



The Effect of Firm Size and Firm Age on Sustainability Reporting and The Impact on Earnings Management

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Abstract

This study aims to analyze the effect of firm size and firm age on sustainability reporting and its impact on earnings management. The antecedent variable used in this study is firm size measured by Ln asset total and firm age measured by the result of research year data minus the year the company was founded. The independent variable used in this study is sustainability reporting measured by Global Reporting Initiative (GRI). Variable dependent used in this study is earnings management measured by discretionary accrual modified jones. The population of this research is mining companies listed on Indonesia Stock Exchange in 2015-2019. Based on the purposive sampling method, the sample chosen in this research is 14 companies with total sample of 70 data. This study used multiple linear regression analysis using SPSSv25 software. The result of this study showed that firm size has a positive impact on sustainability reporting, firm age has a positive impact on sustainability reporting, SR economic dimension has a positive impact on earnings management, SR environmental dimension has a negative impact on earnings management. However, SR social dimension doesn't affect earnings management.

Keywords: Sustainability Reporting, Earnings management, Firm Size, Firm Age, Discretionary Accrual

INTRODUCTION

Financial statements as a means of communication to provide financial information to stakeholders in the decision-making process. In financial statements, profit is one of the aspects used to be able to assess management performance. The greater the profit generated by the company, the better the company's performance. Profit is an important element for stakeholders, in the statement of Financial Accounting Concept (SFAC) No. 1 in assessing the

responsibility and performance of management that is first considered, namely profit information.

Stakeholders tend to focus on profit information regardless of the procedures used by the company to generate profit so that management is encouraged to practice Earnings management. According to Gautama & Fatma, (2018) earnings management is a process for deliberate decision making in managing revenues to describe the company's business profit with limitations (PABU) General Grateful Accounting Principles. According to Prasetya & Gayatri, (2016) that the number of managers considers if in the implementation of earnings management practices is a reasonable, ethical and legitimate manager in carrying out the responsibility to obtain a company return. Parties who are opposed to the practice of earnings management reveal that earnings management is a controversial action in the world of accounting and business. This is in line with the number of cases that arise due to the impact of earnings management.

The case against earnings management in mining companies is occurring at PT. Timah Persero (Tbk) that according to the tin employee association considers that the directors of PT. Timah committed a public lie through media reports. As in the financial report of the first semester of 2015 which states that the financial performance report is positive, actually that occurred in the first semester of 2015 operating profit loss up to Rp.59.000.000.000. (<https://idxchannel.okezone/2016>). In April 2019. Garuda Indonesia is proven to present financial statements that are not in accordance with the Financial Services Authority (OJK) Regulatory Standards and are not in accordance with (PSAK). Garuda Indonesia previously cooperated with PT. Mahata Aero Technology. The cooperation has a high value of US\$239,940,000 or a range of Rp2.98 trillion. The funds are still receivables but have been recognized by Garuda Indonesia Management as revenue, so that in 2018 suddenly PT. Garuda achieved a net profit of US\$809.85 thousand or around Rp11.33 billion. The figure increased sharply compared to 2017 which suffered a loss of US\$216.5 million (www.cnnindonesia/2019).

The quality of profit in Indonesia is still lower than in various Asian and developed countries (Gautama & Fatma, 2018). Indonesia is one of the countries where law enforcement is low and companies in Indonesia tend to have a high concentration of ownership. The low content of profit information in Indonesia raises the need for information outside of financial statements. This is in line with business development, that disclosure no longer focuses on economic aspects only but looks at social and environmental aspects. The shift led to a new idea in the business world that was initially only profit-oriented to be oriented to three things known as the Triple-P Bottom Line, namely profit, planet, and people. That is, in carrying out its current business activities must have economic, social and environmental responsibilities not only for profit or profit-oriented (Bukhori & Sopian, 2017).

Responsibility in reporting economic, social, and environmental aspects arises because of the demands and becomes the need for information activities that focus on the sustainability of the organization or community. The information can be realized by carrying out environmental social activities in sustainability reporting. According to Elkington (1998) Sustainability Reporting (SR) is a report that contains not only information on the company's performance from economic aspects but also non-financial information that is from the social and environmental aspects with such information will be very possible for the company to grow sustainably. The importance of

environmental social activities in SR due to its impact for long-term sustainability, reports on environmental social responsibility activities and corporate sustainability activities in Indonesia are evidenced by the issuance of Law No. 40 of 2007 on Limited Liability Companies. Article 1 paragraph 3 states that social and environmental responsibility is the company's commitment to participate in economic development sustainably to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and the community in general.

In addition, the Financial Services Authority issued POJK No. 51 of 2017 on the Implementation of Sustainable Finance for Financial Services Institutions that requires all LJK, issuers and public companies to prepare sustainability reports, and the sustainability report in question is prepared separately from the annual report or as a non-separate part of the annual report (Otoritas Jasa Keuangan 2017). Previous research conducted by Ibrahim et al., (2015) proves that Sustainability Reporting affects earnings management. This is in line with Amar & Chakroun research (2018) in France proving that Corporate Social Responsibility has a negative impact on Earnings management as well as the social dimension has a significant negative impact on Earnings management by using the disclosure of ISO 26000 standards. In addition, according to (N Nizar, 2015) that Sustainability Reporting affects Earnings management by using iSRa award 2015 standard companies. The research is not in line with (Kristia & Septiani, 2019) that sustainability Disclosure has a positive influence on Discretionary earning. This is in line with Gautama & Fatma's research (2018) stated that CSR measured through economic and environmental dimensions has a positive and significant effect on profit management, while from the social aspect negatively influenced by using Sharia Index company.

The disclosure of sustainability reporting in this study refers to the framework of the Global Reporting Initiative. Practice in conducting environmental social activities in Sustainability Reporting with GRI costs more than presenting financial statements. These higher costs allow companies to make incomplete disclosures. So it is likely that companies that have the firm size with a good total asset and companies that have long standing or going concern tend to make good disclosures and more quality. The study (Antara et al., 2020) found empirical evidence that the firm size had a significant positive effect on Sustainability Reporting. In line with research from india (Shamil et al., 2015) that the firm size has a positive influence on SR disclosure. The results of the study are not in line with the research conducted by (Rusila & Mukhzarudfa, 2019) that the firm size does not affect the disclosure of Corporate Social Responsibility. Furthermore, in the study (Indriyani & Yuliandhari, 2020) the firm size had no partial effect in the disclosure of Corporate Social Responsibility.

Another factor that can affect sustainability reporting is the firm age. The firm age describes the length of time a company was established (Goldwin & Christiawan, 2017). Long-standing companies tend to have more experience compared to newly established companies and have been shown to gain community legitimacy. The longer the company stands tends to improve the quality in doing reporting such as in conducting environmental social activities in sustainability reporting. Bhatia & Tuli Research (2017) found that the firm age positively affects SR. This is in line with Shamil et al. (2015) research found that the firm age influenced the disclosure of SR. Furthermore, the research is in line with the research (Rusila & Mukhzarudfa, 2019) that the age of influential companies simultaneously faced the disclosure of corporate

social responsibility. Different results are shown by (Effendi, 2020) that the firm age doesn't effect on SR disclosure. in addition, in the study (Indriyani & Yuliandhari, 2020) that partial of firm age doesn't effect on the disclosure of corporate social responsibility.

From the various exposures above such as the phenomenon of cases and the existence of various GAP research with inconsistent results. In addition, researchers have previously revealed sustainability reporting using different standards such as ISO 26000 and advised using other standards. There are limitations of aspects studied, while in sustainability reporting there are 3 aspects (economic, social, and environmental). In this study to measure sustainability reporting using the Framework of Global Reporting Initiative (GRI) 2016.

In this study using the mining sector because the sector has a variety of positive to negative impacts for stakeholders. Such positive impacts can create jobs for the community, mining production can be used to meet the needs of national to international markets so as to increase national income, in addition the mining industry can attract foreign investors to invest their capital. Negative impacts of the mining industry such as environmental damage, the emergence of erosion resulting from mining activities, the emergence of greenhouse gases and so on. Mining companies have huge advantages and manage great human resources as well. Therefore, the mining sector is likely related to earnings management and sustainability reporting.

THEORITICAL FRAMEWORK AND HYPOTHESIS

Legitimacy Theory

The theory of legitimacy or often referred to as legitimacy theory was first invented by Dowling and Pfeffer (1975). Dowling and Pfeffer explain that legitimacy is important to the organization, the boundaries emphasized by social norms, reactions and boundaries encourage the importance of organizational analysis and environmental attention. Furthermore, Suchman (1995) in Idowu et al., (2013) considers that legitimacy is a common perception or assumption that a company's actions are following norms and values and mechanisms that support the organization and develop environmental social disclosure that allows for recognition and sustainability of the company. In addition, according to Rokhlinasari, (2015) in the perspective of legitimacy theory of a company will report its activities if management considers that this is what is expected by the environment and community. The theory of legitimacy depends on a premise that there are social contracts with the communities in which the company operates. Organizations must certainly demonstrate that the company has operated in behavior consistent with social values. Legitimacy theory places perception and pressure and public recognition as the main impetus in disclosing information in financial statements.

Legitimacy theory can explain the relationship between company size and company age to sustainability reporting and its impact on earnings management. Large companies tend to get more attention and legitimacy by allowing the availability of money and qualified resources is very possible to engage in various social and environmental activities, and can generate more information, implications and certainly not a problem in bearing the cost of activities so that in conducting sustainability reporting is getting wider (Diono et al., 2017). In addition, companies that have a long life signify that the company gets legitimacy from the community and other

stakeholders judging by going concerned then the company not only focuses on profit but also cares about the environment and social so that in the disclosure of SR is getting better (Bhatia & Tuli, 2017). When these characteristics are assumed to increase economic, social and environmental activities in sustainability reporting, it will encourage companies to be more honest, increase transparency, ethical and reduce the existence of asymmetry information between the company and stakeholders and can reduce management opportunities in conducting earnings management practices (Ricardo, 2015).

Earnings management

William R Scott in his book *Financial Accounting Theory* (2000:404) earnings management is: "is the choice by a manager of accounting policies, or actions affecting earnings, to achieve some specific reported earning objective". Earnings management is an act of interference by the company's management with a specific purpose in the financial reporting process carried out by the presence of deliberate elements in order to realize personal interests (Gautama & Fatma, 2018). The main objective of earnings management is to improve the company's prospects and profit as well as the company's value to be able to meet the expectations of external users of financial statements (Chen & Hung, 2020). In addition, depending on internal conditions, earnings management can display good financial statements to attract investors (Chen & Hung, 2020).

Sustainability Reporting

Global Relative Initiative (GRI) Formulates sustainability reporting that: "Sustainability Reporting is a model in reporting company information to stakeholders that describes financial performance with social reporting, environmental reporting, and corporate governance reporting in an integrated manner in one reporting package". SR is designed to be able to assist organizations/communities in planning, reporting and disclosing information about the company's commitment, implementation, measurement, disclosure and responsibility to the performance of economic, social and environmental issues and governance to internal and external stakeholders to realize a sustainable vision and goals (Lako, 2018).

Firm Size

Firm size is an indicator that displays the financial power of the company. The firm size describes the size or small of a company that can be viewed using total assets, total sales and average sales rate. The larger the asset/sale, the greater the capital invested and the more money turnover show's that the company is getting more legitimacy (Sudarmo & Sularto, 2007). The firm size has been regulated in the Law of the Republic of Indonesia No. 20 of 2008. This regulation describes the types of company sizes that can be exceeded by the number of assets and the number of sales owned by the company.

Firm Age

Firm age is a picture of the length of time a company is founded and runs its business. The firm age can show that the company can compete and good performance (Indriyani & Yuliandhari, 2020). In addition, the public will get more information about a company that has long been established. Long-standing companies are considered more experienced in conveying information and conducting financial reporting. Long-standing companies are more likely to

understand what information should be reported in the annual report, so that the company can disclose information that positively affects the company (Bhatia & Tuli, 2017).

Effect of Firm Size on Sustainability Report

Based on the theory of legitimacy, the size of a company can also determine the attention / legitimacy of the public. The size of a company is a measurement to measure the size or size of a company. The firm size can be seen from various aspects such as total assets, total sales, number of employees, as well as market capitalization (Indriyani & Yuliandhari, 2020). The firm size can also be attributed to its influence on SR. Companies that have larger sizes tend to have the ability to be able to last longer (going concerned) and better compared to companies that have smaller sizes. This is because the larger a company is, the greater the resources it has. The impact of this company will get more attention / legitimacy of the public, especially the public. So that the company in making sustainability reporting disclosure will be wider.

H1: Firm size positively affects sustainability reporting.

The Effect of Firm Age on Sustainability Report

The firm age is one of the factors that can affect the company's performance in doing SR. The firm age is a picture of the length of time a company was established in running its business (Indriyani & Yuliandhari, 2020). The firm age can show that the company can compete and have a good performance. The longer a company stands, the company can its existence in its environment and has gained legitimacy from the public and the public (Rusila & Mukhzarudfa, 2019). Long-established companies tend to have more awareness in improving SR disclosure in order to gain attention and conduct social contracts and other external parties. Therefore, the higher the firm age, the better the sustainability reporting disclosure.

H2: The firm age positively affects sustainability reporting.

The Influence of SR Economic, Environmental and Social Dimensions on Earnings Management

In the theory of legitimacy there is a relationship between environmental social activities in SR to earnings management. According to this theory the disclosure of social and environmental information is a form of development of corporate environmental social policy (Pradipta & Hadiprajitno, 2015). Jones (1995) argues that companies that carry out environmental social activities in SR can encourage companies to be more honest, trustworthy and ethical, therefore it is expected that environmental social activities in SR can limit the company's management to conduct earnings management practices.

Legitimacy theory consumes the relationship between SR and earnings management because it can minimize the occurrence of earnings management practices. The more companies involved in environmental social economic activities in sustainability reporting, the fewer companies conduct earnings management practices.

H3a: Sustainability Reporting from the economic dimension negatively affects earnings management

H3b: Sustainability Reporting from environmental dimension negatively affects earnings management

H3c: Sustainability Reporting from the social dimension negatively affects earnings management

RESEARCH METHOD

The population in this study is mining sector companies listed on the Indonesia Stock Exchange (IDX) 2015-2019. The population in this study amounted to 47 property and real estate companies. Using the purposive sampling method obtained 14 companies that are included in the testing criteria. The use of these five periods to be able to see the consistency of influences between each variable and be able to better know real conditions in the near future.

The type of research used in this research is quantitative research. This study uses a multiple regression analysis approaches using SPSS (Statistical Package for Social Science) version 25. Judging from the problems studied, data collection techniques are used such as Library Research, Field research. According to Sekaran (2006), dependent variables are variables that are the main concern or focus to be studied. In this study there is one dependent variable, namely earnings management. Earnings management is measured using the Modified Jones Model previously used by (Alexander & Palupi, 2020). Antecedent variables are variables that are located before free variables or chronologically occur before independent and dependent variables. In this study the antecedent variables are firm size and firm age. Independent variable is a variable that affects a bound variable (dependent variable), both positively and negatively (Sekaran, 2007: 117). In this study the independent variable is SR.

RESULT AND DISCUSSION

The results of the regression analysis of all samples and research models are presented as follows.

Table 1
Results of Regression Analysis of All Samples.

Model 1 : $SR_{i,t} = \beta_0 + \beta_1 Size_{i,t} + \beta_2 Age_{i,t} + e$						
Model 2 : $DAC_{i,t} = \beta_0 + \beta_3 aSRE_{i,t} + \beta_3 bSRL_{i,t} + \beta_3 cSRS_{i,t} + e$						
Variables	Model 1			Model 2		
	Beta	T	Sig.	Beta	T	Sig.
(Constant)	-3,290			-0,0130		
Size	0,082	4,879	0,000*			
Age	0,010	5,600	0,000*			
SR_E				0,106	1,699	0,095**
SR_L				-0,097	-1,992	0,052**
SR_S				0,020	0,232	0,817
<i>R-Square</i>	0,392		0,130			
F	21,613		2,539			
Sig. (Test F)	0,000*		0,067**			

*Significance Level 0,05

**Significance Level 0,10

Dependent variable : SR (Model 1), DAC (Model 2)

Source: processed secondary data, 2021

Model Feasibility Test

Model 1

Based on table 1, it is known that the R-Square value in this study data is 0.392 or 39.2%. That is, the company's variable size and firm age affect SR by 39.2%, while its 60.8% is influenced by other variables. The significance value of the F model 1 test result is 0.000 (less than 0.05 or 5%). This research model is fit. Thus, it can be concluded that model 1 can explain the relationship of the influence of company size and firm age on SR and reliable.

Model 2

Based on table 1, it can be known that the R-Square value in this study data is 0.130 or 13%. That is, SR variables economic, environmental and social dimensions by 13%, while 87% of them are influenced by other variables. The significance value of the test result F model 2 is 0.067 (less than 0.10 or 10%). This research model is fit. Thus, it can be concluded that model 2 can explain the relationship of SR influence of economic, environmental and social dimensions on earnings management, and reliability.

Direct Influence Analysis Results

The direct influence of firm size and firm age on SR is hypothesized in H1 and H2. In addition, SR influence of economic, environmental, and social dimensions on earnings management was hypothesized in H3a, H3b, and H3c in this study.

H1 = Firm Size positively affects Sustainability Reporting

The hypothesis suggests that the firm size has a positive effect on SR. Testing of the influence of firm size on SR was conducted with regression analysis of model 1. Based on table 4.1, the coefficient β_1 is 0.082 with a p-value of 0.000 (below the significance level of 0.050). This proves there is a positive influence of the firm size on SR. so that it can be concluded that hypothesis 1 (H1) is accepted.

H2 = Firm Age positively affects Sustainability Reporting

The hypothesis suggests the firm age has a positive effect on SR. Testing of the influence of the firm age on SR was conducted with a regression analysis of model 1. Based on table 4.1, the coefficient β_2 is 0.010 with a p-value of 0.000 (below the significance level of 0.050). This proves that there is a positive influence of the firm age on SR. so that it can be concluded that hypothesis 2 (H2) is accepted.

H3a = SR Economic dimension negatively affects Earnings management

The hypothesis suggests SR economic dimension negatively affects earnings management. Testing of the influence of SR economic dimensions on EM was conducted with regression analysis of model 2. Based on table 4.1, the coefficient β_{3a} 0.106 with a p-value is 0.095 (below the significance level of 0.010). This proves that there is a positive influence of SR economic dimension on earnings management. so it can be concluded that hypothesis 3 (H3a) is rejected.

H3b = SR Environmental dimension negatively affects Earnings management

The hypothesis suspects SR environmental dimensions negatively affect earnings management. Testing the influence of SR environmental dimensions on earnings management is conducted with regression analysis of model 2. Based on table 4.1, the coefficient of β_{3b} -0.097

with a p-value is 0.052 (below the significance level of 0.010). This proves there is a negative influence of SR environmental dimensions on earnings management. so that it can be concluded that hypothesis 3 (H3b) is accepted.

H3c = SR Social dimension negatively affects Earnings management

The hypothesis suspects SR social dimension negatively affect earnings management. SR social dimension influence testing on earnings management is conducted with regression analysis of model 2. Based on table 4.1, the coefficient β_{3c} 0.020 with a p-value is 0.817 (above the significance level of 0.010). This proves that there is no influence of SR social dimension on earnings management. so it can be concluded that hypothesis 3 (H3c) is rejected.

Discussion

The Effect of Firm Size on Sustainability Reporting

The purpose of this test is to find out whether or not the influence of the firm size on SR. Legitimacy theory suggests that large companies tend to gain more attention as well as legitimacy, by enabling the availability of money and expert resources. This makes it possible to engage in a variety of social and environmental activities, and can produce more information and implications. Thus, it is not a problem in bearing the cost of activities so that in revealing his SR is getting wider (Diono et al., 2017).

The firm size in this study proved to have a positive effect on SR. It shows that the larger a firm size that in this study is measured by Ln total assets will attach importance to social contracts then in carrying out its SR is wider. The results of this study are in line with the theory of legitimacy that explains that companies that have large firm sizes tend to do their SR better. This condition indicates that mining companies are heavily involved in environmental social activities within SR. This is in line with research that the firm size has a significant positive effect on SR. In addition, these conditions are in accordance with the report on environmental social responsibility activities and corporate sustainability activities in Indonesia. Evidenced by the issuance of Law No. 40 of 2007 on Limited Liability Companies. Article 1 paragraph 3 states that social and environmental responsibility is the company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, the local community, and the community in general.

These results are also in line with previous research conducted by Bhatia &Tuli (2017); Antara et al., (2020); Shamil et al., (2015); and Suprasto &Haryanti (2019) which states that the higher the firm size, the higher and better the SR disclosure. In addition, the results of this test are contrary to research conducted by Rusila &Mukhzarudfa (2019); Indriyani &Yuliandhari (2020) on the contrary that the firm size has no influence on SR.

The Effect of Firm Age on Sustainability Reporting

The purpose of this test is to find out whether or not the influence of the firm age on SR. The theory of legitimacy suggests that a long-established company indicates that the company is gaining legitimacy from the community and other stakeholders. If seen from going concerned, then the company will not only focus on profit but also care about the environment and social so that in doing sustainability better the better. Bhatia & Tuli (2017).

The firm age in this study proved to have a positive effect on SR. It can show that the longer a company can show going concern and more awareness in making disclosures, so that in carrying out its SR is more widespread. This means that the longer the life of the company shows its existence in its environment (Rusila & Mukhzarudfa, 2019). The results of this study are in line with the theory of legitimacy that states that the longer the life of the company tends to gain more legitimacy, so it is more likely to engage a lot in environmental social activities in SR.

In the results of the study if you look at the current conditions, mining sector companies are one of the most involved corporate sectors or get the ISRA (Indonesian Sustainability Reporting Award). This is in line with research that the firm age has a significant positive effect on SR. This condition indicates that the longer the life of the company tends to do or engage in environmental social activities in SR the better / widespread. In addition, the condition is in accordance with the report on environmental social responsibility activities and corporate sustainability activities in Indonesia, as evidenced by the issuance of Law No. 40 of 2007 on Limited Liability Companies mentioned in Article 74 Paragraph 1, companies whose business activities are directly related to natural resources are obliged to carry out social and environmental responsibilities. If the provision is not implemented, it will be sanctioned based on Article 74 paragraph 3, the company that does not carry out the obligations as referred to in paragraph (1) shall be penalized in accordance with the provisions of the laws and regulations.

These results are also in line with previous research conducted by Bhatia & Tuli (2017); Suprasto & Haryanti (2019); and Nasir et al., (2013) which states that the longer a company lives, the better its SR will be. In addition, the results of this test are contrary to research conducted by Effendi, (2020); Indriyani & Yuliandhari (2020) with the conclusion that companies that have a long life do not guarantee good sustainability reporting.

The Influence of SR Economic, Environmental and Social Dimensions on Earnings Management

The purpose of this test is to find out whether or not sustainability reporting influences economic, environmental and social dimensions on earnings management. Based on the theory of legitimacy that there is a relationship between environmental social activities in SR to earnings management. According to this theory the disclosure of social and environmental information is a form of development of corporate environmental social policy (Pradipta & Hadiprajitno, 2015). The Company must identify activities that are within its control and identify the public, so as to provide legitimacy to the company. Such as identifying opportunistic actions performed by the company's manager in conducting earnings management practices.

Effect of SR Economic Dimension on Earnings management

SR economic dimension in this study proved to have a positive effect on earnings management. This indicates that the higher sustainability reporting disclosure of economic dimensions will increase earnings management. Companies that have a high SR have gained the trust of the public. However, these interests are utilized by the company to cover earnings management actions.

The results are shown in the disclosure of AR on SR in the mining sector seen in PT. Toba Bara Sejahtera in 2019. Where the company makes a fairly high SR disclosure. However, the company took the highest earnings management action also at 0.343. This indicates that the

company should have made SR disclosure of high economic dimensions not necessarily able to minimize earnings management practices. The disclosure of SR high economic dimensions can be utilized by the company's manager to conduct earnings management practices.

These results are also in line with previous research conducted by Siregar et. al (2018); Wardani & Santi (2018); Kristia & Septiani (2019); Gautama & Fatma (2018); which states that the company should not be used as a distraction from the company in conducting earnings management practices. The results of this test are contrary to research conducted by Trisnawati & Setiawati (2016) conclusion that in line with the theory of legitimacy of companies involved with environmental social economic activities in SR tend to have a high commitment to be ethical and honest to minimize earnings management practices.

Effect of SR Environmental Dimension on Earnings management

SR environmental dimensions in this study proved to have a negative effect on earnings management. This indicates that increased disclosure of SR environmental dimensions will lead to a decrease in earnings management. Companies that have a high commitment tend to improve the performance of the environment and other social responsibilities to gain legitimacy in the environment of the company operates. This indicates that the company has ethics and norms that apply to minimize earnings management practices (Prasetya & Gayatri, 2016). The results of this study are in line with the theory of legitimacy that companies are increasingly involved in environmental social activities in SR, to minimize earnings management practices. The disclosure of a high environmental dimension of course the company is responsible in the company's environmental activities and cares about the environment.

In accordance with the mining sector in this study, those mining sector companies are the sectors that are most directly related to environmental conditions in conducting the company's operations. So that mining sector companies proved to be heavily involved in environmental activities in SR. According to Law No. 40 of 2007 mentioned in Article 74 Paragraph 1, companies whose business activities are directly related to natural resources are obliged to carry out social and environmental responsibilities. If the provision is not implemented, it will be sanctioned based on Article 74 paragraph 3, the company that does not carry out the obligations as referred to in paragraph (1) shall be penalized in accordance with the provisions of the laws and regulations.

These results are also in line with previous research conducted by Trisnawati & Setiawati (2016); Prasetya & Gayatri, (2016); Ricardo, (2015); which states that companies involved with environmental social activities in SR tend to have a high commitment to be ethical and honest so as to minimize earnings management practices. In addition, the results of this test are contrary to research conducted by Brahmana et al., (2018); with the conclusion that policymakers should be more concerned about the creation and development of regulations regarding the social activities of the corporate environment.

The Influence of SR Social Dimension on Earnings management

SR social dimension in this study proved to not affect earnings management. This suggests that either an increase or decrease in SR disclosure of the social dimension will not have an impact on earnings management practices. According to Citrajaya & Ghajali (2020) the results of

the study that social activities in SR are not related to earnings management practices. It is explained that the cases are not related to business ethics, so the lack of SR in the social dimension could be due to institutional factors and not related to coffee earnings management (2004) in (Citrajaya & Ghozali, 2020).

The condition is in accordance with the circumstances that the company conducts earnings management practices due to several factors outside of social activities in SR. Such as companies conducting earnings management due to the emergence of new regulation Law No. 36 of 2008 on changes in the application of income tax calculation. According to Setiawan & Sudaryo (2015) the company sees opportunistic earnings management practices with changes in tax rates, so that the company diverts its profit in the previous year to next year so that the company can save tax paid.

These results are also in line with previous research conducted by Citrajaya & Ghozali, (2020); Kinasih et al., (2018); Putriana et al., (2018); which states that the social aspect is still not a public demand and the corporate environment or it could be that earnings management actions in Indonesia are influenced by other factors outside the social ethics of the company. In addition, the results of this test are contrary to research conducted by Amar & Chakroun (2018); Gautama & Fatma (2018); which states that the company's social activities indicate that the company plays an active role in the social environment so that the company has good business ethics and can minimize earnings management practices.

CONCLUSION

Based on the processing of the data obtained. The results of the firm size test have a positive effect on SR. Thus, hypothesis 1 (H1) in this study was accepted. That the higher the firm size, the better and wider the SR. Therefore that the result is by the condition of mining companies in Indonesia that with the regulation of Law No. 40 of 2007 on Limited Liability Companies, that mining sector companies can commit in carrying out environmental social activities sustainably. In addition The results of the firm age variable test positively affect SR. Thus, hypothesis 2 (H2) in this study was accepted. The longer the company's life it can increase SR. This means that mining sector companies have complied with existing regulations, namely Law No. 40 of 2007 concerning Limited Liability Companies article 74 paragraph 1, companies whose business activities are directly related to natural resources are obliged to carry out social and environmental responsibilities.

SR variable test results economic dimensions positively affect earnings management. thus, hypothesis 3 (H3a) in this study was rejected. That companies that have done SR high economic dimensions can not necessarily minimize the practice of earnings management. SR variable test results in environmental dimensions negatively affect earnings management. thus, hypothesis 3 (H3b) in this study was accepted. Mining sector companies are the sectors that are most directly related to the environment. So the mining sector proved to be heavily involved in environmental activities then in the implementation of its SR high. So that this can minimize the practice of earnings management. The last SR variable test results social dimensions do not affect earnings management. thus, hypothesis 3 (H3c) in this study was rejected. This condition is in accordance with the circumstances that the company conducts earnings management practices due to several factors outside of social activities within SR. Such companies conduct earnings

management practices due to the emergence of new regulations of the Law. Number 36 of 2008 concerning changes in income tax calculation.

Based on the limitations of the research that has been submitted, there are improvements that can be done by the next researcher. The advice that can be given to the next researcher is as follows. In further research it is recommended to add other variables that can have a better influence on earnings management. This is because other variables that were not studied in this study were able to explain the effect on earnings management better. These variables can be used as independent variables or control variables. Examples of variables that can be used are leverage, ownership structure, corporate governance and others. Wardani & Santi et al., (2018), Brahmana et al., (2018), Malek & Salama (2012).

In further research can use companies that receive ISRA (Indonesian Sustainability Reporting Award) or ARA (Annual Report Award) recipients so that the disclosure of economic, social and environmental activities in SR disclosure is more complete compared to companies that are not included, so as to show better research results (Alexander & Palupi, 2020).

Based on the results of this study, SR known social dimension can not affect earnings management. This is because the cases that occur in earnings management practices are not related to business ethics, so the lack of SR in the social dimension may be caused by institutional factors and not related to coffee earnings management (2004) in Citrajaya & Ghozali, (2020). It is expected that companies are more concerned about environmental social activities in SR. the company not only discloses SR as a mere obligation, but for long-term protection.

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