6-30-2020

ANTI-CORRUPTION DISCLOSURE AND EARNINGS MANAGEMENT: A CASE IN INDONESIAN CAPITAL MARKET

Putri Dwi Aprilia Nur Khasanah
Universitas Gadjah Mada

Indra Wijaya Kusuma
Universitas Gadjah Mada

Follow this and additional works at: <https://scholarhub.ui.ac.id/jaki>

Part of the [Accounting Commons](#), [Corporate Finance Commons](#), [Finance and Financial Management Commons](#), and the [Taxation Commons](#)

Recommended Citation

Aprilia Nur Khasanah, Putri Dwi and Kusuma, Indra Wijaya (2020) "ANTI-CORRUPTION DISCLOSURE AND EARNINGS MANAGEMENT: A CASE IN INDONESIAN CAPITAL MARKET," *Jurnal Akuntansi dan Keuangan Indonesia*: Vol. 17: Iss. 1, Article 6.

DOI: 10.21002/jaki.2020.06

Available at: <https://scholarhub.ui.ac.id/jaki/vol17/iss1/6>

This Article is brought to you for free and open access by the Faculty of Economics & Business at UI Scholars Hub. It has been accepted for inclusion in Jurnal Akuntansi dan Keuangan Indonesia by an authorized editor of UI Scholars Hub.

Jurnal Akuntansi dan Keuangan Indonesia
Volume 17 Nomor 1, Juni 2020

ANTI-CORRUPTION DISCLOSURE AND EARNINGS MANAGEMENT: A CASE STUDY OF THE INDONESIAN CAPITAL MARKET

Putri Dwi Aprilia Nur Khasanah

Alumni Magister Ilmu Akuntansi, Universitas Gadjah Mada

putri.dwik96@mail.ugm.ac.id

Indra Wijaya Kusuma

Program Studi Akuntansi, Universitas Gadjah Mada

Indra.kusuma@ugm.ac.id

Abstract

This study aims to examine the relationship between anti-corruption disclosure and earnings management. Data were obtained from the OSIRIS database and hand collected from annual and financial reports of 207 manufacturing companies listed on the Indonesia Stock Exchange for the 2016 to 2018 observation year. The results showed that there is a significant negative relationship between anti-corruption disclosure and earnings management, which is more pronounced when the company is small in size with positive profitability. Furthermore, the high level of anti-corruption disclosure reported by the company has the ability to reduce earnings management actions and show awareness, ability, skill, the actualization of attitude and behavior with integrity in creating a highly competitive business climate.

Keywords: *anti-corruption disclosure, earnings management, profitability, size.*

Abstrak

Penelitian ini bertujuan untuk menguji hubungan antara pengungkapan anti-korupsi dan manajemen laba. Penelitian dilakukan dengan menggunakan 207 perusahaan pada tahun observasi 2016-2018. Data yang digunakan di dalam penelitian ini diperoleh dengan *hand collecting* untuk variabel pengungkapan anti korupsi sedangkan untuk data variabel lain diperoleh melalui basis data OSIRIS. Hasil penelitian menunjukkan bahwa terdapat hubungan negatif yang signifikan antara pengungkapan anti-korupsi dan manajemen laba. Hubungan tersebut lebih jelas ketika perusahaan memiliki profitabilitas positif dan ukuran perusahaan yang kecil. Tingginya pengungkapan anti-korupsi yang dilaporkan perusahaan dapat mengurangi tindakan manajemen laba pada perusahaan dan menunjukkan kesadaran, kemampuan, keterampilan, aktualisasi sikap dan perilaku berintegritas dalam menciptakan iklim usaha yang berintegritas, adil, dan berdaya saing tinggi.

Kata kunci: *pengungkapan anti-korupsi, manajemen laba, profitabilitas, ukuran perusahaan*

INTRODUCTION

Earnings management is an action that leads to disputes between shareholders and managers with specific objectives of influencing the process of financial reporting to obtain some personal gain (Schipper 1998). This is usually carried out by manipulating or changing the financial reports of companies (Healy and Wallen 1999) and adding bias statements statement for personal gain (Setiawati and Na'im 2000).

Earnings management is an action based on individual motivation and interest by changing some numbers in the financial statements in favor of the manager (Riduwan 2011). Earnings management aims to mislead and harm users of financial statements while providing significant benefits to the manager or company. This is in accordance with KDPPLK paragraph 16 relating to the neutrality of financial statements, which stated that *"information must be directed to the general needs of certain users while ignoring the needs and desires of several parties"* (IAI 2007).

Earnings management is an action that arises from the impulse of corrupt thoughts. According to Kwik (2006), corrupted thoughts are very difficult to determine, however, with motivation and interest, it is easily identified. Criminal acts do not merely originate from bad intentions, rather it also occurs through disguised good actions. Karim et al. (2016), Lange (2008), and Doh et al. (2003) stated that corruption is an abuse of the trust of many people and organizational resources for personal or private interests by taking actions that are not desired by the community.

The negative consequences that occur when companies commit corruption are loss of trust from investors, lower market share, poor performance, and increase poverty as well as social inequality (Osuji 2011). Therefore, to avoid these adverse effects, companies strive to provide accurate information related to corporate social responsi-

bility, through anti-corruption activities by ensuring their annual reports are not altered, thereby boosting public confidence.

Anti-corruption disclosure does not only prevent acts of corruption, rather it provides transparency and accountability by increasing public awareness and inviting companies to apply its principles. According to KPK (2019), anti-corruption disclosure helps companies to raise awareness and increase their abilities and skills in developing related programs or activities capable of actively preventing corruption (KPK 2019).

The involvement of companies listed or not on the Indonesia Stock Exchange (IDX) regarding corruption has different implications. For instance, the problems faced by those listed on the Indonesia Stock Exchange (IDX) are more complicated than those not listed on the Indonesia Stock Exchange (IDX). This complexity arises due to the increase in *several stakeholders*, namely investors, and broader business pressures. Therefore, companies listed on the Indonesia Stock Exchange (IDX) need to be more careful in taking actions related to fraud and corruption. In Indonesia, there have been several corruption cases, one of which involved the PT Waskita Beton Precast Tbk (Kurnia 2019). The Corruption Eradication Commission (KPK) suspected that this company had harmed the state by listing fictitious subcontractors' names on various projects. These names were linked to a total of 14 identified projects in several regions in Indonesia, including the Antasari-Blok M Toll Road, the East Canal Flood Project, Medan's Kualanamu Airport, the Bekasi Hilir River Project, and the Normalization of the Pasanggrahan River with a culminating cost of 202 billion (Aji and Budiman 2020). This discovery decreased PT Waskita Beton Precast Tbk's share price by 0.98% to Rp.202/unit with a share transaction value of Rp.7.7 billion and a volume of 38.69 million shares which dropped by 33.55% (Abdila 2020).

Figure 1
Corruption Perception Indeks in ASEAN Countries

Source: Transparency Internasional (2019)

Figure 1 shows that Indonesia is ranked 4th out of 10 ASEAN countries listed in the corruption perception index with score rates of 37, 37, and 38 in 2016, 2017, and 2018, respectively. According to the figure, Singapore is ranked highest with score rates of 84, 84, and 85 in 2016, 2017, and 2018. Meanwhile, Cambodia is the ranked lowest with score rates of 21, 21, and 20 in 2016, 2017 and 2018, respectively. The higher the value obtained in the corruption perception index, the greater the transparency and low level of corruption that occurs within the country.

Preliminary research on CSR disclosure focused more on issues related to the environment. According to Gunawan (2007), other components of CSR are starting to gain attention even though some only show social and environmental issues in general. CSR initiatives are interesting when related to certain issues such as corruption (Weyzig, 2009). Transparency International (2009) stated that anti-corruption disclosure is a strong indicator of the quality and completeness of a company's efforts to deal with corruption. However, there is still limited research on CSR related to anti-corruption (Healy and Serafeim 2011; Dissanayake et al. 2011; Hoi and Lin 2012; Joseph et al. 2016; Karim et al. 2016).

Healy and Serafeim (2011) stated that business disclosure in fighting corruption has a relationship with a company's financial performance. Also, Dissanayake et al. (2011) reported that disclosures on the eradication of bribery increased with negative news from the media and the movement of the *International Government Organization* in fighting bribery in global companies. According to Hoi and Lin (2012), social responsibility prevents and controls corporate corruption in two ways, namely emphasizing supervision and punishment and emphasizing integrity and *self-monitoring*. In addition, the effectiveness of corruption prevention is significantly based on the extent to which the company is committed to being socially responsible.

Karim et al. (2016) stated that anti-corruption disclosure has a significant effect on profitability and financial performance in the long and short terms for companies listed on the Indonesian Sri Kehati and FTSE Goods Malaysia Indexes. According to Joseph et al. (2016), anti-corruption disclosure conducted in Indonesia and Malaysia is still at its inception stage. Companies tend to practice anti-corruption disclosures and *whistle-blowing* while presenting their annual reports (Joseph et al., 2016). This research was carried out

based on the previous limited studies on anti-corruption activities and earnings management.

Data were obtained from *the* OSIRIS database and *manually collected* from annual and financial reports of 207 manufacturing companies listed on the Indonesia Stock Exchange from 2016-2018. The results showed a positive relationship between anti-corruption disclosure and earnings management, which is more pronounced when the company is small in size with adequate profitability.

STUDYING LITERATURE AND DEVELOPMENT OF HYPOTHESIS

Legitimacy Theory

Legitimacy theory explains the social relationship between a company and society. This theory also explains that for a company to be accepted by the community, it needs to provide information related to its social activities. It is intended that the company has a positive value in the eyes of the community so that the survival of the company is indirectly guaranteed (Reverte, 2009).

This theory explains that companies that disclose their social activities are likely to be accepted by *stakeholders* because this means that they demonstrate compliance and transparency of information. A form of transparency applicable is the disclosure of anti-corruption activities to obtain an assessment of the company's risk mitigation of bribery and corruption (O'Brien et al. 2009).

Image Theory

According to Jefkin (1987), image is the result of an evaluation within a person (one's identity) which is based on assessment, understanding, processing, and organizing. Image is an intangible asset that describes a company's reputation, positive value, and trust. The image quality obtained by a company determines the decisions of *stake-*

holders in achieving the goals. Therefore, the image that the company has is a benchmark held by *stakeholders* as a means of making decisions.

Image is one of the important assets for every company because it affects (a) Investors' decisions in investing, selling, or buying shares, (b) Consumers' consideration to buy company goods/services, (c) Suppliers' desire to build cooperation, (d) Competitors zeal to enter the trading market, (e) Enables companies to easily get new funds to run and develop a business, and (f) Motivates organizations to employ quality workers (Gaultier-Gaillard et al. 2009). An organization with a positive image and values in the eyes of *stakeholders* creates good values. Therefore, the company has confidence in creating quality profits and reducing earnings management actions with the trust and responsibility given by *stakeholders*.

Positive Accounting Theory

According to Watts and Zimmerman (1986), positive accounting theory is an approach oriented to empirical studies, which explains the various accounting methods often utilized. These include (a) Bonus Plan Hypothesis which explains that companies choose accounting procedures by making changes in reported earnings, (b) Payable Contract Hypothesis, which explains that companies make changes in reported earnings by choosing accounting procedures based on debt agreements, and (c) Political Cost Hypothesis, which explains that companies make changes in earnings by choosing accounting procedures based on political costs.

Anti-corruption Disclosure and Earnings Management

Social activities are a form of corporate responsibility to society and other stakeholders, which provides additional appreciation to companies. Investors in these

companies tend to appreciate the positive contributions made by stakeholders and are willing to be involved in social responsibility activities, which are published to the public through company annual reports and the media (Van-Dijken 2007). In accordance with the theory of legitimacy, disclosure of company information is used to build a corporate image or reputation full of responsibility and operates under social values to gain and maintain legitimacy from the community and other stakeholders (Guthrie et al. 2007).

Disclosure of social responsibility is one of the tools that provide a positive signal to stakeholders and the business world in proving the future of a company and providing assurance that it has a responsibility to society for future sustainability (Walden and Schwartz 1997). The more extensive the disclosures that are reported to stakeholders, the higher the public trust. Friedman (2007) stated that companies engage in social responsibilities to run businesses in accordance with the wishes of their shareholders, which generally tend to generate as much profit as possible by adjusting the basic rules of society, embodied in law and ethical customs.

Anti-corruption disclosure, as a component of social responsibility disclosure, is used by companies to provide views and signals to the public concerning corruption prevention for sustainability (Karim et al. 2016). Preliminary studies have proved that social responsibility has a negative effect on earnings management (Chih et al. 2008; Yip et al. 2011; Mohamad et al. 2011; Kim et al. 2012). Also, the studies carried out by Heal and Gareth (2004) and Karim et al. (2016) stated that anti-corruption disclosures are positively related to financial performance. According to Karim et al. (2016), when a company discloses anti-corruption, it shows good financial job prospects by preventing negative actions capable of affecting its productivity. Anti-corruption disclosure includes activities

and practices expected by the public. Therefore, when managers engage in this activity they are more likely to limit earnings management and make responsible operational decisions, thereby maintaining transparency in financial reporting.

H₁: There is a negative relationship between anti-corruption disclosure and earnings management.

RESEARCH METHOD

This study uses the population of all manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2016-2018 observation years. According to BPS (2020), this year range was used because it shows an increase in public understanding and assessment of anti-corruption behavior. Furthermore, manufacturing companies were used as samples because this study uses the accrual method, and the financial statement records used are more complex than other companies. For example, in manufacturing companies, there is a record of inventory adjustments, which differs from other companies. The samples were collected using the *purposive sampling technique* and in accordance with the following criteria, (a) Manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016-2018, (b) Published financial and company annual reports during the observation period and (c) those with complete data related to research variables. Data collection techniques are performed archival (*archival*) both from *the database* OSIRIS and *hand collecting* from annual reports.

Operational Definition of Variable

1. Anti-corruption Disclosure

Disclosure is a strong indicator of the quality of an organization or company in dealing with acts of corruption (Karim et al. 2016; Khamainy and Asih 2019). According to Hess (2009), corruption prevention is used

as a form of accountability by companies to *stakeholders* to achieve their predetermined goals in the form of corporate transparency.

A company's anti-corruption disclosure is measured by an anti-corruption index assessment based on the instrument *Global Reporting Initiative* (GRI) G4. This falls into the sub-category of society with an anti-corruption aspect consisting of 3 indicators, namely (a) G4-SO3: Total number and presentation of operations assessed for risks related to corruption, (b) G4-SO4: Communication and training on anti-corruption policies and procedures, and (c) G4-SO5: proven incidents of corruption and the actions to be taken.

Measurement of the disclosure index is carried out using content analysis on the company's annual report with a value of "1" and "0" when the company reports or does not report the disclosure item, respectively (Haniffa and Cooke 2005).

2. Earnings Management

Earnings management is an action that occurs when there are disputes between shareholders and managers with a specific purpose, such as reporting for personal gain (Schipper 1998). It is measured using a proxy *discretionary accrual* and a modified Jones model (Dechow et al. 1995). The steps in determining earnings management are as follows.

- (i) Calculating total accruals using the formula for net income minus operating cash flow in year t, as follows:

$$TAC_{it} = NI_{it} - CFO_{it}$$

Meanwhile, to determine the coefficient of total accrual regression the following formula is used:

$$TAC_{it}/A_{it-1} = \alpha_1 (1/A_{it-1}) + \alpha_2 (\Delta REV_{it}/A_{it-1}) + \alpha_3 (PPE_{it}/A_{it-1}) + \epsilon_{it}$$

- (ii) Calculating *nondiscretionary accruals* (NDA) using the following formula:

$$NDA_{it} = \alpha_1 (1/A_{it-1}) + \alpha_2 (\Delta REV_{it}/A_{it-1} - \Delta REC_{it}/A_{it-1}) + \alpha_3 (PPE_{it}/A_{it-1})$$

- (iii) Determining *discretionary accruals* (DAC) which is used as a measure of earnings management can be calculated formulas follows:

$$DAC_{it} = (TAC_{it}/A_{it-1}) - NDA_{it}$$

This study uses the absolute value as a measure of *discretionary accruals* (DAC) because it reflects on the reversal of accruals. This means that accruals only shift income or expenses from one period to another and an increase in income in a certain period, leads to a decrease in others. Therefore, the accrual measure is more important than the direction.

Description:

DAC_{it} = *Discretionary Accruals* company i in year t

NDA_{it} = *Nondiscretionary accruals* company i in year t

TAC_{it} = *Accruals Total* company i in year t

NI_{it} = *Net income* company i in year t

CFO_{it} = *Operating cash flow* company i in year t

ΔREV_{it} = *Change revenue* in company i in year t less revenue in year t-1

ΔREC_{it} = *Change receivable* in company i in year t less receivable in year t-1

PPE_{it} = *Gross property, plant and equipment* company i in year t

3. Control Variables

This study utilized the control variable profitability (ROA), firm size (SIZE), and *leverage*. The profitability was measured using net income divided by total assets (Nalarreason et al. 2019; Sun et al. 2010). Meanwhile, the firm size was measured by *the natural logarithm* (Log Ln) of the company's total assets (Sun et al. 2010). Besides the *leverage* used in this research was measured by dividing the total debt by total assets (Kasmir 2014; Lahaya 2017; Nalarreason et al. 2019; Leviany et al. 2019).

Table 1.
Descriptive Statistic Test

Variabel	Min	Max	Mean	Median	Standar Deviasi
EM_{it}	-0,1434	0,1033	-0,0305	-0,0363	0,0527
AKD_{it}	0,0000	0,6364	0,2714	0,2727	0,1663
ROA_{it}	-0,0589	0,1330	0,0401	0,0392	0,0405
$SIZE_{it}$	25,7971	33,4751	28,7858	28,6688	1,5687
LEV_{it}	0,0203	0,9040	0,4608	0,4796	0,1889
Total of Sample			207		

Hypothesis Testing

This study utilized regression analysis to carry out hypothesis testing to determine the relationship between anti-corruption disclosure and earnings management.

$$EM_{it} = \alpha + \beta_1 AKD_{it} + \beta_2 ROA_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + year\ effect + \epsilon_{it}$$

Description:

- EM_{it} = Earnings management company i in year t
 α = Constants
 $\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficient
 AKD_{it} = Anti-corruption disclosure of company i in year t
 ROA_{it} = Profitability of company i in year t
 $SIZE_{it}$ = Size of a company i in year t
 LEV_{it} = *Leverage* (financial risk) of a company i year t
year effect
 = Control year of research
 ϵ_{it} = *Error*

RESEARCH RESULTS AND DISCUSSION

Data Description

This study uses panel data with the purposive sampling method used to obtain data from 69 companies from 207 observations from 2016 to 2018. The sample selection process is shown in Table 1.

Table 1 shows that the average earnings management (EM) has a value of -0.0305, a standard deviation of 0.0527, a maximum value of 0.1033, and a minimum value of -

0.1434. The anti-corruption disclosure (AKD) has an average value of 0.2714, a standard deviation of 0.1663, a maximum value of 0.6364, and a minimum value of 0.0000. The average values of profitability (ROA) show a positive value of 0.0401 or 4.01%, which means that the company is generally *profitable*. Company size has maximum and minimum values of 33.4751 and 25.7971 with a difference of 7.678. When it is divided into two small (25, 7971–29, 6361) and large (29,631–33, 4751) companies, the range is 3, 839. Table 2 shows the average sample used in the study with the company categorized as small because it is in the range of 25.7971–29.6361.

Anti-corruption Disclosure and Earnings Management

This study aims to analyze the relationship between anti-corruption disclosure and earnings management. Table 2 shows that the variable AKD_{it} is negative with a significance value of 0.054 which is smaller than alpha 10%. This shows that anti-corruption disclosure has a marginal negative effect on earnings management. Therefore, **hypothesis (H₁) is supported marginally**. The results of this study are consistent with the legitimacy theory which shows transparency and corporate accountability. This is because companies try to provide information related to corporate social responsibility in gaining the legitimacy of the community and *stakeholders* (Gray et al. 1988). Social responsibility is the activity carried out by companies to stake-

Table 2
Result of Hypothesis Testing

Variabel	B	t-stat	Sig
<i>AKD_{it}</i>	-0,044	-1,937	0,054*
<i>ROA_{it}</i>	0,502	5,114	0,000***
<i>SIZE_{it}</i>	-0,001	-0,505	0,614
<i>LEV_{it}</i>	0,097	4,679	0,000***
<i>year_1</i>	0,018	2,115	0,036**
<i>year_2</i>	0,003	0,401	0,689
<i>Cons</i>	-0,055	-0,821	0,413
<i>N</i>	207		
<i>R Square (R²)</i>	0,145		

Note: * Significant α : 10%, ** Significant α : 5%, *** Significant α : 1%

holders on the company's activities towards its environment.

In Indonesia, corruption is an act mostly highlighted by the public. Therefore, companies are encouraged to be able to implement strategies to prevent acts of corruption. In disclosing anti-corruption strategies, companies tend to provide information related to their strategy to prevent and combat inherent corrupt activities. According to Hess (2009), anti-corruption disclosures made by companies assist them in achieving internal and external goals. Furthermore, anti-corruption disclosures are used by companies to provide accountability, transparency and increase public awareness of related actions. Joseph et al. (2016) stated that disclosure of anti-corruption activities indicates that companies are responsible for the behavior of their employees and recognize the negative consequences that can affect the image, integrity, and legitimacy of being involved in corruption.

The existence of a corruption prevention system and anti-corruption activities in a company are expected to improve its integrity in building businesses. These activities are used by companies as a reflection of the attitude and behavior of integrity of business actors, with the ability to create a business world consisting of integrity, fairness, and high competitiveness. Companies that report disclosure of corruption tend to gain legiti-

macy from intended *stakeholders*, positive image, reputation, and value, thereby having more confidence to operate and remain functional for a prolonged period.

Table 2 illustrates that profitability shows a positive significance value of 0.000. The results are consistent with the hypothesis of the positive accounting theory developed by Watts and Zimmerman (1986) in which the company refers to the bonus plan (*bonus plan hypothesis*) in selecting the accounting method by making changes in reported earnings. This proves that managers use company profits to maximize the bonuses they receive. Therefore, the higher the profit, the greater the possibility to obtain earnings management actions. Table 2 also shows the results of the positive significance of *leverage* 0.000. This result is consistent with the positive accounting theory that supports the debt *covenant hypothesis* in which the company chooses the accounting method based on debt agreements. The higher the *leverage*, the greater the debt risk, such as those faced by investors, thereby increasing profits. Furthermore, the higher the *leverage* and level of debt, the greater the opportunity to take earnings management actions.

Table 3 indicates that anti-corruption disclosure is positively related to earnings management in companies with positive *profitability*. Companies with positive profitability and disclose high anti-corruption

Table 3
Profitability (ROA)

Variabel	Positive Profitability ROA > 0,000			Negative Profitability ROA < 0,000		
	B	t-stat	Sig	B	t-stat	Sig
<i>AKD_{it}</i>	-0,049	-2,041	0,043**	0,051	0,424	0,676
<i>SIZE_{it}</i>	0,001	0,397	0,692	-0,006	-0,446	0,660
<i>LEV_{it}</i>	0,076	3,607	0,000***	0,039	0,525	0,605
<i>Year_1</i>	0,017	1,860	0,065*	0,006	0,233	0,818
<i>Year_2</i>	0,008	0,009	0,993	-0,005	-0,169	0,868
<i>Cons</i>	-0,082	-1,154	0,250	0,070	0,201	0,842
<i>N</i>	181			26		
<i>R Square (R²)</i>	0,085			-0,201		

Table 4
Size of Companies (SIZE)

Variabel	Large Size Companies SIZE > 28,786			Small Size Companies SIZE < 28,786		
	B	t-stat	Sig	B	t-stat	Sig
<i>AKD_{it}</i>	-0,040	-1,308	0,195	-0,076	-2,093	0,039**
<i>ROA_{it}</i>	0,545	4,044	0,000***	0,439	3,275	0,001***
<i>LEV_{it}</i>	0,117	3,499	0,001***	0,074	2,775	0,006***
<i>Year_1</i>	0,006	0,482	0,631	0,024	2,063	0,041**
<i>Year_2</i>	-0,001	-0,122	0,903	0,006	0,543	0,588
<i>Cons</i>	-0,095	-4,677	0,000	-0,076	-4,116	-0,076
<i>N</i>	90			117		
<i>R Square (R²)</i>	0,162			0,125		

show good performance. This is because the management is not motivated to take earnings to avoid ruining its reputation, image, and positive value in the company (Perwitasari 2015). This is in accordance with the legitimacy theory, which stated that a company with a positive image, reputation, as well as value gain legitimacy and trust from *stakeholders*, which encourages it to create quality profits, thereby reducing earnings management actions.

Companies with negative profitability indicate that the anti-corruption disclosures have no relationship to earnings management. This is illustrated by a significance value of 0.676, which is greater than 5% alpha. There is no relationship between anti-corruption disclosure and earnings management because companies with negative profitability indicate financial difficulties, and poor performance, with the inability to increase profits. The purpose of separating

positive and negative profitability is for additional analysis in explaining further related test results. Companies with widespread anti-corruption have reduced earnings management actions. However, these results are clearer with companies that have positive profitability.

Table 4 illustrates that anti-corruption disclosure is positively related to earnings management in small size companies. Furthermore, small size companies that express high anti-corruption tend to carry out little earnings management. The results showed a significance value of 0.039 (less than 5% alpha), which is consistent with the positive accounting theory developed by Watts and Zimmerman (1986). According to them, anti-corruption disclosure tends to reduce a small company's ability to manage earnings. This is because they are likely to be subject to low-performance standards and the information submitted to *stakeholders* is not too large and

complex. In general, small companies have different standards compared to large ones. This is carried out to create harmony because it is impossible for small companies to follow the rules or standards of large ones. Small size companies do not try to gain too high profits and large political costs, therefore, they have the ability to report anti-corruption disclosures as a form of corporate social responsibility to care about acts of corruption and prevent activities capable of threatening its sustainability.

This study shows that large companies indicate disclosure of corruption and have no relationship to earnings management. This is indicated by a significance value of 0.195 (greater than 5% alpha). The absence of a relationship between anti-corruption disclosure and earnings management is because large-size companies receive intensive public scrutiny. These results are consistent with the positive accounting theory, which stated that large size companies have significant political costs, strong pressure, and numerous operating activities that influence society and *stakeholders*. The purpose of separating large and small company sizes is for additional analysis in explaining further related test results. Companies that disclose widespread anti-corruption reduce earnings management actions. However, this result is clearer with small company sizes.

CONCLUSION

This study aims to analyze the relationship between anti-corruption disclosure and earnings management. Based on data analysis and hypothesis testing, it is concluded that there is a negative relationship between anti-corruption disclosure and earnings management. Generally, anti-corruption disclosures are used by companies in realizing corporate accountability, transparency and increase public awareness of implementing anti-corruption measures. Earnings management ac-

tions are lower with an increase in anti-corruption actions. The results obtained are stronger when the company has positive profitability and small in size. This study also provides significant positive results on profitability and *leverage*, which is consistent with positive accounting theory where it supports the *bonus plan* and *debt covenant hypotheses*.

This study has several limitations, firstly, it measures earnings management using the modified Jones model developed by Dechow et al. (1995). Future studies need to be carried out by using other measures such as Stubben (2010), Kothari et al. (2005), Dechow and Dichev (2002), as well as a new approach model developed by (Dechow et al. 2012) to calculate earnings management. Secondly, it utilized the GRI-G4 instrument with a measurement *dummy* in measuring anti-corruption disclosure. The results obtained show that there are still few companies that report anti-corruption disclosures. Therefore, further research needs to use other measurements that refer to the score issued by *Transparency International/ TI* to measure anti-corruption disclosure (Joseph et al. 2016). Thirdly, to avoid violating debt covenants related to earnings management actions that occur in companies *leverage* was calculated using total debt divided by total assets because liabilities include elements such as *account payable*, *deferred tax liabilities*, *salary payable*, etc. Fourthly, the decision to use core or comprehensive options is management's consideration was because the absence of disclosure does not mean that the company does not have activities related to anti-corruption activities. Rather it was due to the management's consideration that the information was not included in the core when the company takes the option, which contains the background on which the organization's economic, environmental, and social impacts are based. Meanwhile, the comprehensive option is based on the core option by requiring the

disclosure of additional information regarding strategy and analysis, governance, and organizational ethics, and integrity.

The results of this study have several implications. Theoretically, it is used as reference material for further research and adds to the literature on social responsibility disclosure, especially in the anti-corruption aspects associated with earnings management. In practical terms, this study can be used as a reference that high anti-corruption disclosures are associated with low earnings management actions. This relationship is stronger in companies with positive profitability and small in size. The high level of anti-corruption disclosure reported by companies indicates awareness, ability, skill, the actualization of attitude and behavior with integrity in creating a business climate that is fair and highly competitive.

DAFTAR PUSTAKA

- Abdila, R. 2020. Harga Saham Waskita Beton Amb les Gara Gara Kasus Korupsi Proyek Fiktif. Diunduh 27 Juli 2020, <http://www.tribunnews.com>
- Aji, R., dan A. Budiman. 2020. KPK Tetapkan Dirut Waskita Beton Precast Tersangka Korupsi. Diunduh tanggal 23 Juli 2020, <http://nasional.tempo.co>
- Badan Pusat Statistik (BPS). 2020. Indeks Perilaku Anti Korupsi (IPAK) Indonesia Tahun 2020 Meningkatkan Dibandingkan IPAK 2019. Diunduh: 10 November 2020. www.bps.go.id.
- Badan Pusat Statistik (BPS). 2020. Analisis Komoditas Ekspor 2012-2019 Sektor Pertanian, Industri, dan Pertambangan. Diunduh: 17 Oktober 2020. www.bps.go.id.
- Chih, H.L., C. H. Shen, and F. C Kang. 2008. Corporate Social Responsibility, Investor Protection, and Earnings Management: Some International Evidence. *Journal of Business Ethics*, 79 (1-2), 179-198.
- Dechow, P. M., R. G. Sloan, and A. P. Sweeney. 1995. Detecting Earnings Management. *Accounting Review*, 193-225.
- Dechow, P. M., and I. D. Dichev. 2002. The Quality of Accruals and Earnings: The Role of Accrual Estimation Errors. *The Accounting Review*, 77(1), 35-59.
- Dechow, P. M. et al. 2012. Detecting Earnings Management: A New Approach. *Journal of Accounting Research*, 50 (2), 275-334.
- Dissanayake, T., M. A. Islam, S. Dellaportas. 2011. In: Corporate Disclosure on Combatting Bribery: A Study of Two Global Companies in the Telecommunication Industry Paper Presented at the 10th Australasian Conference on Social and Environmental Accounting Research (CSEAR), 5e7 December. University of Tasmania, Australia.
- Doh, J. P. et al. 2003. Coping with Corruption in Foreign Markets. *Academy of Management Perspectives*, 17(3), 114-127.
- Friedman, M. (2007). The Social Responsibility of Business is to Increase its Profits. *Corporate ethics and corporate governance* (173-178): Springer
- Gaultier-Gaillard, S., J.P. Louisot, and J. Rayner. 2009. Managing Reputational Risk—From Theory to Practice. In Reputation Capital (161-178). *Springer*, Berlin, Heidelberg.
- Gray, R., D. Owen, and K. Maunders. 1988. Corporate Social Reporting: Emerging Trends in Accountability and the Social Contract. *Accounting, Auditing & Accountability Journal*, 1(1), 6-20.

- Gunawan, J., 2007. Corporate Social Disclosures by Indonesian Listed Companies: A Pilot Study. *Social Responsibility Journal*, 3, 26e34.
- Guthrie, J., S. Cuganesan, and L. Ward. 2007. Legitimacy Theory: A Story of Reporting Social and Environmental Matters within the Australian Food and Beverage Industry. In *Asia Pacific Interdisciplinary Research in Accounting Conference (5th: 2007)* (1-35). APIRA 2007 Organising Committee.
- Haniffa, R. M., and T.E. Cooke. 2005. The Impact of Culture and Governance on Corporate Social Reporting. *Journal of Accounting and Public Policy*, 24 (5), 391-430.
- Healy, P., and G. Serafeim. 2011. Causes and Consequences of Firms Disclosures of Anti-corruption Efforts. Working Paper. Harvard Business School.
- Healy, P., and J.M. Wahlen. 1999. A Review of the Earnings Management Literature and its Implications for Standard Setting. *Accounting Horizons* (13), 365-383.
- Heal, G., and P. Garret. 2004. Corporate Social Responsibility, An Economic and Financial Framework. Columbia Business School.
- Hess, D. 2009. Catalyzing Corporate Commitment to Combating Corruption. *Journal of Business Ethics*, 88 (4), 781-790.
- Hoi, Y.H., and C.Y. Lin. 2012. Preventing Corporate Corruption: The Role of Corporate Social Responsibility Strategy. *Int. J. Bus. Behav. Sci.* 2,12e22.
- Ikatan Akuntan Indonesia (IAI). 2007. *Standar Akuntansi Keuangan*. Jakarta: Salemba Empat.
- Joseph, C. et al. 2016. A Comparative Study of Anti-Corruption Practice Disclosure Among Malaysian and Indonesian Corporate Social Responsibility (CSR) Best Practice Companies. *Journal of cleaner production*, 112, 2896-2906.
- Karim, N. K., A. Animah, dan E. E. Sasanti. 2016. Pengungkapan Anti Korupsi dan Kinerja Keuangan Perusahaan: Studi Kasus Perusahaan Terdaftar Di Indeks Sri Kehati. *Jurnal Riset Akuntansi Aksioma*, 15(2), 28-28.
- Kasmir. 2014. *Analisis Laporan Keuangan*. Jakarta: PT. Rajagrafindo Persada.
- Khamainy, A. H., dan D.N.L. Asih. 2019. Pengungkapan Corporate Social Responsibility (CSR) dan Kinerja Keuangan Perusahaan dengan Pengungkapan Anti Korupsi sebagai Variabel Moderasi. *AKMENIKA*, 16(2).
- Kim, Y., M.S. Park, and B. Wier. 2012. Is Earnings Quality Associated with Corporate Social Responsibility? *The Accounting Review*, 87(3), 761-796.
- Kurnia, T. 2019. Deretan BUMN yang Tersangkut Kasus Korupsi. Diunduh tanggal 4 Agustus 2020, <https://www.liputan6.com>
- Komisi Pemberantasan Korupsi (KPK). 2019. Laporan Tahunan KPK 2019 Bahasa. Diunduh tanggal 4 Agustus 2020, <http://www.kpk.go.id>
- Kothari, S. P., A.J. Leone, and C.E. Wasley. 2005. Performance Matched Discretionary Accrual Measures. *Journal of accounting and economics*, 39 (1), 163-197.
- Kwik, K. 2006. *Pikiran Yang Terkorupsi*. Cetakan 1. Jakarta: Penerbit Buku Kompas.
- Lahaya, I.A. 2017. Pengaruh Dividend Payout Ratio, Risiko Keuangan, Nilai Perusahaan, dan Ukuran Perusahaan terhadap Perataan Laba (Studi pada Perusahaan Manufaktur Sektor Industri Dasar dan Kimia Listing di

- Bursa Efek Indonesia). *Akuntabel*, 14 (1), 11-18.
- Lange, D. 2008. A Multidimensional Conceptualization of Organizational Corruption Control. *Academy of Management Review*, 33(3), 710-729.
- Leviany, T., W. Sukiati, and M. Syahkurah. 2019. Pengaruh Risiko Keuangan Dan Nilai Perusahaan Terhadap Perataan Laba. *Jurnal SIKAP (Sistem Informasi, Keuangan, Auditing Dan Perpajakan)*, 4 (1), 81-87.
- Mohamad, N. R. et al. 2011. *The Effects of Board Independence, Board Diversity and Corporate Social Responsibility on Earnings Management*. Paper Presented at the Finance and Corporate Governance Conference.
- Nalarreason, K. M., T. Sutrisno, and E. Mardiaty. 2019. Impact of Leverage and Firm Size on Earnings Management in Indonesia. *International Journal of Multicultural and Multi-religious Understanding*, 6(1), 19-24.
- O'Brien, M., D.J. Hill and C.W. Autry. 2009. Customer Behavioral Legitimacy in Retail Returns Episodes: Effects on Retail Salesperson Role Conflict. *Journal of Marketing Theory and Practice*, 17 (3), 251-266.
- Osuji, O. 2011. Fluidity of Regulation-CSR Nexus: The Multinational Corporate Corruption Example. *Journal of Business Ethics*, 103(1), 31-57.
- Perwitasari, D. 2015. Struktur Kepemilikan, Karakteristik Perusahaan, dan Manajemen Laba. *Jurnal Akuntansi Multiparadigma*, 5(3), 432-441.
- Reverte, C. 2009. Determinants of Corporate Social Responsibility Disclosure Ratings by Spanish Listed Firms. *Journal of business ethics*, 88(2), 351-366.
- Riduwan, A. 2011. Etika dan Perilaku Koruptif dalam Praktik Manajemen Laba: Studi Hermeneutika. *Jurnal Akuntansi dan Auditing Indonesia*, 14(2).
- Schipper, K. 1989. Earnings Management. *Accounting horizons*, 3(4), 91.
- Setiawati, L., and A. Na'im. 2000. Manajemen laba. *Journal of Indonesian Economy and Business*, 15(4), 424-441.
- Stubben, S. R. 2010. Discretionary Revenues as a Measure of Earnings Management. *The Accounting Review*, 85(2), 695-717.
- Sun, N. et al. 2010. Corporate Environmental Disclosure, Corporate Governance and Earnings Management. *Managerial Auditing Journal*, 25(7), 679-700.
- Transparency International. 2019. *Corruption Preceptions Indeks*. Diunduh 4 Agustus 2020, <https://www.transparency.org>
- Van-Dijken, F. 2007. Corporate Social Responsibility: Market Regulation and the Evidence. *Managerial Law*, Vol. 49 Iss: 4, pp.141-184.
- Yip, E., C. Van Staden, and S. Cahan. 2011. Corporate Social Responsibility Reporting and Earnings Management: The Role of Political Costs. *Australasian Accounting, Business and Finance Journal*, 5(3), 17-34.
- Walden, W.D., and B.N. Schwartz. 1997. "Environmental Disclosures and Public Policy Pressure". *Journal of Accounting and Public Policy*, Vol. 16 No. 2, pp. 125-54.
- Watts, R.L., and J.L. Zimmerman. 1986. *Positive Accounting Theory*. Prentice Hall Inc, Englewood Cliffs, NJ.
- Weyzig, F., 2009. Political and Economic Arguments for Corporate Social Responsibility: Analysis and a Proposition Regarding the CSR Agenda. *Journal of Business and Ethics* 86, 417e428.

Lampiran

1. Sampel Perusahaan

No	Kode	Nama Perusahaan
1	ADES	Akasha Wira International Tbk
2	AGII	Aneka Gas Industri Tbk.
3	AKPI	Argha Karya Prima Industry Tbk
4	ALTO	Tri Banyan Tirta Tbk.
5	AMFG	Asahimas Flat Glass Tbk.
6	APLI	Asiaplast Industries Tbk.
7	ASII	Astra International Tbk.
8	AUTO	Astra Otoparts Tbk.
9	BATA	Sepatu Bata Tbk.
10	BELL	Trisula Textile Industries Tbk.
11	BOLT	Garuda Metalindo Tbk
12	BRAM	Indo Kordsa Tbk.
13	BUDI	Budi Starch & Sweetener Tbk.
14	CAMP	Campina Ice Cream Industry Tbk
15	CINT	Chitose Internasional Tbk.
16	DPNS	Duta Pertiwi Nusantara Tbk.
17	EKAD	Ekadharma International Tbk.
18	ESTI	Ever Shine Textile Industry Tbk.
19	FPNI	Lotte Chemical Titan Tbk.
20	GGRM	Gudang Garam Tbk.
21	GJTL	Gajah Tunggal Tbk.
22	ICBP	Indofood CBP Sukses Makmur Tbk
23	IGAR	Champion Pacific Indonesia Tbk
24	IMAS	Indomobil Sukses Internasional Tbk.
25	IMPC	Impack Pratama Industri Tbk.
26	INDF	Indofood Sukses Makmur Tbk.
27	INDR	Indo-Rama Synthetics Tbk.
28	INDS	Indospring Tbk.
29	INKP	Indah Kiat Pulp & Paper Tbk.
30	INRU	Toba Pulp Lestari Tbk.
31	INTP	Indocement Tunggal Prakarsa Tbk.
32	IPOL	Indopoly Swakarsa Industry Tbk.
33	ISSP	Steel Pipe Industry of Indonesia Tbk.
34	JECC	Jembo Cable Company Tbk.

No	Kode	Nama Perusahaan
35	KAEF	Kimia Farma Tbk.
36	KBLM	Kabelindo Murni Tbk
37	KDSI	Kedawung Setia Industrial Tbk.
38	KINO	Kino Indonesia Tbk
39	LION	Lion Metal Works Tbk
40	LMPI	Langgeng Makmur Industri Tbk.
41	LMSH	Lionmesh Prima Tbk
42	MAIN	Malindo Feedmill Tbk.
43	MASA	Multistrada Arah Sarana Tbk
44	MLIA	Mulia Industrindo Tbk.
45	MOLI	Madusari Murni Indah Tbk.
46	MYOR	Mayora Indah Tbk.
47	MYTX	Asia Pacific Investama Tbk.
48	NIKL	Pelat Timah Nusantara Tbk.
49	PBRX	Pan Brothers Tbk
50	POLY	Asia Pacific Fibers Tbk.
51	PYFA	Pyridam Farma Tbk
52	ROTI	Nippon Indosari Corpindo Tbk.
53	SKLT	Sekar Laut Tbk
54	SMGR	Semen Indonesia (Persero) Tbk.
55	SPMA	Suparma Tbk.
56	SRIL	Sri Rejeki Isman Tbk.
57	SSTM	Sunson Textile Manufacturer Tbk.
58	STTP	Siantar Top Tbk.
59	TCID	Mandom Indonesia Tbk.
60	TFCO	Tifico Fiber Indonesia Tbk.
61	TIRT	Tirta Mahakam Resources Tbk.
62	TKIM	Pabrik Kertas Tjiwi Kimia Tbk.
63	TOTO	Surya Toto Indonesia Tbk.
64	TSPC	Tempo Scan Pacific Tbk.
65	UNIC	Unggul Indah Cahaya Tbk.
66	VOKS	Voksel Electric Tbk.
67	WIIM	Wismilak Inti Makmur Tbk.
68	WTON	Wijaya Karya Beton Tbk.
69	YPAS	Yanaprima Hastapersada Tbk.

2. Checklist Guide of Anti-corruption Disclosure

Aspect			Indicators
Anti-corruption	G4-SO3	Total number and percentage of operations to be judged against the risks associated with corruption and the significant risks identified	Reports the total number and percentage of operations by assessing risks related to corruption
			Report significant risks associated with corruption identified through risk assessment
	G4-SO4	Communication and training on anti-corruption policies and procedures	Report the total number and percentage of governance body members that have been informed of the organization's anti-corruption policies and procedures
			Report the total number and percentage of employees informed about the policy and the organization's anti-corruption procedures
			Report the total number and percentage of business partners informed about the organization's anti-corruption policies and procedures
			Report the total number and percentage of governance body members trained on anti-corruption
			Report the total number and percentage of employees trained on anti-corruption
	G4-SO5 Confirmed	Incidents of corruption and actions taken	Report the total number and nature of proven corruption incidents
			Report the total number of proven incidents in which employees were subject to termination or disciplinary action
			Report total number of incidents evident when contracts with business partners were terminated or not renewed due to corruption-related violations
			Report public legal cases related to corruption