The Influence of Women In The Board, Board Composition, and Profitability on Corporate Social Responsibility with Earnings Management as Moderating Variable

(Study on companies Registered at JII 2016-2020)

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ABSTRACT

This study aims to determine the effect of Percentage Of Women In The Board, The Board Composition and Profitability toward Corporate Social Responsibility with Earning Management As Moderating Variable. This research is a quantitative research. Data were obtained from companies registered with JII for the 2016-2020 period. The population obtained is 47 companies. The sample used in this study were 10 companies with purposive sampling method. The analytical tools used are multiple linear regression and Moderated Regression Analysis (MRA). The data processing tool uses eviews 11. The result of this study indicates that the women in the board, profitability, and earning management have no effect on corporate social responsibility, while board composition has a significant and positive effect on corporate social responsibility. Earning management can moderated the board composition to corporate social responsibility, but cannot moderated women in the board and profitability to corporate social responsibility.

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Keywords:
Women in the Board; Board Composition; Profitability; Corporate Social Responsibility; Earning Management

Introduction

Social responsibility is the most important concern for every business community. In addition to the fulfillment to achieve maximum profit, the company must pay attention to the fulfillment of welfare and social inequality in terms of economic, social, political, and others as a result of the company's operational activities (Yanti et al., 2021). Corporate social responsibility is the most important business ethics, considering that the company is not only committed to investors but to other stakeholders (stakeholders).
A manager who controls earnings uses CSR activities as a technique to gain stakeholder support and maintain relationships. This can encourage management deviant behavior, one of which is earnings management (Kusuma & Syafruddin, 2014). Earnings Management is a technique taken by management executives in managing the organization through determining accounting bookkeeping strategies that have a goal of increasing overall profits (Utari & Sari, 2016). A manager can have flexibility through earnings management which is used to protect himself or the company in terms of anticipating unexpected events for the benefit of the parties involved in the contract.

There are many things that cause managers to carry out earnings management, one of which is that managers will try to regulate net income in order to maximize the bonuses they get. In addition, to reduce tax payments, managers do this by reducing reported net income. The existence of this social responsibility activity can make the management within the company more flexible to practice earnings management, because by carrying out CSR activities it will create a positive response in the eyes of investors and the public so that it can cover up the frauds that have been committed by the manager. On the other hand, the disclosure of social responsibility activities in the annual report makes the financial information contained in the financial statements clearer and more transparent (Putriana et al., 2018).

Graph 1. CSR management performance 2019-2021

Graph 1. shows the performance of social responsibility management in the 2019-2021 period. The data shows that the performance of social responsibility
management in the observation period has decreased. Based on these data, it can be understood that social responsibility in the 2019-2021 period has decreased.

Previous research related to Earnings Management was conducted by Oktafia, (2013) stating that earnings management has a positive influence on corporate CSR. The high level of earnings management in the company causes the company to tend to make wider disclosures in its implementation (Djutaningsih & Marsyah, 2012) and (Solo et al., 2017). While the research conducted by Kalbuana et al., (2020) shows that Earnings Management has no effect on CSR and research conducted by Jaya et al., (2017) shows that Earnings Management cannot moderate the relationship between corporate governance mechanisms and corporate social disclosure.

Research conducted by Hyun et al., (2016) and Nour & Sharabati, (2019) explains that women's boards have a positive influence on the disclosure of corporate social responsibility. However, this research is inversely proportional to the research of Anggraein & Djakman, (2017) and Alazzani et al., (2019) which explain that women's boards do not affect CSR.

Research related to the composition of the board conducted by Priantana & Yustian, (2011) and Nurkhin, (2010) stated that the composition of the board has a positive influence on CSR. This research is inversely proportional to the research conducted by Sari et al., (2013) and Nour & Sharabati, (2019) which stated that the composition of the board had a negative influence on CSR.

Research conducted by Nurkhin, (2010), Sofwan, (2019) and Gunawan et al., (2018) which shows that profitability has a positive influence on corporate CSR. However, this research is different from research by Akbar et al., (2015) which states that profitability does not affect the company's CSR disclosure.

Governance is a system used to control and regulate companies to limit management's freedom to perform earnings management. The corporate governance factor in this case is the Women's Board and the Composition of the Board of Commissioners. Women's councils can sensitize boards to CSR initiatives and provide perspectives that can help in addressing CSR issues (Alazzani et al., 2019). Women have ethical and communal values that are better internalized through their
social roles. A larger board composition is more efficient than a smaller board composition in disclosing corporate social responsibility (Nour & Sharabati, 2019). While the measurement of profitability uses the profit ratio or the company's operational success in one period (Sofwan, 2019).

From the description above, the researcher sees that there is still a gap between one analyst and another regarding the elements that have an impact on the disclosure of corporate social obligations, apart from those related to information, there is still no awareness of the organization in relation to their social obligations. This makes researchers interested in conducting research on the disclosure of corporate social obligations, so that in the view that has been studied, this study will raise the point "The Influence of Women's Councils, Board Composition, and Profitability on CSR (Corporate Social Responsibility) with Earnings Management as a moderating variable."

Literature Review

Agency Theory

Agency theory is the basis for earnings management practices carried out by executives because the division of ownership by the head and control by specialists in an organization will generally cause agency conflicts between agents and principals (Sofwan, 2019). With information asymmetry between management and owners, it will provide an opportunity for managers to carry out earnings management so that it will mislead shareholders about the company's economic performance (Sosiawan, 2015). Every action taken by management that can certainly affect the reported profit figures for certain purposes is Earnings Management (Kalbuana et al., 2020). Management as the manager of the organization has more data about the organization and is faster than the head so that data deviation occurs which allows management to act opportunistically to carry out bookkeeping practices that are regulated by benefits to achieve certain implementations. Inequality of data also provides an opportunity for boards to report non-genuine income which can lead to a decrease in the value of the organization in the future (Sofwan, 2019).
**Stakeholder Theory**

Stakeholder theory can describe CSR. This is because stakeholder theory is able to distinguish between social issues and stakeholders (Purwanto, 2011). Interest in CSR exposure has been driven by stakeholders. Stakeholders are parties who have a direct or indirect interest in the company’s activities (Sofwan, 2019). With this disclosure, it is believed that the organization will really want to meet the data needs and have the option to monitor stakeholders (Sari et al., 2013).

**Gender Socialization Theory**

Gender socialization theory, a leading theory of gender differences, holds that men and women differ in their orientation to moral principles, in large part because women have ethical and communal values that are better internalized through their social roles. Women tend to have stronger moral standards and ethical attitudes than men. This can encourage companies to disclose their corporate social responsibility (Hyun et al., 2016). Women see work as ability development and personal satisfaction, while the more ethical nature of women is expected to be able to limit the occurrence of earnings management practices (N. Putri & Erinos, 2019).

**Women in the board**

Women tend to have stronger moral standards and ethical attitudes than men. This can encourage companies to disclose their corporate social responsibility (Hyun et al., 2016). Female independent directors will embrace their company's CSR more strongly than male directors. The presence of women on the board of directors can add different perspectives, work arrangements and expertise to the board. The presence of women on the board will increase its efficiency. The presence of women on the board provides various ideas that help in solving problems (Nour & Sharabati, 2019).

**Composition of the Board of Commissioners**

Through the board's task in completing the management's supervisory task of the operations of a company organization, the composition of the board of commissioners can make a strong commitment to the consequences of planning.
quality budget reports or the opportunity to guard against fraudulent misstatement of financial statements (Priantana & Yustian, 2011). A larger board composition is more efficient than a smaller board composition in corporate CSR disclosure (Nour & Sharabati, 2019).

**Profitability**

Profitability is a component made by free and adaptable management to disclose social obligations to investors. So that the higher the degree of organizational profitability, the greater the social obligations by the organization. Organizations that have a significant level of profitability will attract institutional financial supporters to put resources into the organization (Purwanto, 2011). In estimating organizational profits, the return on assets (ROA) instrument is used. ROA is a financial marker that describes a company's ability to generate returns on company assets (RA Putri & Christiawan, 2014).

**Profit management**

Earnings management is separated into two. For the first, consider it as management behavior to increase their utility regardless of salary contracts, contractual obligations, and political costs (management income). Second, by examining the earnings of management according to the point of view of an effective contract, where earnings management is the adaptability for a manager to protect himself and to anticipate the unexpected to the parties involved in the agreement so as to get a profit (Hazri, 2008).

**Corporate Social Responsibility**

CSR is an organization's ongoing obligation to act morally and increase financial progress for the personal satisfaction of its workforce and their families. The same is true for the network in which the organization works and the wider local area. This definition shows a change in perspective, especially a change from the conventional perspective of a business that is only concerned with profit. Current strategic policies are not limited to reasons for creating profits but also include components of CSR and responsibility (Purwanto, 2011).
The Influence of the Women's Council on Corporate Social Responsibility (CSR)

The rights of women in the board structure affect the nature of corporate social and environmental disclosure considering that the presence of women in the board structure shows diversity so that it will broaden the view in making choices related to social and natural issues. Women's councils are more concerned about social and environmental related issues, so they will be more likely to oversee CSR arrangements better. (DY Anggraeni & Djakman, 2017). This is supported by research conducted by Hyun et al., (2016) and Nour & Sharabati, (2019) which states that the Women's Council has a positive effect on CSR.

H1 = Women in the board has a positive effect on Corporate Social Responsibility (CSR)

The Influence of the Composition of the Board of Commissioners on Corporate Social Responsibility (CSR)

Larger board composition is more efficient than a smaller board composition in disclosing corporate social responsibility. (Nour & Sharabati, 2019). Through the board's duties in terms of carrying out operational supervision activities by the members, the composition of the board of commissioners can make effective commitments related to the results of the financial report process that is prepared so that it has quality so as to avoid fraudulent financial statements (Priantana & Yustian, 2011). The composition of the Board of Commissioners in the board structure is relied upon to support the disclosure of broader corporate social obligations (Sari et al., 2013). This is supported by research conducted by Nurkhin, (2010) and Priantana & Yustian, (2011) which states that the composition of the Board of Commissioners has a positive effect on CSR.

H2 = Composition of the Board of Commissioners positive effect on Corporate Social Responsibility (CSR)
The Effect of Profitability on Corporate Social Responsibility (CSR)

Profitability is the part that makes the board free and versatile to disclose social commitments to investors, so the higher the level of organizational productivity, the more important the disclosure of social information. The relationship between productivity and CSR exposure is also based on the authenticity hypothesis where the disclosure of corporate social commitment is completed to obtain positive qualities and legitimacy from the environment (RA Putri & Christiawan, 2014). These results are in accordance with research by Nurkhin, (2010) and Sofwan, (2019), and which states that profitability has a positive effect on CSR.

H3 = Profitability positive effect on Corporate Social Responsibility (CSR)

Effect of Earnings Management on Corporate Social Responsibility (CSR)

One of the determining factors for finding an organization doing earnings management is knowing how the steps are taken to disclose information about an organization. The approach used to regulate the minimum prerequisites used for information disclosure has an important role in managing the basic prerequisites for disclosing data, which plays an important part in the company's ability to manage earnings (Djuitaningsih & Marsyah, 2012). This is supported by the research of Oktafia, (2013) which states that earnings management has a positive effect on CSR.

H4 = Earnings Management has a positive effect on Corporate Social Responsibility (CSR)

The influence of the Women in the board on Corporate Social Responsibility (CSR) moderated by Earnings Management.

The discussion of gender differences here focuses more on how the work of women on board members can limit earnings management actions. The presence of women in the group of members of the board of commissioners can influence decision making, because women are usually more moderate and avoid danger, they are more careful in carrying out their management and obligations (N. Putri & Erinos, 2019). In addition, women's councils are able to bring a broader perspective
and enable councils to better assess the needs of diverse stakeholders. Therefore, having a female director can sensitise the board to CSR initiatives and provide perspectives that can help in addressing CSR issues (Alazzani et al., 2019).

H5: Earnings Management is able to moderate the Women's Council on Corporate Social Responsibility (CSR)

Effect of Composition of the Board of Commissioners on Corporate Social Responsibility (CSR) moderated by Earnings Management.

The composition of the board of commissioners is the composition of the board of directors related to their role in carrying out administrative capacity, the part of the board can influence the administration in planning financial reports so that quality reports can be obtained (Priantana & Yustian, 2011). Provide a strong commitment to the consequences of the most common ways to prepare quality budget summaries or opportunities to avoid false fiscal reports (Kristiani et al., 2014).

H6: Earnings Management is able to moderate the Composition of the Board of Commissioners towards Corporate Social Responsibility (CSR)

Effect of Profitability on Corporate Social Responsibility (CSR) moderated by Earnings Management.

Profitability is an activity in terms of managing all assets and assets of a company that can be used as an indicator of management performance. (Prasadhita & Intani, 2017). Profitability as a component that makes the board free and adaptable in terms of disclosure of social obligations to investors. The benefits generated by the organization during the current period can be a sign of earnings management practices carried out by manipulating the components of the company's reported income. (Prasadhita & Intani, 2017). If a company has high profitability, the greater the disclosure of social information (RA Putri & Christieawan, 2014) and the higher the manager to practice earnings management because in general it will reduce profit details to direct how much reward they get. (Prasadhita & Intani, 2017).
H7= Earnings Management is able to moderate Profitability towards Corporate Social Responsibility (CSR)

**Method**

This research is included in quantitative research using ratio measurement data with a secondary data hypothesis test design in the form of panel data. The population obtained is 47 companies registered with JII for the 2016-2020 period. Using purposive sampling technique, 10 companies were obtained as samples with a total of 50 observations. The criteria for this research sample are:

1. Listed company in the Jakarta Islamic Index (JII) for the period 2016-2020.
2. Listed company in the Jakarta Islamic Index (JII) in 2016 to 2020 and publishes complete annual financial reports in annual financial reports published from 2016 to 2020.
3. A member company of the Jakarta Islamic Index (JII) that provides related information corporate social obligations (CSR), corporate governance mechanisms and complete data related to profitability in the annual report, from 2016-2020.

**Results and Discussion**

Through 1st different data, obtained cross-section including 10 companies with a total panel of 40 research observations. MRA test results are presented in table 1.
Table 1. MRA (Moderated Regression Analysis) test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.004445</td>
<td>0.002330</td>
<td>1.908066</td>
<td>0.0654</td>
</tr>
<tr>
<td>D(X1_DW)</td>
<td>0.000707</td>
<td>0.001224</td>
<td>0.577140</td>
<td>0.5679</td>
</tr>
<tr>
<td>D(X2_KD)</td>
<td>0.003220</td>
<td>0.001259</td>
<td>2.637247</td>
<td>0.0128</td>
</tr>
<tr>
<td>D(X3_ROA)</td>
<td>-0.002323</td>
<td>0.003508</td>
<td>-0.662207</td>
<td>0.5126</td>
</tr>
<tr>
<td>D(Z_M_LABA)</td>
<td>0.994106</td>
<td>1.117204</td>
<td>0.889816</td>
<td>0.3802</td>
</tr>
<tr>
<td>D(X1_DW)*D(Z_M_LABA)</td>
<td>-0.056579</td>
<td>0.516908</td>
<td>-0.127062</td>
<td>0.8997</td>
</tr>
<tr>
<td>D(X2_KD)*D(Z_M_LABA)</td>
<td>-11.65554</td>
<td>4.465101</td>
<td>-2.610364</td>
<td>0.0136</td>
</tr>
<tr>
<td>D(X3_ROA)*D(Z_M_LABA)</td>
<td>-0.897189</td>
<td>0.506009</td>
<td>1.832359</td>
<td>0.0762</td>
</tr>
</tbody>
</table>

Source: Processed secondary data, 2022

Based on the results of the t-test in Table 1. The influence of women's councils (x1) on CSR (Y) has a significant level of 0.5679 > 0.05 with a regression coefficient of 0.000707. In conclusion, the female board variable (X1) has no effect on CSR (Y) so that the first hypothesis (H1) cannot be accepted. This means that the level of the Women's Council variable which is the result of the number of women on the board divided by the number of board members cannot affect CSR. The results of this study are the same as those of Anggraeni & Djakman, 2017, N. Anggraeni, 2020, and Pajaria et al., 2016 which state that the Women's Council has no effect on CSR.

Based on the results of the t-test in Table 1. The effect of the composition of the board of commissioners (x2) on CSR (Y) is a significant level of 0.0128 > 0.05 with a negative regression coefficient value of 0.001289. In conclusion, the variable composition of the board of commissioners (X2) has a positive effect on CSR (Y) so that the second hypothesis (H2) can be accepted. This means that the level of the variable composition of the Board of Commissioners which is the result of the...
comparison of the number of members of the board of commissioners with the number of members on the board has an influence on CSR. This is supported by the results of research conducted by Priantana & Yustian, 2011 which states that the composition of the Board of Commissioners has a positive effect on CSR.

Based on the results of the t-test in Table 1. The effect of profitability (X3) on CSR (Y) has a significant level of 0.5126 > 0.05 with a negative regression coefficient value of 0.003508. In conclusion, the profitability variable (X3) has no effect on CSR (Y) so that the third hypothesis (H3) cannot be accepted. This means that the level of profitability with ROA measurement (net income after tax divided by total assets) does not affect CSR. This means that companies are increasingly aware of their responsibilities to their social environment in addition to achieving corporate profits. This is supported by the results of research conducted by Fauziah & Asyik, (2019), Akbar et al., (2015) and Putri & Christiawan, (2014) no effect on CSR.

Based on the results of the t-test in Table 1. The effect of earnings management (Z) on CSR (Y) has a probability value of 0.3802 > 0.05 with a positive coefficient value of 1.117204. So the results of this study indicate that Earnings Management has no significant positive effect on CSR. So the fourth hypothesis (H4) which states that Earnings Management has a positive influence on CSR in companies listed in JII for the 2016-2020 period cannot be accepted. Based on the results of research and empirical data, it can be shown that the level of Earnings Management that uses the Jones Modification measurement does not affect CSR. This means that earnings management is not an activity of creating relationships with stakeholders through the disclosure of its social responsibilities to gain support from various parties. The results of this study are the same as those conducted by Kalbuana et al., (2020) and Haryudanto & Yuyetta, (2011).

Based on the results of the t-test in Table 1. The moderating effect of earnings management (Z) on the relationship of women's boards (X1) to CSR (Y) has a significance level of 0.3802 > 0.05 with a negative coefficient value of -0.067659. In conclusion, earnings management (Z) cannot moderate the relationship between women's boards (X1) and CSR (Y), so the fifth hypothesis (H5) cannot be accepted. The results of this study are the same as the research conducted by Jaya et al., (2017) which states that Earnings Management cannot moderate the relationship between GCG and CSR which indicates that the high and low number of Women's Councils is a matter of gender differences, especially women in a company's board of directors.
can have a role in influencing policy and making decisions for the disclosure of corporate social responsibility and the Women's Council has not been able to limit earnings management practices.

Based on the results of the t-test in Table 1. The moderating effect of earnings management (Z) on the relationship between the composition of the board of commissioners (X2) on CSR (Y) has a significance level of 0.0136 < 0.05 with a coefficient value of -11.65554. In conclusion, earnings management can moderate (weak) the relationship between the composition of the board of commissioners (X2) and CSR (Y) so that the sixth hypothesis (H6) can be accepted. The high and low composition of the Board of Commissioners, the number of the Board of Commissioners in a company's board can affect CSR disclosure. However, the size of the composition of the Board of Commissioners cannot guarantee the transparency and informativeness of financial statements that are useful for shareholders so that earnings management practices are easy to occur. So that the existence of Earnings Management can weaken the relationship between the composition of the Board of Commissioners and CSR. The results of this study are the same as the research conducted by Sofwan, (2019) which explains that Earnings Management can moderate the relationship between the Board of Commissioners and CSR.

Based on the results of the t test in Table 1. The moderating effect of earnings management (Z) on the profitability relationship (X3) on CSR (Y) has a significance level of 0.0762 > 0.05 with a coefficient value of 1.832359. So the seventh hypothesis which states that Earnings Management can moderate the relationship between Profitability and CSR cannot be accepted. This means that the level of profit earned by a company cannot affect the extent of corporate social responsibility disclosure so that Earnings Management cannot be an indication of an increase in CSR disclosure. In addition to the high and low corporate profits obtained, the company is increasingly aware of its social responsibility.

**Suggestion**

Further research can add or use other Good Corporate Governance factors, so that the best model can be generated and expand the sample so that the research becomes more accurate and precise by using JII 70 which has more registered companies.
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