
THE EFFECT OF EARNING MANAGEMENT AND TAX MANAGEMENT ON CSR WAS MODERATED BY THE AUDIT COMMITTEE

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Abstract: This study is a study that examines the effect of Earnings Management and Tax Management on CSR moderated by the Audit Committee. The research method used in this study is a quantitative research method, where the sources are taken from various previous studies and IDX data as many as 10 companies listed in the food and beverage sector. This study finds that (1) Earnings management has a significant effect on CSR with n; (2) Tax Management has a significant effect on CSR; (3) the audit committee is able to moderate the influence of Earnings Management on CSR; (4) the audit committee is not able to moderate the effect of Tax Management on CSR.

Keywords : *Earning Management, Tax Management CSR, Audit Committee* .

INTRODUCTION

Awareness about the importance of practicing social responsibility disclosure has become a global trend along with the increasing concern for prioritizing stakeholders. Advances in information technology and market openness, companies must seriously and openly pay attention to the disclosure of social responsibility. Currently, corporate responsibility must be based on the triple bottom lines, namely corporate responsibility on social, environmental, and economic aspects so that every company is required to disclose information about corporate social responsibility or Corporate Social Responsibility. (Mustika, 2015) put forward the concept of social responsibility in the triple bottom line focus, which unites economic, social and environmental principles in an integrated understanding of corporate social responsibility (profit), but also has concern for the environment (planet) and community welfare (people). The triple bottom line can be concluded that "profit" is a manifestation of the economic aspect, "planet" is a manifestation of the environmental aspect and "people" is a social aspect.

Companies are required to provide information about their social activities. Disclosure of social responsibility is one of the efforts made by the company to be able to meet the interests of stakeholders and ensure the long-term sustainability of the company. Disclosure of company information can be seen as a way to influence the perception of the company's financial prospects in the future by external parties, especially stakeholders, such as stock analysts, capital market players, and institutional investors (Brammer and Pavelin, 2006). Disclosure of social responsibility relates to ethical and moral issues that focus on decision-making and behavior within companies, such as environmental protection, human resource management, occupational health and safety, relations with local residents, and relationships with customers and suppliers

(Nastiti, 2019). The implementation of corporate social responsibility positions managers to face conflicts of interest to maximize shareholders and other stakeholders who have different interests as well as their own interests regarding management compensation based on profit.

In fact, information about the management compensation system is rarely disclosed in the company's annual reports, making it difficult for stakeholders to know whether the amount of management compensation is based on social responsibility performance. The absence of criteria as a basis for measuring performance causes managers to not be evaluated, thus allowing managers to misappropriate company resources for their own interests by inflaming financial demands and the interests of the wider community (Nurchayono, 2021). Earnings management is an interesting topic, both in the field of accounting research and practice. In particular, (Amelya, 2021) disclose if management has expanded and permeated every financial reporting submitted by the company. He provides evidence that earnings management occurs in every quarterly financial report, and the largest level of earnings management is found in the fourth quarter. Earnings management not only affects the owner of the company but also affects other stakeholders. Earnings management can mislead stakeholders about the value of assets, transactions, or the company's financial position, and this has negative consequences for shareholders, the environment in which the company is located, creditors, employees, the reputation and career security of managers and society as a whole.

The existence of vigilance made by stakeholders towards earnings management practices, can threaten the security of the manager's position and damage the company's reputation, causing managers to have incentives to compensate stakeholders through the practice of disclosing social responsibility. Research findings (Widyawati, 2019) also state that companies with a high commitment to social responsibility perform earning aggressiveness by delaying the recognition of losses or accelerating the recognition of profits. Even though companies carry out social responsibility disclosures, when earnings management is carried out, it is certainly too far away due to management's opportunistic behavior, the financial statements cannot accurately reflect the company's performance and consequently will weaken the ability of outsiders to manage the company.

Tax is one of the sources of state revenue that plays a major role (Pramesty, 2020). Therefore, every citizen who has the obligation to pay taxes or taxpayers is required to pay taxes in accordance with the calculations and applicable laws and regulations. As stated in the Law of the Republic of Indonesia Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 which reads that tax is a mandatory contribution to the state owed by an individual or entity are coercive in nature based on the law, without receiving direct compensation and are used for state needs for the greatest prosperity of the people. Even though the potential for taxation in Indonesia is very large, unfortunately it has not been exploited optimally.

Based on tax data submitted by the director general of taxes, there were 4,000 PMA (Foreign Investment) companies in 2018 with zero tax value, it is known that some of these companies have suffered losses for 7 consecutive years (Sihotang, 2018). The

phenomenon of taxation is interesting because there is a polemic in it that makes research on taxation develop. In recent years, the case regarding Tax Avoidance has become a hot issue, where several companies have been found that have been exposed to the media. (Inawati, 2021) argues that corporate tax avoidance is the most challenging issue of the current generation which presents a serious reduction in tax revenue to the government. This is shown by the recent news about taxes which has caused an uproar in almost all countries because many large companies have been exposed to tax evasion and violations.

This is related to Corporate Social Responsibility (CSR) which is more irresponsible, especially companies with irresponsible and excessive CSR activities in certain years, have a higher probability of involvement with tax sheltering, differences in tax books larger (book-tax gap), and lower cash effective tax rate. It shows that the higher the CSR performance of the company, the less likely it is to carry out Tax Management. In addition to the external effects caused by the consumer's perspective from a negative view of companies that carry out Tax Avoidance, there are internal effects within the company because of it. Management who performs Tax Avoidance causes losses in the eyes of shareholders because it is feared that they will carry out other activities that are contrary to the objectives of shareholders, such as managerial irregularities which, if detected, will cause the stock market to react negatively (Ali, 2017). And a negative reaction from the stock market will lead to a decline in stock prices. And as a reflection of the stock price, the value of the company will also decline.

Then if the reaction is negative from the stock market, there will be a reaction from the audit committee, where the audit committee with voluntary disclosures made by the company. The audit committee can also be a supervisor that can improve the quality of information flow between company owners and managers, especially in environmental financial statements where both have different levels of information. The existence of the audit committee as corporate governance can increase the relevance and reliability of corporate information disclosure. As an integral part of corporate governance, the audit committee is expected to increase accountability and transparency in the implementation and disclosure of social responsibility information in the company's annual report.

METHODS

This study uses a quantitative approach where the object of research is the Effect of *Earning Management* (X1), *Tax Management* (X2), CSR (Y) and the Audit Committee (Z). In this study, the authors use descriptive analysis, namely collecting, compiling, processing, and analyzing data in order to provide a situation so that conclusions can be drawn. The type of data used is quantitative data because the researcher will calculate how much influence *Earning Management* and *Tax Management* have on CSR which is moderated by the Audit Committee. based on the financial statements of 10 companies on the Indonesia Stock Exchange in the food and beverage sector. By using SPSS and data from financial statements of 10 companies in the food and beverage sector, the researchers identified research problems, then continued with a study of research literature related to the problems and variables raised in this study. Then it was developed into a research framework related to the problem to be studied,

identified each variable, hypothesis and research design development, determined the technique to be used, data collection to data management and resulted in discussions and conclusions from this research.

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis Results

The effect of Earning Management and Tax Management on CSR can be known by performing multiple linear regression analysis. The regression equation is formulated as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Table 1. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	-2,653	.915		-2,900	.009
Earnings Management	.051	.006	.413	9,231	.000
Tax Management	1.028	.047	.975	21,771	.000

R-Square = 0.960 F = 249.334

Adjusted R Square = 0.956 Sig. F = 0.000

a. Dependent Variable: CSR

Source: Processed data (2022)

Based on the results in Table 1, the following regression equation is obtained:

$$Y = -2,653 + 0,051X_1 + 1,028X_2 + e$$

The results of multiple linear regression analysis show that the coefficient of determination shown in the R-Square number is 0.960, which means that 96% of CSR variations are influenced by earnings management and tax management, while the remaining 4% is influenced by other factors not included in the research variables. This. The significance test shows that earning management has an effect on CSR because it has a Sig value ($0.000 < 0.05$), as well as tax management has an effect on CSR because it has a Sig value ($0.000 < 0.05$). These results become the basis for analyzing the regression model with the addition of moderating variables in the next test.

Moderated Regression Analysis (MRA) Test Results

After knowing the effect between earning management and tax management variables on CSR without a moderating effect, the next step is to test with the addition of a moderating variable, namely the audit committee (Z) to test the hypothesis of the audit committee's ability to moderate the effect of earnings management and tax management on CSR. The MRA test regression equation is formulated as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 X_1 * Z + \beta_5 X_2 * Z + e$$

The results of the *Moderated Regression Analysis* (MRA) test that has been carried out with the SPSS version 23.0 program are presented in Table 2 below.

Table 2. Moderated Regression Analysis (MRA) Test Results

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	5.834	6.183		.944	.355
	Earnings Management	.275	.098	2.296	2.807	.010
	Tax Management	2.245E-10	.000	.377	2,147	.042
	Audit Committee	-.450	1,287	-.050	-.350	.729
	X1*Z . Interaction	-.057	.025	-1.852	-2.268	.033
	X2*Z . Interaction	.341	.330	.181	1.033	.312

a. Dependent Variable: CSR

Source: Processed data (2022)

Based on the test results in Table 2, the moderating regression equation is obtained as follows:

$$Y = 5.843 + 0,275X_1 + 2.245X_2 - 0.450Z - 0.057X_1 * Z + 0.341X_2 * Z + e$$

Coefficient of Determination Test Results

The coefficient of determination or R-Square is used to determine the magnitude of the contribution contributed by the regression model between the independent variables and the interaction of the moderating variable on the dependent variable. The results of the coefficient of determination are shown in Table 3.

Table 3. Results of the Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.569	.479	5.9593426113

a. Predictors: (Constant), X2*Z Interaction, X1*Z Interaction, Audit Committee, Tax Management, Earning Management

Source: Processed data (2022)

The results of the calculation of the coefficient of determination are shown in the number of r-Square values. The R-Square value obtained is 0.569 which means that 56.9% of CSR variation (Y) is influenced by earning management (X1), tax management (X2), interaction between earning management and audit committee (X1*Z), and the interaction between tax management with the audit committee (X2*Z). The remaining 43.1% is influenced by other factors that are not included in the research model.

Model Feasibility Test Results (F Test)

The feasibility test of the model or also known as the F test is the initial stage of identifying the estimated regression model that is feasible or not. Appropriate is meant is a model that is estimated to be suitable to be used to explain the effect of independent

variables on the dependent variable. The value used to test the feasibility of the model is provided for a good probability number to be used as a regression model, which is less than 5% or <0.05 . If the value of Sig. $F < 0.05$, then the analysis model is considered feasible, but if Sig. $F > 0.05$, then the analysis model is considered not good. The results of the F test are shown in Table 4 below.

Table 4. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1124,766	5	224,953	6.334	.001 ^b
	Residual	852.330	24	35.514		
	Total	1977.096	29			

a. Dependent Variable: CSR

b. Predictors: (Constant), X2*Z Interaction, X1*Z Interaction, Audit Committee, Tax Management, Earning Management

Source: Processed data (2022)

Based on the results of the F test in Table 4, the F value of 6334 is obtained with an F Sig value of 0.000. The significance value obtained is smaller than 0.05 ($0.000 < 0.05$), it can be concluded that Earning Management (X1), Tax Management (X2), Earning Management interaction with the audit committee (X1*Z), and the interaction between Tax Management with the audit committee (X2*Z) simultaneously has a significant effect on CSR. The results obtained indicate that the independent variable and the interaction of the moderating variable are able to explain the dependent variable so that it is feasible to be used as a regression model.

Hypothesis Test Results (T Test)

Partial hypothesis testing or called t-test is used to test the effect of the independent variable and the interaction of the moderating variable on the dependent variable partially on the dependent variable. The t-test is shown in Table 5 below.

Table 5: T-Test Results

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	5.834	6.183		.944	.355
	Earnings Management	.275	.098	2.296	2.807	.010
	Tax Management	2.245E-10	.000	.377	2,147	.042
	Audit Committee	-.450	1,287	-.050	-.350	.729
	X1*Z . Interaction	-.057	.025	-1.852	-2.268	.033
	X2*Z . Interaction	.341	.330	.181	1.033	.312

a. Dependent Variable: CSR

Source: Processed data (2022)

Determination of the test results, namely the acceptance or rejection of the

hypothesis can be done by comparing the significance value (Sig. T) with a predetermined probability level of 0.05. The test criteria to explain the interpretation of the effect between each variable are as follows

- If the value of Sig.T < 0.05, then H1/H2/H3/H4 is accepted
- If the value of Sig.T > 0.05, then H1/H2/H3/H4 is rejected

Based on Table 5, it is known that the beta coefficient of the X1 model to Y is 2.296 which means that there is a positive direction and a significance value of 0.010 which is smaller than 0.05 ($0.010 < 0.05$) which means that there is a significant effect. These results indicate that H1 is accepted, so that earning management has a significant effect on the CSE value. The value of the beta coefficient of the X2 model to Y of 0.377 means that there is a positive direction and a significance value of 0.042 which is smaller than 0.05 ($0.042 < 0.05$) which means that there is a significant effect. These results indicate that H2 is accepted, so that tax management has a significant effect on CSR.

Based on Table 5, it is known that the beta coefficient of the X1*Z model to Y is -1.852 which means that there is a negative direction and a significance value of 0.022 which is smaller than 0.05 ($0.022 < 0.05$) which means that there is a significant effect. These results indicate that H3 is accepted, so that the audit committee is able to moderate the effect of earning management on CSR. The value of the beta coefficient of the X2*Z model to Y of 0.181 means that there is a positive direction and a significance value of 0.312 which is greater than 0.05 ($0.312 > 0.05$) which means that there is no significant effect. These results indicate that H4 is rejected, so that the audit committee is not able to moderate the effect of tax management on CSR.

Effect of Earning Management on CSR

Testing the first hypothesis shows that H1 is accepted, thus indicating earnings management has a significant effect on CSR. These results are in line with research conducted by Yip et al (2011), Handajani, et al (2010) and Arifin, Januarsi, and Ulfah (2012) which found a positive influence between earnings management and CSR reporting. The results of Handajani's research, et al (2010) state that opportunist managers will use CSR disclosure as ethical behavior to gain support from stakeholders, and is part of a self-defense strategy. The results of the study that produced a significant positive effect between earnings management and CSR reporting indicate that CSR disclosure is a strategy for business entities to avoid conflicts with stakeholders that can harm business entities.

Effect of Tax Management on CSR

Testing the second hypothesis shows that H2 is accepted, thus indicating that tax management has a significant effect on CSR. This result is in line with research conducted by Anugrah & Yuliana (2020) which found that tax management is related to CSR. Companies that have complied with Government Regulation No. 93 of 2010 and Minister of Finance Regulation No. 76/PMK.03/2011 will result in tax-deductible costs, but a nominative list must be made. Examples of CSR costs that are tax-deductible are donations for national disaster management, donations for research and development, donations for educational facilities, donations for sports development, and donations for

social infrastructure development. When the company has complied with these regulations, the company no longer needs to carry out tax management so that the relationship becomes negative between CSR disclosure and tax management. So it can be concluded that the higher the level of CSR disclosure, the lower the tax management carried out in a company.

The Effect of Earning Management on CSR Moderated by the Audit Committee

Testing the third hypothesis shows that H3 is accepted, indicating that the audit committee is able to moderate the effect of earning management on CSR. This result is in line with the research conducted by Dzulhijjah & Mutmainah (2012) who found that the number of audit committee meetings can moderate the effect of EM on CSR disclosure or in other words, audit committee meetings can reduce the effect of EM on CSR disclosure. The relationship between EM and CSR disclosure is significantly moderated by the number of audit committee meetings. This means that the more regularly the audit committee holds meetings, the smaller the potential for managers to practice EM by expanding CSR disclosures to deceive stakeholders. This condition reflects that company managers will reduce earnings management actions in companies that have audit committees that have more meetings. This is supported by research by Klein (2002) and Xie et al., (2003) which found that a more active audit committee has a major role in monitoring every manager's actions so that it can reduce opportunistic behavior such as earnings management. This means that more audit committee meetings can warn managers to disclose better financial statements by reducing manager behaviors that can lead to a form of earnings management.

The Effect of Tax Management on CSR Moderated by the Audit Committee

Testing the fourth hypothesis shows that H4 is rejected, indicating that the audit committee is not able to moderate the effect of tax management on CSR. In a study conducted by Martantina & Soerjatno (2018), it is known that corporate governance shapes how companies function under laws and norms in organizational formation, structuring, operations, relationships, and accountability. It has evolved from a narrow economic and legalistic understanding of companies to a focus on stakeholder engagement and stewardship. In an effort to ensure the creation of long-term value for shareholders, businesses choose initiatives, capabilities, and strategic relationships. Where this might benefit well companies and the wider community.

Correspondingly, corporate governance faces increasing regulatory, political and stakeholder demands for accountability, ethics, transparency, corporate social responsibility (CSR), and stakeholder influence due to the recent macroeconomic collapse, violations of corporate management that visible, and environmental stewardship failures. the board's attention to stakeholder relationships, identification of common interests, and alignment of business capabilities contribute to maximizing corporate value and long-term resilience in an uncertain environment. Board accountability as part of strategy, control and service. Key responsibilities include strategy, provision of resources, fiduciary accountability, governance, stakeholder engagement, and social responsibility. The last element becomes more relevant to boards as companies seek new value creation through innovation, operational efficiency

and savings, reputation and brand development, and improved stakeholder relationships. In parallel, the board is needed to ensure corporate ethics, accountability, stakeholder engagement, and the use of honest and fair corporate governance principles in business practices. The process of stakeholder engagement can yield benefits including preference, growth, profit, and loyalty.

CONCLUSION

Based on the results of the analysis and discussion, several conclusions can be drawn, namely: (1) *Earning management* has a significant effect on CSR; (2) *Tax Management* significant effect on CSR ; (3) the audit committee is able to moderate the effect of *Earning Management* on CSR ; (4) the audit committee is not able to moderate the effect of *Tax Management* on CSR.

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