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THE EFFECT GOVERNMENT REGULATIONS, CORPORATE CHARACTERISTICS, EARNING MANAGEMENT ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

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Abstract— **The purpose of this research is to determine the effect of government regulations, corporate characteristics and earnings management on the disclosure of corporate social responsibility. This research was conducted on mining sector companies listed on the Indonesia Stock Exchange (IDX). The sampling technique was carried out by purposive sampling method of 40 respondents. In this research, documentation technique becomes a method of collecting data by looking at the company's annual report. The analysis in this research uses multiple linear regression. With the result that government regulation, profitability, leverage and firm size do not affect the disclosure of corporate social responsibility. Meanwhile, earnings management affects CSR disclosure in mining companies in 2015-2019.**

Keywords— ***Government Regulation, Profitability, Leverage, Firm Size, Earning Management, Corporate Social Responsibility Disclosure.***

1. Introduction

Corporate Social Responsibility (CSR) in the company is defined as a company's ongoing commitment to the entire environmental community and stakeholders. In addition, the company's CSR can cover the company by a negative influence on the stakeholders involved. This is because the government has agreed to include it in the legal provisions by referring to the provisions in 2007 with No. 25 Article 74 regarding limited liability companies, in which case companies are required to describe activities related to CSR in their companies. Corporate Social Responsibility (CSR) is emphasized by the business community, educators and entrepreneurs in Indonesia.

The company is obliged in terms of improving the quality of life of the surrounding environment, so that the company becomes a supporter of the company. According to Handayati in Sulis (2019:14) in a book by John Elkinton, CSR focuses on profit, people, and planet. Thus, the company must be balanced in thinking about these 3 things, the alignment can provide longer benefits for the company.

Related to CSR, companies are required to be responsible for what is done from the production process that has an impact on its stakeholders. Corporate social responsibility (CSR) has meaning in increasing value for the sustainable development of a company, so the concept of CSR is not only voluntary. Social responsibility is a part of corporate responsibility so whether it is requested or not and there are rules or not related to the implementation of corporate social responsibility (CSR), the company will continue to carry out CSR activities to the community.

Understanding of CSR in general revolves around three main things, namely CSR are: First, a voluntary role in which a company helps overcome social and environmental problems, therefore companies have free will to do or not to perform this role. Second, apart from being a profit institution, the company sets aside a portion of its profits for philanthropy whose purpose is to empower social and repair environmental damage caused by exploration and exploitation. Third, CSR as a form of corporate obligation to care for and alleviate the growing humanitarian and environmental crisis. The understanding of CSR is further based on the idea that not only the government through the establishment of public policies, but also companies must be responsible for social problems. Businesses are encouraged to take a pro-active approach towards sustainable development.

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2. Literature Review

The concept of CSR is also based on moral arguments. No company lives in a vacuum and lives in isolation. Companies live in and with an environment. Companies can live and grow because the community in which the company lives provide various public infrastructures for the life of the company, including roads, transportation, electricity, fire fighting, law and its enforcement by law enforcement.

There are factors that are thought to affect a CSR that are taken for this research, namely: First, government regulations. Implementing corporate social responsibility programs requires regulations issued by the government, therefore government regulations that are proxies use tax regulations so that it will affect CSR disclosure in the company. Second, profitability. When the company has a high level of profitability, therefore corporate social responsibility is carried out more freely and flexibly.

Third, leverage. Companies that have more debt, then corporate social responsibility (CSR) is one solution to get positive value for the company from the community. A large debt ratio will affect the confidence of other parties in returning funds to these other parties. Fourth, the firm size. Theoretically, large companies in terms of workforce, companies will have more workforce, companies will automatically be more concerned with the importance of workers which will continue to grow. The last one is earnings management. When managers are getting bigger to take earnings management actions, so that the company's CSR disclosure is getting wider.

In this research, mining companies are the objects of research. The mining sector has a high environmental and social impact in its production process compared to other sectors, because these mining companies utilize non-renewable natural resources in Indonesia. Thus, the mining sector should disclose its social responsibility more than other sectors. The following is a picture of the relationship between variables in this research:

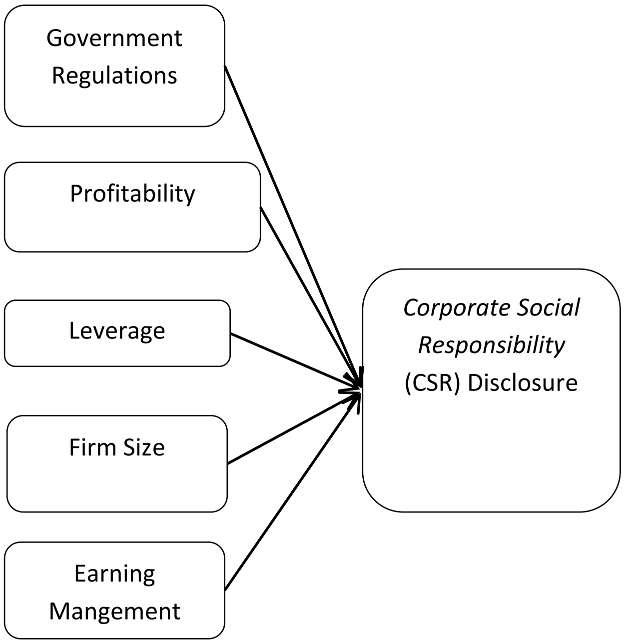

Figure 1. The Relationship Between Variables

Based on the framework of the relationship between the variables above, thus the research hypotheses are compiled, namely:

H1 : Regulations have a significant effect on Corporate Social Responsibility Disclosure.
H2 : Profitability has a significant effect on Corporate Social Responsibility Disclosure.
H3 : Leverage has a significant effect on Corporate Social Responsibility Disclosure.
H4 : Firm size has a significant effect on Corporate Social Responsibility disclosure.
H5 : Earning Management has a significant effect on Corporate Social Responsibility disclosure.

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3. Method

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This research has five independent variables with one dependent variable. The purpose of this research was to determine the effect of government regulation, profitability, leverage, firm size, earning management in influencing corporate social responsibility diclosure. Therefore, this research uses quantitative methods. The mining sector becomes the research population with the criteria that the company is listed on the IDX. The use of the purposive sampling method became the sampling method, thus finding 43 companies listed on the IDX from 2015 to 2019.

4. Result and Discussion

From the results of the research that has been carried out, the following is the explanation using descriptive analysis:

Table 1. Descriptive Analysis of Research Variables

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
REG [X1]	40	19.851	28.149	24.50518	1.764198
ROA [X2]	40	-55.285	32.440	2.39305	12.441256
DER [X3]	40	0.042	4.001	1.04508	0.740862
SIZE [X4]	40	24.995	31.137	28.91275	1.714317
DACt [X5]	40	-0.392	0.195	-0.11350	0.117275
CSR [Y]	40	0.033	0.560	0.25370	0.153113

For government regulation variables, based on table 1, the lowest value was found at 19,851 in the 2019 reporting period of PT Ratu Prabu Energi Tbk. Then the highest value was found at 28,149 in the 2018 reporting period of PT Bukit Asam Tbk. The average value shows the number 24,505. Then the standard deviation value shows the number 1.7641.

For the profitability variable, based on table 1, the lowest value was found to be -55.285 in the 2019 reporting period of PT Ratu Prabu Energi Tbk. Then the highest value was found at 32.440 in the 2018 reporting period of PT Perdana Karya. So it has an average value of 2,393. Then the standard deviation value shows the number 12.441.

For the leverage variable, based on table 1, the lowest value was found at 0.042 in the 2015 reporting period of PT Central Omega Resources Tbk. Then the highest value was found at 4,001 in the 2019 reporting period of PT Perdana Karya Perkasa Tbk. The average value shows the number 1.045. Then the standard deviation value shows the number 0.7408.

For the company size variable, it can be seen from table 1, the lowest value was found to be 24,995 in the 2019 reporting period of PT Perdana Karya Perkasa Tbk. Then the highest value was found at 31,137 in the 2018 reporting period of PT Aneka Tambang Tbk. The average value shows the number 28,912. Then the standard deviation value shows the number 1.714.

For the earning management variable, based on table 1, the lowest value was found to be -0.392 in the 2019 reporting period of PT Ratu Prabu Energi Tbk. Then the highest value was found at 0.195 in the 2018 reporting period of PT Perdana Karya. This variable has an average value of -0.1135. Then the standard deviation value shows the number 0.1172.

For the corporate social responsibility disclosure variable, based on table 1, the lowest value was found at 0.033 in the 2019 reporting period of PT Perdana Karya. Then the highest value was found at 0.560 in the 2018 reporting period of PT Timah Tbk. The average value shows the number 0.2537. Then the standard deviation value shows the number 0.153113.

Then test the hypothesis, the first is the t-test. Partial t-test was conducted to determine the effect of each independent variable (X) on the dependent variable (Y) partially with the test criteria, as follows:

Table 2. Results of Partial t-test

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Model		t	t tabel	Sig.	Kesimpulan
1	(Constant)	-6,050		0,000	
	REG	3,864	1,6883	0,000	Diterima
	ROA	-1,544	1,6883	0,132	Ditolak
	DER	3,982	1,6883	0,014	Diterima
	SIZE	2,051	1,6883	0,048	Diterima
	DACt	-0,033	1,6883	0,426	Ditolak

It can be seen from the calculation results presented in table 2. The results of the Government Regulation (REG) test on CSR Disclosure have a significance value of 0.000, which means the value is 0.000 <0.05. Then the value of t arithmetic was found to be worth 3.864 and this value is smaller than t table which is 1.688. So, it can be interpreted that H1 is accepted which means that corporate social responsibility is influenced by government regulations.

Furthermore, the results of the profitability hypothesis test (ROA) on CSR disclosure have a significance value of 0.132, which means 0.132 > 0.05. Then, t-hitung value was found, namely –1.544 and it means that the number is < from the t-table worth 1.688. Thus, it can be interpreted that H2 is rejected or profitability is proven not to affect CSR disclosure.

The results of the Leverage or Solvency (DER) test on CSR Disclosure have a significance value of 0.014 <0.05. Then the value of t-count is found that is 3.982 > t-table of 1.688. That is, that H3 is accepted or which means that social responsibility is influenced by leverage.

The results of the firm size test on CSR disclosure have a significance value of 0.048. This value is less than 0.05. Then t-hitung value was found to be 2.051 and the value > from the t-table was 1.688. It can be interpreted that H4 is accepted or firm size has an effect on CSR disclosure.

The results of the Earning Management (DCAt) test on CSR Disclosure have a significance value of 0.426. This value is greater than 0.05. Then the value of t-hitung is found to be -0.033 < t-table of 1.688. This means that H5 is rejected or earning management has no effect on CSR disclosure.

Then, the second hypothesis test is the simultaneous f-test, as follows:

Table 3. Results of Simultaneous F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,875	5	0,175	9,202	,002[b]
	Residual	0,065	34	0,002		
	Total	0,940	39			

a. Dependent Variable: CSR
b. Predictors: (Constant), DACT, SIZE, REG, ROA, DER

Based on the results of the calculations in table 3, the significance value shows the number 0.002, the value is smaller than 0.05. Then the F-count value is 9.202, which means that number is > from the F-table value with the number 2.485. Thus, it can be interpreted that the variables of Government Regulation, Profitability, Leverage, Firm Size, Earning Management, simultaneously affect Corporate Social Responsibility (CSR) disclosure.

Next, the Coefficient of Determination Test (R Square), as follows:

Table 4. Results of R Square

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,965[a]	0,931	0,921	0,0436

a. Predictors: (Constant), DACT, SIZE, REG, ROA, DER

Based on the results of the calculations in table 4 which have been described, the value of the coefficient of determination (R Square) is 0.931. Thus, this value means that the variables of Government Regulation,

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Profitability, Leverage, Company Size, and Earning Management have an influence of 93% with the dependent variable being corporate social responsibility. Furthermore, there is a possibility that the CSR Disclosure variable of 7% is influenced by other variables that are not used by the researcher.

Government regulations are proven to affect the disclosure of corporate responsibility. This can happen because the government has implemented a policy that requires companies, both State-Owned Enterprises (BUMN) and private companies, to allocate their profits for social activities. This is further strengthened by the issuance of a regulation by the Ministry of State-Owned Enterprises in Article 8 which states that companies are obliged to set aside 1 to 3 percent of their profits for social activities.

Profitability proxied using ROA is proven not to affect the company's CSR disclosure. Based on the test results, it can be explained that profitability has no effect on CSR disclosure because the company's ROA value is too low. This means that the return of the company's total assets has not been able to increase the net profit of a company.

Leverage as proxied using DER has been proven to influence companies in disclosing their social responsibilities. Companies with high leverage ratios will disclose more information. This is because the leverage ratio provides an overview of the company's capital structure related to debt. Thus, CSR disclosure is needed to eliminate the doubts of bondholders regarding the fulfillment of their rights as creditors. CSR disclosure can also attract investors' trust to invest, especially in companies because of their sensitivity and concern for others.

Firm size has an effect on CSR disclosure. In general, large companies have better access to information disclosure than small companies. With the resources they have, large companies are able to finance the provision of information for internal and external purposes, in this case CSR disclosure. Conversely, a small company with limited resources may not have the information resources of a large company. Thus, a larger cost is required for CSR disclosure. Therefore, firm size has an effect on CSR disclosure.

Earning management has no effect on CSR disclosure. Signal theory related to CSR disclosure explains that high CSR disclosure will improve the company's good image to stakeholders. Thus, earnings management activities are very likely to be carried out. But with insignificant results, it shows that mining sector companies carry out CSR purely because of their social responsibility to the environment and society, not because they want to get a good image. However, it is possible to practice earnings management, even though the results of this research have no significant effect.

Government Regulation, Profitability, Leverage, Firm Size, and Earning Management simultaneously affect Corporate Social Responsibility disclosure. Based on the test results, it can be explained that Government Regulation, Profitability, Leverage, Firm Size, and Earning Management have a significant influence on CSR disclosure.

5. Conclusion

The conclusions that can be drawn from this research are Government regulations have an influence on Corporate Social Responsibility Disclosure; Profitability has no influence on Corporate Social Responsibility Disclosure; Leverage has an influence on Corporate Social Responsibility Disclosure; Company size has an influence on Corporate Social Responsibility Disclosure; Earning Management does not affect the value of Corporate Social Responsibility disclosure. Government Regulation, Profitability, Leverage, Firm Size, and Earning Management simultaneously affect Corporate Social Responsibility Disclosure. Based on the conclusions, the implications of this research are based on the tests that have been carried out, new empirical evidence is obtained that government regulations, leverage, firm size have a significant effect on corporate social responsibility. Thus, the results of this research support stakeholder theory and legitimacy theory. This is because of this theory that the company is not an entity that only operates for its own sake, but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts and other parties); users of financial statements (stakeholders) can use government regulations, leverage, company size as one of the predictors of corporate social responsibility. This is because government regulations, leverage, firm size have been empirically proven to have a positive and significant effect on firm value. Based on the results of research, data analysis, and conclusions obtained in this research, the suggestions that can be given by the researcher are for further researchers to increase the number of samples used for data processing so that the level of relevance of research achieved is higher; further researchers can add other variables in the research, such as managerial ownership and audit committee as

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variables that can affect CSR disclosure and for companies to increase the disclosure of Corporate Social Responsibility (CSR), so that the public can find out about company activities that can affect the surrounding environment.

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