Governance (GCG) can prevent or reduce profit management because the supervision it entails encourages management to act in the best interest of stakeholders. In addition, supervision suppresses deviant behavior so that management can properly account for their work and be responsible for the tasks they oversee (Mahrani & Soewarno, 2018). While corporate governance refers to the rules, practices, and processes companies use to manage and control their operations and maintain a balance between various corporate interests, regulators and researchers often focus on the relationship between Good

Corporate Governance (GCG) mechanisms and profit management. Business professionals increasingly recognize the concept of Good Corporate Governance (GCG) as a tool to strengthen a company's foundation, using the principles of GCG.

According to (Hanifah et al., 2018), preventing the emergence of financial lawsuits can be achieved through one of the various components that play an essential role in the implementation of good corporate governance, namely the Audit Committee. Since accounting scandals became a public concern, the role of audit committees in ensuring the quality of corporate financial reporting has garnered significant attention. The Audit Committee is one of the components of GCG (Good Corporate Governance) that plays a pivotal role in the financial reporting system by monitoring the participation of management and independent auditors in the financial reporting process.

The research conducted by (Aggarwal et al., 2023), supported by (Supardi & Asmara, 2019) shows results that indicate a positive influence between corporate governance and profit management. These studies (Aggarwal et al., 2023) used research techniques that involved comparing several previous studies and then drawing a conclusion.

In contrast to these findings, (Lee et al., 2012), in their research on Taiwanese public companies totaling 268, reported negative results regarding profit management. These results are supported by research conducted by (Wijaya & Tifanny, 2020) and (Mahrani & Soewarno, 2018) which yielded similar results.

Furthermore, research (Hermiyetti & Manik, 2013) on companies listed on the IDX from 2010 to 2016 produced insignificant results concerning the relationship between corporate governance and profit management. This lack of significant influence can be attributed to the existence of a corporate supervision mechanism that primarily serves the purpose of complying with company laws and regulations, rather than other corporate objectives. Consequently, the implementation of corporate governance mechanisms is deemed ineffective and less efficient in managing the full spectrum of company activities, and the effectiveness of company management activities is also diminished. This observation is supported by research from (Indrawati & Hanif, 2023), (Alviansyah & Adiputra, 2021), and (Nuryana & Surjandari, 2019), which similarly found no influence of corporate governance on profit management. Therefore, the hypothesis is rejected:

H1: Corporate governance has no significant effect on profit management.

Corporate Social Responsibility (CSR)

Since Corporate Social Responsibility (CSR) has become a guiding principle for businesses, there is considerable debate among academics and practitioners about its benefits. Traditional corporate governance theory centers on the desire to maximize profits, which has traditionally been considered the primary goal of any business. Consequently, many companies allocate their resources primarily to maximize profits, investing little in CSR. This results in limited corporate engagement in CSR, with the primary objective being profit, often without a clear understanding of the specific purpose of CSR (Empiris et al., 2017).

Corporate social responsibility is a form of responsibility from the company's side to the environment around the company and society as a whole, as a form of social responsibility for activities carried out to improve the company's welfare and maintain good relations with the existing environment and nature, by paying attention to the impacts caused to improve it. (Alviansyah & Adiputra, 2021), Given the CSR philosophy, companies must not only generate profits but also have a positive impact on society. However, there are concerns that some businesses may use CSR as a tool to manipulate their financial statements, particularly in the area of profit management.

Corporate social responsibility (CSR) has gained popularity as a business strategy in recent years. With clear objectives and a positive impact exerted, corporate social responsibility (CSR) activities are based on the theory of legitimacy, which states that a company must continue to operate to demonstrate that its activities are by the laws, norms, and morals of the society and environment in which it is located and operates. (Aggarwal et al., 2023).

Regarding social and environmental reporting practices, the Jordanian Government has paid a lot of attention to CSR practices over the past few decades, improving regulations accordingly as social responsibility activities help companies attract local and foreign investment, which in turn leads to increased economic growth. In this regard, the Jordan Securities Commission (JSC) requires listed companies to disclose information about their level of compliance with international standards, including employment policies, number of employees, employee qualifications, training programs, and grants and donations (Ghaleb et al., 2021).

Research conducted by (Aggarwal et al., 2023), supported by (Alviansyah & Adiputra, 2021), (Kurniawati et al., 2023), and (Finishtya et al., 2021), demonstrates significant positive results regarding the impact of corporate social responsibility on earnings management. According to (Finishtya et al., 2021), as a company implements more corporate social responsibility disclosures, the level of corporate profit management rises. Companies with a high level of social responsibility gain legitimacy and public trust. These companies use legitimacy and public trust as a cover for their revenue management activities. This increased flexibility in profit management is due to the perceived protection of legitimacy or public trust, allowing profit management activities to be conducted more freely.

Different and contrary to the above research, research from (Aggarwal et al., 2023) and (Tran et al., 2022) As result, however, most studies find that CSR-EM has a negative relationship because CSR activities reduce profit management practices by companies and improve profit quality. Some studies show that CSR-EM has a positive relationship which suggests that some companies use CSR activities to manipulate profits, whereas some studies reveal that there is no relationship. Backed by research (Yangklan & Sincharoonsak, 2021) The results showed that corporate social responsibility reporting on environmental and energy aspects had a significant negative effect on profit management based on the Modified Jones Model and Yoon Model. So the withdrawal of the hypothesis is:

H2: Corporate social responsibility has a significant positive effect on profit management.

Profit Management

Earning management (EM) is a set of activities used to manipulate profits reported in financial statements. It arises because of the flexible principle allowing managers to use discretion in reporting income. When companies do not meet financial expectations such as revenue, revenue, debt agreements, and profitability, they can use flexibility to manipulate accounting figures (Tran et al., 2022). Profit management is the opportunistic behavior of managers to achieve certain goals and objectives, such as the desire to deliver consistent financial performance reports, by changing the figures reported in the financial statements. It is a process whereby, without violating Generally Accepted Accounting Principles (GAAP), executives may use a variety of accounting approaches at their discretion and manipulate reported earnings to meet analyst or shareholder expectations, avoid loan agreements, or smooth out fluctuations in earnings over time. To reduce the level of profit management implementation within the entity, corporate governance has an important role (Aggarwal et al., 2023).

Several theoretical reasons exist for companies to be motivated to reduce EM. Agency theory predicts that effective mechanisms relating to directors might result in more transparent financial reporting. Consequently, mitigating EM can help alleviate agency conflicts and reduce information asymmetry between management and shareholders (Abdou et al., 2021).

Profit management was further devastated by the global financial crisis and in 2001, Enron Corporation began its twenty-first century with a major accounting scandal that shook not only the accounting system in the country where the case occurred but affected the entire layer of global finance. To reduce profit management practices, a corporate government was established to regulate the relationship between agencies and users, Profit management affects the quality of profits, masking underlying economic transactions. When the company's internal and external controls are not running effectively, manipulation will be easier to do with certain goals, This opportunity will be utilized by management as well as possible to obtain the results desired by management (Basha, 2018a).

The following is a picture of the research model to be studied:

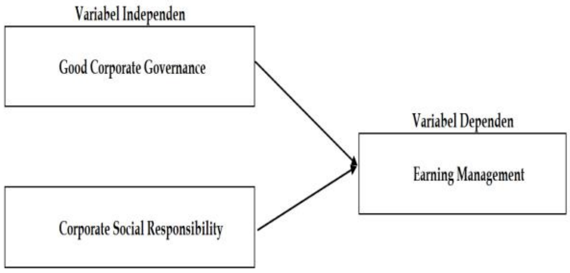

Figure 1 Research model

Source: Processed Secondary Data (2023)

METHODS

To distinguish and enhance the attractiveness and quality of the research, researchers conducted a study using quantitative data from companies listed in the Kompas100 Index over a time span from 2018 to 2021. All items from the financial statements were selected as potential factors that might influence the level of profit management (Basha, 2018b). The data were collected through a purposive sampling process from the annual reports and the annual financial statements of the selected companies. The collected data were then processed using the Eviews 12 application to analyze the panel data obtained from a sample of 132 observations representing 33 selected companies.

Table 1. Variable Measurement

Good Corporate Governance (GCG)	$\frac{\textbf{Total Score}}{\textbf{Total Item (32 Item)}}$
Corporate Social Responsibility (CSR)	$\frac{\textbf{Total Score}}{\textbf{Total Item (91 Item)}}$
Earning Management (EM)	**Non discretionary accruals (NDA):** $\mathrm{NDA}_{it} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right)$ **Discretionary accruals (DA):** $\mathrm{DA}_{it} = \left(\frac{TA_{it}}{A_{it-1}}\right) - \left[\beta_1\left(\frac{1}{A_{it-a}}\right) + \beta_2\left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right)\right]$ **Total accruals (TA):** $TA_t = IBEI_t - OCF_t$

Source: Processed Secondary Data (2023)

Description:

TA_{it} = total accruals

A_{it-1} = total assets

ΔREV_{it} = change in net income = change in receivables

ΔREC_{it} = gross property plant and

PPE_{it} = income before extraordinary

$IBEI_{t}$ = net operating cash flows =

OCF_{t} year

t = sample company

i

RESULTS AND DISCUSSION

Of the total number of 100 companies listed in the Kompas100 index, the total companies that meet the sample criteria are 33 data with a total sample data of 132, and the remaining 33 companies that do not meet the data criteria for research.

Table 2. Descriptive Statistics

Description	Sum
Registered Company	100
The company meets the sample criteria	33
Does not meet sample criteria	67
Total sample data	132

Source: Processed Secondary Data (2023)

Table 3. GCG Index Calculation

Code & Year	Total Score	Total Item	GCG Index
AALI2018	22	32	0.69
AALI2019	25	32	0.78
AALI2020	26	32	0.81
AALI2021	27	32	0.84
ACES2018	25	32	0.78
ACES2019	17	32	0.53
ACES2020	24	32	0.75
ACES2021	25	32	0.78
ADHI2018	21	32	0.66
ADHI2019	24	32	0.75
ADHI2020	26	32	0.81
ADHI2021	27	32	0.84
ADRO2018	22	32	0.69
ADRO2019	25	32	0.78

ADRO2020	24	32	0.75
ADRO2021	25	32	0.78
AKRA2018	29	32	0.91
AKRA2019	28	32	0.88
AKRA2020	29	32	0.91
AKRA2021	31	32	0.97
ANTM2018	28	32	0.88
ANTM2019	28	32	0.88
ANTM2020	30	32	0.94
INDF2021	29	32	0.91
ASII2018	27	32	0.84
ASII2019	26	32	0.81
ASII2020	29	32	0.91
ASII2021	28	32	0.88
BBCA2018	26	32	0.81
BBCA2019	28	32	0.88
BBCA2020	29	32	0.91
BBCA2021	31	32	0.97
BBNI2018	27	32	0.84
BBNI2019	26	32	0.81
BBNI2020	28	32	0.88
BBNI2021	30	32	0.94
BBRI2018	20	32	0.63
BBRI2019	22	32	0.69
BBRI2020	23	32	0.72
BBRI2021	25	32	0.78
BBTN2018	19	32	0.59
BBTN2019	21	32	0.66
BBTN2020	22	32	0.69
BBTN2021	22	32	0.69
BMRI2018	25	32	0.78
BMRI2019	27	32	0.84
BMRI2020	28	32	0.88
BMRI2021	30	32	0.94
BRPT2018	22	32	0.69
BRPT2019	22	32	0.69
BRPT2020	22	32	0.69

BRPT2021	23	32	0.72
BSDE2018	28	32	0.88
BSDE2019	27	32	0.84
BSDE2020	28	32	0.88
BSDE2021	30	32	0.94
ELSA2018	27	32	0.84
ELSA2019	27	32	0.84
ELSA2020	27	32	0.84
ELSA2021	27	32	0.84
EXCL2018	20	32	0.63
EXCL2019	22	32	0.69
EXCL2020	25	32	0.78
EXCL2021	26	32	0.81
INCO2018	16	32	0.50
INCO2019	15	32	0.47
INCO2020	17	32	0.53
INCO2021	19	32	0.59
INDY2018	24	32	0.75
INDY2019	24	32	0.75
INDY2020	24	32	0.75
INDY2021	25	32	0.78
INTP2018	28	32	0.88
INTP2019	28	32	0.88
INTP2020	29	32	0.91
INTP2021	30	32	0.94
ITMG2018	28	32	0.88
ITMG2019	28	32	0.88
ITMG2020	28	32	0.88
ITMG2021	28	32	0.88
JPFA2018	27	32	0.84
JPFA2019	27	32	0.84
JPFA2020	27	32	0.84
JPFA2021	28	32	0.88
JSMR2018	30	32	0.94
JSMR2019	30	32	0.94
JSMR2020	30	32	0.94
JSMR2021	30	32	0.94

KLBF2018	28	32	0.88
KLBF2019	28	32	0.88
KLBF2020	28	32	0.88
KLBF2021	28	32	0.88
MEDC2018	29	32	0.91
MEDC2019	29	32	0.91
MEDC2020	29	32	0.91
MEDC2021	29	32	0.91
PGAS2018	29	32	0.91
PGAS2019	29	32	0.91
PGAS2020	29	32	0.91
PGAS2021	29	32	0.91
PTBA2018	29	32	0.91
PTBA2019	29	32	0.91
PTBA2020	29	32	0.91
PTBA2021	30	32	0.94
SMGR2018	29	32	0.91
SMGR2019	29	32	0.91
SMGR2020	30	32	0.94
SMGR2021	30	32	0.94
TINS2018	28	32	0.88
TINS2019	29	32	0.91
TINS2020	29	32	0.91
TINS2021	30	32	0.94
TPIA2018	28	32	0.88
TPIA2019	28	32	0.88
TPIA2020	28	32	0.88
TPIA2021	28	32	0.88
UNTR2018	29	32	0.91
UNTR2019	29	32	0.91
UNTR2020	29	32	0.91
UNTR2021	29	32	0.91
UNVR2018	31	32	0.97
UNVR2019	31	32	0.97
UNVR2020	31	32	0.97
UNVR2021	31	32	0.97
WIKA2018	28	32	0.88

WIKA2019	29	32	0.91
WIKA2020	29	32	0.91
WIKA2021	29	32	0.91
WSKT2018	31	32	0.97
WSKT2019	31	32	0.97
WSKT2020	31	32	0.97
WSKT2021	31	32	0.97

Source: Processed Secondary Data (2023)

Table 4. CSR Index Calculation

Code & Year	Total Score	Total Item	CSR Index
AALI2018	34	91	0.37
AALI2019	35	91	0.38
AALI2020	30	91	0.33
AALI2021	37	91	0.41
ACES2018	3	91	0.03
ACES2019	5	91	0.05
ACES2020	32	91	0.35
ACES2021	33	91	0.36
ADHI2018	7	91	0.08
ADHI2019	16	91	0.18
ADHI2020	23	91	0.25
ADHI2021	23	91	0.25
ADRO2018	33	91	0.36
ADRO2019	33	91	0.36
ADRO2020	50	91	0.55
ADRO2021	34	91	0.37
AKRA2018	33	91	0.36
AKRA2019	33	91	0.36
AKRA2020	50	91	0.55
AKRA2021	64	91	0.70
ANTM2018	39	91	0.43
ANTM2019	40	91	0.44
ANTM2020	39	91	0.43
INDF2021	40	91	0.44
ASII2018	51	91	0.56
ASII2019	54	91	0.59
ASII2020	58	91	0.64

ASII2021	68	91	0.75
BBCA2018	18	91	0.20
BBCA2019	19	91	0.21
BBCA2020	26	91	0.29
BBCA2021	25	91	0.27
BBNI2018	39	91	0.43
BBNI2019	39	91	0.43
BBNI2020	43	91	0.47
BBNI2021	43	91	0.47
BBRI2018	46	91	0.51
BBRI2019	45	91	0.49
BBRI2020	53	91	0.58
BBRI2021	54	91	0.59
BBTN2018	43	91	0.47
BBTN2019	48	91	0.53
BBTN2020	49	91	0.54
BBTN2021	49	91	0.54
BMRI2018	19	91	0.21
BMRI2019	29	91	0.32
BMRI2020	30	91	0.33
BMRI2021	46	91	0.51
BRPT2018	17	91	0.19
BRPT2019	36	91	0.40
BRPT2020	36	91	0.40
BRPT2021	34	91	0.37
BSDE2018	13	91	0.14
BSDE2019	45	91	0.49
BSDE2020	45	91	0.49
BSDE2021	49	91	0.54
ELSA2018	25	91	0.27
ELSA2019	44	91	0.48
ELSA2020	44	91	0.48
ELSA2021	47	91	0.52
EXCL2018	36	91	0.40
EXCL2019	36	91	0.40
EXCL2020	36	91	0.40
EXCL2021	36	91	0.40

INCO2018	53	91	0.58
INCO2019	59	91	0.65
INCO2020	62	91	0.68
INCO2021	66	91	0.73
INDY2018	52	91	0.57
INDY2019	58	91	0.64
INDY2020	58	91	0.64
INDY2021	65	91	0.71
INTP2018	56	91	0.62
INTP2019	60	91	0.66
INTP2020	62	91	0.68
INTP2021	66	91	0.73
ITMG2018	17	91	0.19
ITMG2019	27	91	0.30
ITMG2020	39	91	0.43
ITMG2021	42	91	0.46
JPFA2018	49	91	0.54
JPFA2019	57	91	0.63
JPFA2020	62	91	0.68
JPFA2021	65	91	0.71
JSMR2018	25	91	0.27
JSMR2019	35	91	0.38
JSMR2020	28	91	0.31
JSMR2021	28	91	0.31
KLBF2018	15	91	0.16
KLBF2019	16	91	0.18
KLBF2020	28	91	0.31
KLBF2021	21	91	0.23
MEDC2018	21	91	0.23
MEDC2019	19	91	0.21
MEDC2020	18	91	0.20
MEDC2021	21	91	0.23
PGAS2018	69	91	0.76
PGAS2019	69	91	0.76
PGAS2020	70	91	0.77
PGAS2021	70	91	0.77
PTBA2018	67	91	0.74

PTBA2019	67	91	0.74
PTBA2020	67	91	0.74
PTBA2021	67	91	0.74
SMGR2018	67	91	0.74
SMGR2019	67	91	0.74
SMGR2020	67	91	0.74
SMGR2021	69	91	0.76
TINS2018	55	91	0.60
TINS2019	56	91	0.62
TINS2020	56	91	0.62
TINS2021	56	91	0.62
TPIA2018	43	91	0.47
TPIA2019	43	91	0.47
TPIA2020	43	91	0.47
TPIA2021	43	91	0.47
UNTR2018	56	91	0.62
UNTR2019	57	91	0.63
UNTR2020	57	91	0.63
UNTR2021	57	91	0.63
UNVR2018	55	91	0.60
UNVR2019	60	91	0.66
UNVR2020	61	91	0.67
UNVR2021	62	91	0.68
WIKA2018	62	91	0.68
WIKA2019	61	91	0.67
WIKA2020	62	91	0.68
WIKA2021	62	91	0.68
WSKT2018	78	91	0.86
WSKT2019	78	91	0.86
WSKT2020	78	91	0.86
WSKT2021	78	91	0.86

Sumber: Data Sekunder Diolah (2023)

Descriptive statistical test results

Table 5. Descriptive Statistics

	GCG_INDEX	CSR_INDEX	IN
Mean	0.839252	0.493173	1.765686
Median	0.875000	0.494505	1.090195

Maximum	0.968750	0.857143	11.97998
Minimum	0.468750	0.032967	0.009918
Std. Dev.	0.106737	0.193834	2.199875
Skewness	-1.306260	-0.207323	2.739825
Kurtosis	4.392590	2.215759	11.05935
Jarque-Bera	48.20512	4.328310	522.3888
Probability	0.000000	0.114847	0.000000
Sum	110.7813	65.09890	233.0706
Sum Sq. Dev.	1.492446	4.921877	633.9678
Observations	132	132	132

Source: Processed Secondary Data (2023

The measurement variables used, namely the GCG Index and CSR Index, are tested and examined for significance and value in the final study. The higher the total index produced, the better it reflects the quality and performance of a company (Putra & Dewayanto, 2019).

From the results of the descriptive statistical tests carried out, it is evident that the GCG Index has an average of 0.839252, which is equivalent to 84% of the entities or companies meeting the GCG Index. The GCG Index ranges from a minimum of 0.468750 to a maximum of 0.968750, with a standard deviation of 0.106737.

The descriptive statistical tests also indicate that the CSR Index has an average of 0.493173, equivalent to 49% of the entities or companies meeting the CSR Index. The CSR Index varies from a minimum of 0.032967 to a maximum of 0.857143, with a standard deviation of 0.193834.

Regarding the profit management variable, it has an average value of 1.765686, with a minimum value of 0.009918 and a maximum of 11.97998, along with a standard deviation of 2.199875.

Results of hypothesis testing

Chow Test Results

Redundant Fixed Effects Tests
Equation: FEM_EM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	92.183876	(32,97)	0.0000
Cross-section Chi-square	455.025613	32	0.0000

Figure 2 Chow Test Results

Source: Processed Secondary Data (2023)

The test that has been conducted is the Chow test. This test yields results indicating a probability of cross-section F less than 0.05, specifically resulting in 0.0000. Consequently, the regression data model selected based on the Chow test is the Fixed Effect Model (FEM). Following these results, a further test was conducted to determine the chosen regression model between FEM (Fixed Effect Model) and REM (Random Effect Model) using the Hausman test.

Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: REM_EM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.157327	2	0.9244

Figure 3 Hausman Test Results

Source: Processed Secondary Data (2023)

The next test that has been carried out is the Hausman test. This test provides results that indicate a random cross-section probability above 0.05, specifically with a probability number of 0.9244. As a result, the preferred data regression model is the REM (Random Effect Model) based on the existing Hausman test. To proceed with the test, an LM (Lagrange Multiplier) test is conducted to select the next regression model between PLS (Common Effect Model) and REM (Random Effect Model).

Lagrange Multiplier Test Results

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	181.2787 (0.0000)	1.984850 (0.1589)	183.2635 (0.0000)

Figure 4 Lagrange Multiplier Test Results

Source: Processed Secondary Data (2023)

The next step is to perform the LM (Lagrange Multiplier) test to determine a definitive regression model. This is achieved by examining the cross-section probabilities in the Breusch-Pagan section, which have a number below 0.05, specifically resulting in 0.0000. This provides evidence that the selected regression model is a REM model (Random Effect Model) that will be used for further tests.

Test Results t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.321328	0.910133	2.550537	0.0119
GCG_INDEX	0.940459	1.073563	0.876017	0.3826
CSR_INDEX	-2.727080	0.607665	-4.487801	0.0000

Figure 5 t-Test Results

Source: Processed Secondary Data (2023)

F Test Results

Weighted Statistics

Root MSE	0.436827	R-squared	0.143145
Mean dependent var	0.178117	Adjusted R-squared	0.129860
S.D. dependent var	0.473704	S.E. of regression	0.441877
Sum squared resid	25.18798	F-statistic	10.77527
Durbin-Watson stat	0.938120	Prob(F-statistic)	0.000047

Figure 6 F Test Results

Source: Processed Secondary Data (2023)

Results of the Coefficient of Determination

Root MSE	0.436827	R-squared	0.143145
Mean dependent var	0.178117	Adjusted R-squared	0.129860

Figure 7 Coefficient of Determination Test Results

Source: Processed Secondary Data (2023)

This test is used to show the model match between dependent and independent variables, which is useful for research with enough independent variables or >1 to determine which one is most suitable for the dependent variable, determined from a higher percentage of results the better model fit. The percentages below show how much the independent variable describes the dependent, and the remaining number describes the variables that are not in the model.

The influence of corporate governance on profit management

The results of the hypothesis test show that corporate governance does not have a significant effect on profit management, this is shown by the results of the t GCG index test, which reveals a coefficient of 0.940459 and a probability of 0.3826, indicating a value above 0.5. Consequently, hypothesis 1 is accepted, as these results align with and are supported by previous research, such as the study conducted by (Hermiyetti & Manik, 2013) With differences in measuring variables, independent variables include the size of the Board of Commissioners, the percentage of the Independent Board of Commissioners, the size of the Audit Committee, and the frequency of Commissioners meetings. The dependent variable is that profit management as measured by the discretionary revenue model has no significant effect on profit management.

This is also supported by research from (Indrawati & Hanif, 2023). The results of his research show that GCG is not a factor that affects profit management, because the number of meetings of commissioners and audit committees is only a provision of Bapepam and not a reference in determining management policies or commissioners and audit committees in determining profit management. With research from (Alviansyah & Adiputra, 2021) as a result of the implementation of good corporate governance practices that only serve as a form of corporate compliance with laws and regulations, the benefits of its good governance practices have become ineffective and suboptimal in terms of improving organizational performance.

Similarly, (Nuryana & Surjandari, 2019) Ineffective supervision carried out by the board of directors will cause a decrease in performance which causes a decrease in the ability of the board to control management and prevent management fraud in managing the company, which includes fraud in profit management.

The effect of corporate social responsibility on profit management

The results of the hypothesis test indicate that corporate social responsibility significantly impacts profit management. This conclusion is based on the findings of the t CSR index test, which reveals a coefficient of -2.727080 and a probability (prob.) of 0.0000, falling below the 0.05 threshold. Therefore, corporate social responsibility has a significant negative effect on profit management. These results align with previous research by (Aggarwal et al., 2023), (Tran et al., 2022), and (Yangklan & Sincharoonsak, 2021). However, most studies find that CSR-EM has a negative relationship because CSR activities reduce profit management practices by companies and improve profit quality. Some studies show that CSR-EM has a positive relationship which suggests that some companies use CSR activities to manipulate profits, whereas some studies reveal that there is no relationship. The results revealed that corporate social responsibility reporting correlates with the management of profits arising from the political environment. It was also found that corporate social responsibility reporting correlated with negative profit management for companies in the oil and gas industry. This can happen because companies disclose information about corporate social responsibility reporting, such as disclosure of information about the environment, toxic emissions, wastewater treatment before it is discharged into nature, and disposal of waste from production processes. The energy field will be disclosed about conservation, research, and development to improve energy efficiency. This responsibility is necessary to pay the actual costs incurred. Since forecasts do not cause it, it may not be able to generate profit manipulation. Profit management focuses on costs arising from management's judgment or forecasts for managing a company's profits. It can be seen that the company's social operation will result in the company having a good image and reputation, causing customers to pay attention to the company. In addition, the existence of corporate social responsibility actions will result in cost savings incurred in the event.

CONCLUSION AND SUGGESTION

The analysis aims to determine whether the variables GCG (Good Corporate Governance) and CSR (Corporate Social Responsibility), measured using indexes, can influence financial performance when mediated by profit management. This study also investigates whether there is a direct and indirect impact on the financial performance of companies listed in the Kompas100 Index. Notably, these companies typically exhibit very good fundamentals, and this study focuses on entities classified as having a strong portfolio. The study's findings indicate that GCG and CSR do not significantly impact earnings management. However, earnings management significantly positively affects asset returns and Tobin's Q, but it does not affect EPS (Earnings per Share). Specifically, GCG significantly positively affects asset returns but does not influence EPS and Tobin's Q. In contrast, CSR significantly negatively affects asset returns and Tobin's Q but does not impact EPS. The results of the Sobel test suggest that GCG and CSR cannot be mediated through profit management to influence a company's financial performance. It is worth noting that there is limited support in existing literature for-profit management as a mediating variable about financial performance. This limitation should be considered when interpreting the study's results.

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