The Effect of Accounting Conservatism, CSR Disclosure and Tax Avoidance on Earnings Management : Some Evidence From Listed Companies in Indonesia

by Afrizal Afrizal

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The Effect of Accounting Conservatism, CSR Disclosure and Tax Avoidance on Earnings Management: Some Evidence From Listed Companies in Indonesia

Afrizal*, Wirmie Eka Putra, Yuliusman, Riski Hernando

Faculty of Economic and Business, Universitas Jambi, Jambi, Indonesia
Jl. Jambi-Ma. Bulian Km.15, Mendalo Darat, Kec. Jambi Luar Kota, Kabupaten Muaro Jambi, Jambi, Indonesia 36122
Email corresponding author: afrizaldoktor@unja.ac.id

Abstract

The aims of the study is to know the effect of conservatism accounting, corporate social responsibility (CSR) disclosure and tax avoidance on earnings management. In this study variable of conservatism accounting was proxy by accrual. Variable of CSR disclosure was proxy by corporate social responsibility index (CSRI) which refers to guidelines CSRI version GRI-G4 and GRI Standard. Variable of tax avoidance was proxied by CETR. The sample used in this research was mining companies listed in the Indonesia Stock Exchange (henceforth, IDX) from 2015 – 2017. Used purposive sampling 13 companies were selected from total of 39 data. To analysis the data, this study used descriptive statistics and data panel regression analysis with software eviews7. The finding showed that, as simultaneously, conservatism accounting, CSR disclosure, and tax avoidance influenced earnings management. However, as partially, conservatism accounting influenced earnings management, while CSR disclosure, and tax avoidance did not influence earnings management. Company management can design an advanced implementation mechanism by not carrying out tax planning that is illegal and can be detrimental to the State, and does not worsen the company's image and reputation in the public eye. The financial accounting standards board must enact regulations that can minimize tax avoidance and earnings management. This regulation is needed to increase the responsibility of management and accountants in the credibility of financial statements.

Keywords*: Agency theory, conservatism accounting, corporate social responsibility (CSR) disclosure, earnings management, tax avoidance.*

1. Introduction

The company was founded to make a profit. The limited owner in managing the company encourages the owner to hand over the authority of the company management to management. The management will be responsible for the owner to report the company's resource management activities through a financial report. The financial statements serve to provide information relating to the financial position, performance, and changes in the financial position of an entity that is useful for a large number of users in making economic decisions (Hans, Sinaga, & Syamsul, 2012). One important parameter in the financial statements that are used to measure management performance is profit, which is presented in the income statement.

The tendency to pay attention to earnings is realized by management, especially managers whose performance is based on this information, thus encouraging deviant behavior, one of which is earnings management. Earnings management itself is a serious problem faced by practitioners and academics. The reason is that earnings management seems to have become a corporate culture practiced by all companies in the world (Ferdiansyah, 2014; Persakis & Iatridis, 2016).

According to (Sulistyanto, 2014) states that earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers (Ronen & Yaari, 2008). Efforts to manipulate information through earnings management practices have become a major factor causing financial statements to no longer reflect the fundamental value of a Company.

On the other hand, according to Soraya and Harto (2014) conservatism is a principle in financial reporting that is intended to recognize and measure assets and profits that are carried out prudently due to economic and business activities that are surrounded by uncertainty (Lin, Wu, Fang, & Wun, 2014). Although conceptually it is felt that conservatism produces problems because conservatism causes accounting not to report true value appropriately, but in reality, this principle is still applied by accountants. For instance, research conducted by Ruwanti, (2016); Jackson and Liu, (2010); Soraya and Harto, (2014) found that that accounting conservatism significantly influences earnings management.

Another factor that can lead to earnings management practices in companies is the misuse of positive assessments from the periodic disclosure of company sustainability reports. Regular disclosure of corporate social responsibility (henceforth, CSR) is an important activity, meaning that the company participates in improving the welfare of the community. The impact caused by the company's activities will greatly affect the surrounding community so that what the company does related to its business activities will return to the community. This is the reason why company management needs support from the surrounding community and a conducive environment so that the company can operate quietly (Arief & Ardiyanto, 2014; Wardani & Santi, 2018).

In addition to disclosing CSR, other factors can lead to earnings management practices in a company, namely tax avoidance. One of the motivations in earnings management practice is taxation, the company will try to minimize the tax that will be paid. Companies will tend to choose safe ways to reduce large tax payments legally by tax evasion. According to (Tristianto & Oktaviani, 2016) tax avoidance activities are common things done by taxpayers, because in addition to being profitable for them the action also does not violate the law. This study is intended to conduct further research on the influence of accounting conservatism and disclosure of CSR to obtain a more comprehensive understanding of its effects on earnings management.

2. Literature Review

2.1. Agency Theory, Stakeholder Theory, Legitimacy Theory

This research is fundamental to agency theory, legitimacy theory, and stakeholder theory. Salno and Dan (2000) defined that the concept of earnings management uses an agency theory approach. This theory shows that there are problems of interests between deviant principals and agents accompanied by incomplete information given or received by both parties (Bosse and Phillips, 2016).

On ther other hand, CSR activities carried out by the company are related to stakeholder theory. A company must be responsible for those who have an interest in the company. The company must foster good relations with these stakeholders. According to Ghozali and Chariri, (2007) in stakeholder theory, companies are not entities that only operate for their interests but must provide benefits for their stakeholders.

Moreover, legitimacy theories are usually applied in the social environment and the accounting literature environment which adopts a central assumption that the success of an organization's operations requires managers to ensure that their organizations appear to be operating in accordance with the expectations of society, because in legitimacy theory, organization is seen as part of a wider social system (Deegan, 2018).

2.2. Earnings Management

According to Sulistyanto, (2014) earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers (Ronen & Yaari, 2008). This implies that, earnings management is done by playing with the accrual components in the financial statements, because the accrual component can be played with numbers through the accounting method used by the wishes of the person who records and compiles the financial statements (Soraya & Harto, 2014; Pae, 2007; and Ball & Shivakumar, 2005). The scope of earnings management is very broad so that earnings management practices in a company cannot be avoided (Sial & Chunmei, 2018).

2.3. Accounting Conservatism

According to Susanto and Ramadhani, (2016) conservatism is interpreted as a prudent reaction in dealing with uncertainties that occur in economic and business activities (Watts, 2003). This means that earnings are recognized when they are realized while losses are recognized immediately. Conservatism is the most fundamental principle of accounting estimation, and therefore conservatism has an important and profound effect on accounting theory, rules and practice (Xu, Wang, & Han, 2012). Septian and Anna (2014) state that the concept of conservatism is often expressed as a preference for understatement rather than overstatement of net income and net assets when faced with measurement uncertainty (Dechow, Sloan, Sweeney, Sloan, & Sweeney, 1995).

2.4. Corporate Social Responsibility Disclosure.

The concept of CSR which focuses on environmental, social and economic impacts has stolen the attention in the last decade. However, CSR perceptions tend to differ in some countries, depending on how CSR looks in the social, political, financial and institutional systems provided (Sial & Chunmei, 2018). Said, Zainuddin, and Haron, (2009) states that CSR can help in terms of improving the company's financial performance, enhancing the company's brand image and increasing the ability to attract and maintain the best workplaces, and contribute to the company's market value. The CSR function is used as a means of facilitating corporate intentions with social and ethical goals and to avoid conflicts of interest between managers, shareholders and other stakeholders (Sial & Chunmei, 2018). Besides that, Mardikanto, (2014) defines CSR as an obligation of entrepreneurs to formulate policies, make decisions, or follow the line of action desired in terms of community goals and values.

2.5. Tax Avoidance

Tax avoidance has been operated not at a company or a bank with a small size but is designed and operated at a company or bank with a large size (Sikka & Willmott, 2013). There is an interesting thing concluded by Sikka and Willmott, (2013) related to tax avoidance. The confirms that tax planning is a euphemism for tax avoidance with a scheme not only preservation of one company but institutionalized by all Big Four Firms, also tax avoidance schemes as practiced by several Large Corporate Partners. According to Nurfadilah, Mulyati, Purnamasari, and Niar, (2015) tax avoidance is not a violation of tax laws because the taxpayer's efforts to reduce, avoid, minimize and ease the tax burden are done in a way that can be done by the tax law (Merks, 2007).

2.6. Hypothesis development

2.6.1. The Effect of Accounting Conservatism on Earnings Management

Accounting conservatism generates higher quality earnings because this principle prevents companies from exaggerating profits and helps users of financial statements by

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presenting non-overstated earnings and assets. Earnings in financial statements can interpret company performance because performance is one of the important factors that show the effectiveness and efficiency of an organization to achieve its goals (Soraya & Harto, 2014; Pae, 2007; Ball & Shivakumar, 2005). So, the researchers propose the following hypothesis as follows:

H1: Accounting Conservatism Influences on Earnings Management

2.6.2. The Effects of Corporate Social Responsibility Disclosure on Earnings Management

Companies that carry out CSR activities and disclose them in financial statements indirectly benefit in the form of a positive image in the eyes of the public and investors. This positive image indirectly benefits management or the company in managing earnings. Almahrog, Ali Aribi, and Arun, (2018) stated that companies can gain some benefits through building a positive image among stakeholders, and building social ties with employees and the local community, which results in a reputation for profit.

research conduct by Arief and Ardiyanto, (2014) showed that it does not guarantee that the greater the disclosure of CSR information made by companies, the wider the opportunity for management to make earnings management (Siregar & Veronika, 2017; Patten & Trompeter, 2003; Prior, Surroca, & Tribó, 2008; and Wardani & Santi, 2018; Gargouri, Francoeur, & Shabou, 2010). However, the researchs by Prasetya & Gayatri, (2016); Chih, Shen, & Kang, (2014); and Putriana, Artati, & Utami, (2018); Yip, Staden, & Cahan, (2011) found that CSR does not affect earnings management. In this study, we propose the following hypothesis:

H2: Corporate Social Responsibility Disclosure Influence on Earnings Management

2.6.3. The Effects of Tax Avoidance on Earnings Management

Larastomo, Perdana, Triatmoko, and Sudaryono, (2016) states that one of the motivations of earnings management is to minimize taxes. The company considers taxes as an expense. Therefore, management carries out earnings management to minimize its tax burden. Companies in tax planning tend to choose a safe way to avoid tax legally, which is doing tax avoidance. According to Tristianto and Oktaviani, (2016) this tax avoidance is a unique problem. Because, on the one hand, tax avoidance is permitted, but on the other hand tax avoidance is undesirable.

Moreover, Prakosa, (2014) explains that tax avoidance is a tax avoidance that is done legally because it does not violate applicable rules or standards. However, tax avoidance can give big losses to the country because it reduces the income of the state budget. So, it can be said that tax avoidance is a legal action that harms the government (Rahman, Moniruzzaman, & Sharif, 2013). In this study we proposed a hypothesis as follows:

H3: Tax Avoidance Influences on Earnings Management

3. Research Method

The research approach used in this study is quantitative. This research uses secondary data (Indriantoro & Supomo., 2016). Secondary data in this study in the form of annual reports and sustainability reports of mining companies that are listed on the IDX during 2015 – 2017.

3.1. Population and Research Sampling

The population of this research is the mining company which is listed on the IDX. There are 45 registered companies. The research sampling technique is to use the purposive sampling method. The number of samples that fit the study criteria were 13 companies.

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3.2. Research Variable

3.2.1. Earnings Management

Earnings management in this study was measured using discretionary accruals of Jones modification models. There are three steps to calculate the value of discretionary accrual (DAC), which are as follows:

1. Calculate the total accrual (TAC), i.e. net income for year t minus the operating cash flow for year t using the following formula:

   TAC= NIit – CFOit

   Next, total accrual (TA) is estimated with Ordinary Least Square as follows:

$$\frac{TAit}{Ait-1} = \beta 1\left(\frac{1}{Ait-1}\right) + \beta 2\left(\frac{\Delta Revit}{Ait-1}\right) + \beta 3\left(\frac{PPEit}{Ait-1}\right) + \varepsilon$$

2. With the regression coefficient as in the formula above, the nondiscretionary accruals (NDA) are determined by the following formula:

$$NDAit = \beta 1\left(\frac{1}{Ait-1}\right) + \beta 2\left(\frac{\Delta REVit}{Ait-1} - \frac{\Delta RECit}{Ait-1}\right) + \beta 3\left(\frac{PPEit}{Ait-1}\right)$$

3. Finally, discretionary accruals (DA) as a measure of earnings management are determined by the following formula:

$$DAit = \frac{TAit}{Ait-1} - NDAit$$

Information :

DAit	= Discretionary accruals of the company i in the year t
NDAit	= Nondiscretionary accruals of the company i in the period t
TAit	= Total company accrual i in the period t
NIit	= Net profit of company i in the period t
CFOit	= Cash flows from activities, operating company i in the period t
Ait-1	= Total Assets of company i in the period t-1 year
ΔREVit	= Company revenue i in year t is reduced by company income i in year t-1
PPEit	= Property, plant and company equipment i in the period t
ΔRECit	= Company's trade receivables i in year t minus company income i in year t-1
Ɛ	= error

3.2.2. Conservatism Accounting

Conservatism is measured using accruals, which is the difference between net income and cash flow. Net income used is net income before depreciation and amortization, while the cash flow used is operational cash flow (Savitri, 2016). The measurement uses the following formula:

$$\mathbf{CONAAC} = \frac{\mathbf{(NIO + DEP - CFO)\ X - 1}}{\mathbf{TA}}$$

Information:

CONAAC	= Earnings conservatism based on accrued items
NIO	= Operating profit of the current year
DEP	= Depreciation of fixed assets of the current year
CFO	= Net amount of cash flow from operating activities of the current year
TA	= Book value of closing total assets

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3.2.3. Corporate Social Responsibility Disclosure

CSR in this study was measured using the CSRI which refers to the GRI-G4 version of the Global Reporting Initiative (GRI) and GRI Standard instruments. This approach uses a dichotomous approach, where each category of CSR disclosure information in a research instrument is given a score of 1 if the information category disclosed is in the annual report, and a value of 0 if the information category is not disclosed in the annual report. Next, the scores from each of the Sustainability Report information categories are summed to obtain an overall score for each company. Measurement using the following formula:

$$CSRDI = \frac{\sum XKy}{ny}$$

Information:

CSRDI	= CSR Index y.
$\sum$XKy	= Total of 1 = information disclosed, 0 = information not disclosed.
ny	= The number of items for the company y.

3.2.4. Tax Avoidance

Tax avoidance is defined as an effort to minimize the company's tax burden. Tax avoidance or tax avoidance in this study was measured using a CETR proxy. The low CETR value illustrates the high level of tax aggressiveness. Conversely, the high value of CETR illustrates the low level of tax avoidance (Astuti & Aryani, 2017). Measurement using the following formula:

$$CETR = \frac{Tax\ paid\ by\ the\ company}{Net\ income\ before\ tax}$$

3.3. Data Analysis

The data analysis method used in this research is quantitative analysis. The data processing used to produce the entire analysis in this study uses the Eviews 7.0 program. The analytical method used is quantitative descriptive analysis. Quantitative analysis is used to analyze quantitative information, i.e. estimation of the regression model using pooled data and choosing which model is the best of the common, fixed, or random effects. The panel data regression model is as follows:

$$Y_{it} = \propto + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it}$$

Information:

Y_(it)	= Earnings Management
α	= Constant
$\boldsymbol{\beta}$1 , $\boldsymbol{\beta}$2,	= Variable Coefficient
X_1it	= Accounting Conservatism
X_2it	= CSR Disclosure
X_3it	= Tax Avoidance
ε	= Residual of Error

4. Results

4.1. Statistic Descriptive Analysis

The results of descriptive statistical analysis of the variables of this study which can be seen in Figure 1 below:

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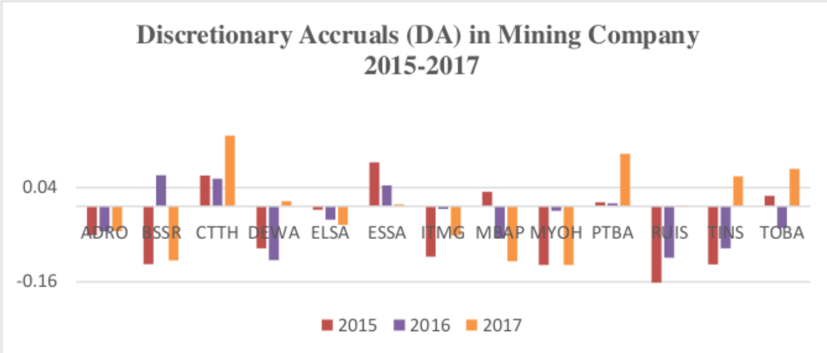
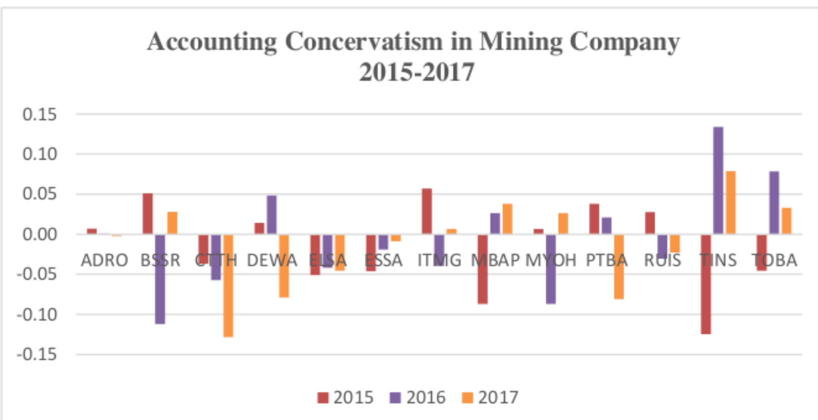


Source: Own elaboration using eviews7

Figure 1. Descriptive statistic

Based on Figure 1 above it can be seen that the earnings management variable (DA) in mining companies has a minimum value in 2015 of -0.16. In 2016 it has a minimum value of -0.11. In 2017 it has a minimum value of -0.12; In 2015 it has a maximum value of 0.09. In 2016 it has a maximum value of 0.07. In 2017 it has a maximum value of 1.15. In 2015 the average value obtained was -0.04. In 2016 it was -0.03 and in 2017 it was 0.01. The standard deviation in 2015 was 0.08356. In 2016 amounted to 0.06042 and in 2017 amounted to 0.08933.



Source: Own elaboration using eviews7

Figure 2. Descriptive statistic

Based on Figure 2 above it can be seen that the variable accounting conservatism (KA) in mining companies has a minimum value of 2015 of -0.12. In 2016 it has a minimum value of -0.11. In 2017 it has a minimum value of -0.13. In 2015 it had a maximum value of 0.06. In 2016 it has a maximum value of 0.13. In 2017 it has a maximum value of 0.08. In 2015 the average value obtained was -0.01. In 2016 it was -0.01 and in 2017 it was -0.01. The standard deviation in 2015 was 0.055465. In 2016 it was 0.067813 and in 2017 it was 0.057992.

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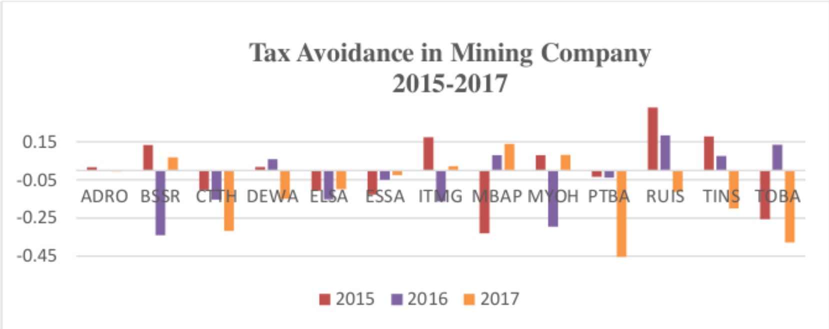
Source: Own elaboration using eviews7

Figure 3. Descriptive statistic

Based on Figure 3 above it can be seen that the variable CSR disclosure has a minimum value in 2015 of 0.19. In 2016 it has a minimum value of 0.21. In 2017 it has a minimum value of 0.24. In 2015 it had a maximum value of 0.90. In 2016 it has a maximum value of 0.81. In 2017 it has a maximum value of 0.53. In 2015 the average value obtained was 0.43. In 2016 it was 0.39 and in 2017 it was 0.37. The standard deviation in 2015 was 0.203823. In 2016 amounted to 0.161653 and in 2017 amounted to 0.088978.



Source: Own elaboration using eviews7

Figure 4. Descriptive statistic

Based on Figure 4 above it can be seen that the variable tax avoidance has a minimum value in 2015 of -0.33. In 2016 it has a minimum value of -0.34. In 2017 it has a minimum value of -0.45. In 2015 it had a maximum value of 0.33. In 2016 it has a maximum value of 0.18. In 2017 it has a maximum value of 0.14. In 2015 the average value obtained was 0.00. In 2016 it was -0.05 and in 2017 it was -0.11. The standard deviation in 2015 was 0.184671. In 2016 amounted to 0.161903 and in 2017 amounted to 0.184468. Estimation results using the Common Effect Model can be seen in table 1.

Table 1. Estimation result common effect (pooled least square)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.042586	0.017152	-2.482857	0.0180
KA?	-1.213316	0.363445	-3.338374	0.0020
CSRDI?	-0.003925	0.038973	-0.100711	0.9204
CETR?	0.018649	0.124922	0.149282	0.8822
R-squared	0.807444	Mean dependent var		-0.025903
Adjusted R-squared	0.790940	S.D. dependent var		0.078248
S.E. of regression	0.035777	Akaike info criterion		-3.726091
F-statistic	48.92189	Durbin-Watson stat		0.271793
Prob(F-statistic)	0.000000			

Based on the p-value of the two independent variables, there is one variable that has a significant influence (has a p-value <0.05) on the dependent variable, namely, accounting conservatism (KA) of 0.0020; while the variable CSR does not have a significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.9204; while tax avoidance has no significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.8822. Adjusted R-Squared value of 0.790940 means that simultaneously the independent variable on the dependent variable can be explained in the model by 79% while the other 11% can be explained by other factors not included in the model. Estimation results using the Fixed Effect Model can be seen in table 2.

Table 2. Estimation result fixed effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.046255	0.011060	-4.182095	0.0004
KA?	-1.008896	0.146878	-6.868948	0.0000
CSRDI?	0.008170	0.026340	0.310168	0.7592
CETR?	-0.020024	0.049773	-0.402310	0.6912
Fixed Effects (Cross)				
_ADRO--C	-0.010862			
_BSSR--C	-0.026089			
_CTTH--C	0.056379			
_DEWA--C	-0.029692			
_ELSA--C	-0.030820			
_ESSA--C	0.064096			
_ITMG--C	-0.005778			
_MBAP--C	-0.015821			
_MYOH--C	-0.053878			
_PTBA--C	0.020101			
_RUIS--C	0.012257			
_TINS--C	-0.002171			
_TOBA--C	0.022278			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.983300	Mean dependent var		-0.025903
Adjusted R-squared	0.972408	S.D. dependent var		0.078248
S.E. of regression	0.012998	Akaike info criterion		-5.555658
F-statistic	90.28075	Durbin-Watson stat		2.638317

Prob(F-statistic)	0.000000		

Based on the p-value of the two independent variables, there is one variable that has a significant influence (has a p-value <0.05) on the dependent variable, namely, accounting conservatism (KA) of 0.0000; while the variable CSR does not have a significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.7592; while the tax avoidance variable has no significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.6912. The adjusted R-Squared value is 0.972408 or 97% which can be explained in the model while the other 3% can be explained by other factors not included in the model. Estimation results using the Random Effect Model can be seen in table 3.

Table 3. Estimation result random effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.045881	0.014604	-3.141646	0.0034
KA?	-1.020929	0.146122	-6.986803	0.0000
CSRDI?	0.007081	0.025083	0.282294	0.7794
CETR?	-0.017592	0.049518	-0.355262	0.7245
Random Effects (Cross)				
_ADRO--C	-0.010361			
_BSSR--C	-0.025014			
_CTTH--C	0.053707			
_DEWA--C	-0.028100			
_ELSA--C	-0.029755			
_ESSA--C	0.061374			
_ITMG--C	-0.005526			
_MBAP--C	-0.015233			
_MYOH--C	-0.051755			
_PTBA--C	0.019263			
_RUIS--C	0.012161			
_TINS--C	-0.001955			
_TOBA--C	0.021193			
(continued)				
Effects Specification				
			S.D.	Rho
Cross-section random			0.036395	0.8869
Idiosyncratic random			0.012998	0.1131
Weighted Statistics				
R-squared	0.953383	Mean dependent var		-0.005231
Adjusted R-squared	0.949387	S.D. dependent var		0.056295
S.E. of regression	0.012665	Sum squared resid		0.005614
F-statistic	238.5997	Durbin-Watson stat		1.820355
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.801493	Mean dependent var		-0.025903
Sum squared resid	0.046185	Durbin-Watson stat		0.221271

Based on the p-value of the two independent variables, there is one variable that has a significant influence (has a p-value <0.05) on the dependent variable, namely, accounting conservatism (KA) of 0.0000; while the variable CSR does not have a significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.7794; while the tax avoidance variable has no significant effect (has a p-value> 0.05) on the dependent variable that is equal to 0.7245. Adjusted R-Squared value that is equal to 0.949387 means that

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simultaneously 11 independent variable on the dependent variable can be explained in the model by 95% while the other 5% can be explained by other factors not included in the model. The results of the Chow test with the eviews7 program can be seen in Table 4 follows:

Table 4.Test result chow/likelihood ratio test

Redundant Fixed Effects Tests			
Pool: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.182481	(12,23)	0.0000
Cross-section Chi-square	95.353107	12	0.0000

The Chow Test results above show that the calculated F value is 20.182481 while the F table of the degree of freedom (12.23) is 0.39. While at the significance level α = 5%, and with numerator 12 and enumerator 23, the F table is 0.39. Thus the F count <F table (20.182481 <0.39). The Chow test above also shows that the F test value is significant (p-value 0.0000 <0.05), so H0 is rejected, which means that this study uses the Fixed Effect Model better than the Common Effect Model. Hausman test results with the program eviews7 can be seen in the following table 5:

Table 5. Hausman test result

Correlated Random Effects - Hausman Test			
Pool: Untitled			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.231175	3	0.7455

The Hausman test results above show that the calculated chi value 1.231175 is smaller than the chi table 7.81 and p-value 0.289021> 0.05 (α) then Ho is accepted and Ha is rejected. Thus it can be concluded that the results of this Random Effect Model are better than the Fixed Effect Model. The results of the Chow test and the Hausman test show that this study uses the Random Effect Model with the estimated regression equation as follows:

$$\boldsymbol{Y_{it} = \propto + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_2 X_{2it} + \varepsilon_{it}}$$

DA = -0.045881 – 1.020929 **KA +** 0.007081 **CSRDI** – 0.017592 **CETR**

F test results show that the F count is equal to 20.182481 is greater than the F table with a degree of freedom, α (0.05), 0.39. The p-value of 0.000000 is less than 0.05, this means that accounting conservatism, CSR disclosure, and tax avoidance simultaneously have a significant effect on earnings management.

Based on the t-test, testing the accounting conservatism variable on earnings management variables shows the t value of -6.9866803 is smaller than t table of -2.02439 and p-value of 0.000 <0.05 (α = 5%). This means that accounting conservatism has a significant effect on earnings management **(H_1 is accepted)**.

Testing the variable CSR disclosure to earnings management variables shows the value of t count is 0.282294 smaller than t table worth 2.02439 and p-value 0.7794> 0.05 (α = 5%). This means that CSR disclosure does not significantly influence earnings management **(H_2 is rejected).**

Testing the tax avoidance variable on earnings management variables shows the t value of -0.355262 is smaller than the t table of 2.02439 and p-value of 0.7245> 0.05 (α = 5%). This means that tax avoidance has no significant effect on earnings management **(H3 is rejected).**

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5. Discussion

5.1. The Effect of Accounting Conservatism on Earnings Management

This research empirically proves that accounting conservatism has a significant effect on earnings management. The more conservative the financial statements, the smaller the manager's actions to manipulate the information in the financial statements so that the manager is less likely to perform earnings management actions.

According to Prabaningrat and Widanaputra, (2015) accounting conservatism can be explained from the perspective of agency theory, managers have the opportunity to maximize their welfare by sacrificing the interests of shareholders. Potential conflicts as a result of the separation between the agent and the principal can affect the company's earnings quality. The agent (management) tends to do financial reporting following its objectives without regard to the principal's interests.

Management will use caution so that reported earnings are not overstated. The precautionary nature is used even higher when management reports low income (income decreasing) because management tends to be less aggressive in reporting earnings so as not to overstate. The higher the use of accounting conservatism practices, the higher the use of earnings management practices (Soraya & Harto, 2014).

The results of this study show the same results from previous studies conducted by Prabaningrat and Widanaputra, (2015); and Ruwanti, (2016) which showed that accounting conservatism variables affect earnings management, but this study shows different results from research by Soraya and Harto, (2014); and Ongki and Pangestu, (2017) which states that accounting conservatism has no effect on earnings management.

5.2. The Effects of Corporate Social Responsibility Disclosure on Earnings Management.

This research empirically proves that CSR disclosure does not affect earnings management. The more often a company discloses corporate social responsibility every year, it can minimize earnings management actions at the company.

The implementation of corporate CSR is closely related to the theory of legitimacy. The company hopes to operate calmly so that it needs support (legitimacy) from the community environment. A company that has a contract with the community to carry out its activities based on the values of justice, and how the company responds to various interest groups to legitimize the company's actions, this statement is following the theory of legitimacy. Ricardo and Faisal, (2015) states that CSR is a corporate responsibility to the community. Companies that contribute to CSR not only focus on profit, but also contribute to the development of public welfare. A socially responsible company will not hide the realization of unwanted income, and therefore will not do earnings management.

The results of this study show the same results as previously done by Putriana et al., (2018); and Almahrog et al., (2018) which states that CSR does not affect earnings management. Companies with higher CSR disclosures will tend to be bound by lower earnings management. Improving relationships with shareholders and providing financial information overall is better than focusing solely on manipulating company profits. Therefore, this CSR can motivate managers to have an honest and trustworthy attitude

5.3. The Effects of Tax Avoidance on Earnings Management

This research empirically proves that tax avoidance has no significant effect on earnings management. The lower level of tax avoidance means the lower earnings management practices that occur in a company.

Tax avoidance is part of tax planning that is done to minimize a company's tax payments. Tax avoidance of earnings management is carried out by companies using income and

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expense items to achieve desired profits. Management deliberately avoids taxes by increasing the burden through the use of certain accounting methods and policies so that profits are smaller (Larastomo et al., 2016).

The results of this study show different results from the results of research conducted by Larastomo et al., (2016); and Prakosa, (2014) which found that tax avoidance affects earnings management. However, a study by Wardani and Santi, (2018) found that tax avoidance did not affect earnings management because within the company there were several divisions or departments with each management. This will create a tendency that management will prioritize their interests in terms of obtaining bonuses or rewards if they show good performance so that earnings management tends to occur because management's self-interest is not due to tax avoidance.

6. Conclusion, Suggestion, And Limitation

The conclusion that can be drawn is accounting conservatism, corporate social responsibility disclosure, and tax avoidance simultaneously affect earnings management. However, as partially, cccounting conservatism partially influences earnings management. While CSR disclosure and tax avoidance does not affect earnings management.

Some suggestions that are expected to be used in further research should add to the observation period, because of the longer the observation time interval, the greater the opportunity to obtain accurate and reliable information. The next researcher should expand the research sample in other company sectors because this research sample is limited to mining companies. The next researcher should add several other independent variables that might influence earnings management such as bonus compensation and independent commissioners. In this study, some limitations can be taken into consideration for further researchers. Researchers are constrained by the presence of companies that have incomplete data so that the research sample is eliminated.

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