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The Effect of Corporate Social Responsibility Disclosure, Dividend Policy on Earning Management with Audit Quality as Moderation Variable in Listed Manufacturing Companies in Indonesian Stock Exchange (2018-2022)

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ABSTRACT: This research aims to test and prove empirically the effect of independent variables, namely corporate social responsibility disclosure, dividend policy on the dependent variable is earnings management and audit quality moderating variables. The research method used is quantitative research in the form of correlational research using panel data from company financial report taken at PT www.idx.co.id. The sampling technique in this research was purposive sampling with a total sample of 122 manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The data analysis method used is multiple linear regression using the EViews application. The research results found that corporate social responsibility has no effect on earnings management. Dividend policy has a negative effect on earnings management. Audit quality is unable to moderate the influence of corporate social responsibility on earnings management. Audit quality is unable to moderate the influence of dividend policy on earnings management. The Adjusted R2 value shows that 1.65% of earnings management can be explained by corporate social responsibility and the remaining 98.35% of dividend policy is influenced by other variables not examined in this research.

KEYWORDS: Audit Quality, CSR, Dividend Policy, Earning Management

PRELIMINARY

According to Sanchez, San & Jimenez (2022), earnings management is the ability of company managers to manage and manipulate company profits to obtain managerial profits, even if the action reduces the quality of the report. The efforts made by managers to present reports that can optimize individual needs or company needs are carried out by applying accounting principles standard. Accounting information must be reliable and relevant as a basis for decision making. However, the existence of information asymmetry between managers and external users of accounting data provides an opportunity for managers to utilize their discretion in preparing and presenting accounting data for their personal interests. Utilization of policies to prepare and present accounting information, this is the trigger for the formation of earnings management.

The application of earnings management has become a common phenomenon applied by companies both in Indonesia and outside Indonesia. This earnings management action is implemented to cover known performance weaknesses in the company, which can certainly affect the value of profits. Earnings management behavior is still a significant issue because it can create negative suspicions about managers and the integrity of accounting practices. Usually, managers manage earnings to mislead investors using accrual earnings management and real earnings management (Li, 2019)

The phenomenon of earnings management practices that occurs at PT. Tiga Pilar Sejahtera Food TBK. Revealing that it is considered to have violated financial reporting provisions. Accused of inflating the accounts receivables, inventories and fixed assets of the AISA Group amounting to Rp. 4 trillion in the 2017 financial report. There are allegations of inflated income of Rp. 662 billion and other inflation of Rp. 329 billion in EBITDA. Apart from that, another finding was that there was a flow of funds amounting to Rp. 1.78 trillion using various transaction schemes within the AISA Group, which were allegedly related to the old management (Source: www.cnbcindonesia.com, 2019).

Phenomenon PT. Akasha Wira International Tbk, managed to increase its net profit in 2018 by 38.48%, even though ADES sales fell but was able to increase profits. 2018 reached IDR 52.96 billion compared to the 2017 figure of IDR 38.24 billion. Apart from that, ADES posted an increase in margin in 2017 from 4.7% to 6.58% in 2018. There is a difference, namely that ADES succeeded in increasing net profit in 2018 even though the company's revenue decreased by 1.25% from achievement in 2017 was IDR 814.49 billion, in 2018 it was IDR 804.3 billion. Sales fell due to cosmetic products falling 6.47%, namely IDR 308.74, while

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sales of drinking water increased slightly compared to the previous year, namely 2.31%, namely IDR. 495.54 billion. Furthermore, the cost of revenue ratio increased from 46.11% in 2017 to 51.62% in 2018. With this phenomenon, it can be explained that the sales performance was small but was able to increase profits from the previous year (Source: www.cnbcindonesia.com, 2019). It could be said that profit growth was not supported by an increase in sales, but rather due to interest income and a decrease in costs not in the main expense items.

Earnings management is a practice carried out by the management of a company to manipulate financial reports to make them look better than they are. This practice is often carried out to meet financial performance targets, provide positive signals to investors, or fulfil the requirements of debt agreements. While earnings management is not necessarily illegal, unethical, or manipulative practices can harm shareholders, investors, and other stakeholders.

In many research results, earnings management is influenced by several factors. There is research (Nauli & Ridaryanto, 2023; Garanina, 2023; Ehsan et al, 2022; Velte, 2021; Githaiga, 2023; Kalbuana, Utami & Pratama, 2020; Lim & Hendriyeni, 2021; Azzuhry & Prasetyo, 2023; Amar, Salah & Jarbuoi, 2018; Lopes & Narciso, 2020; Amelia & Purnama, 2023; Padmini & Ratnadi, 2020; Kustono, Aspirandi & Varisa, 2021; Tran & Ashraf, 2018; Alexander, 2023; Helda, Asyikin & Ernawati, 2022; Hasty & Herawaty, 2017; Felicya & Sutrisno, 2020; Bakri, 2021).

According to ISO 26000, corporate social responsibility (CSR) embodies a company's commitment to engaging in actions or initiatives that contribute positively to both society and the environment. This commitment is characterized by ethical and transparent behavior, aligning with principles of social welfare and sustainable development. However, Habbash & Haddad (2019) argue that managers might exploit CSR activities to mask earnings management (EM) practices, thereby advancing their personal interests. In the realm of dividend policy, Hussain & Akbar (2022) assert that managers commonly utilize it as a signaling tool to showcase improved financial health to investors. Contrarily, Eskandar & Bolori (2021) draw the conclusion that dividend payments can serve as an incentive for managers to engage in earnings management. Their research further indicates that the relationship between dividends and earnings management practices is significantly influenced by company ownership, highlighting the moderating role of ownership structure in this dynamic.

The impact of corporate social responsibility (CSR) on earnings management can be moderated by the quality of audits. Independent auditors serve as essential third-party entities responsible for ensuring the reliability of financial reports, thereby reducing information asymmetry among shareholders (Santioso, Janice & Daryanto, 2020). Research by Pratama & Kusumadewi (2020) indicates that the audit quality, conducted by auditors, correlates with a higher ability to detect earnings management practices disclosed through the company's CSR reports. Moreover, the presence of major audit firms, such as the big four Key Audit Partnerships (KAPs), further enhances financial transparency by effectively identifying instances of earnings management. A positive correlation between good audit quality and increased investor confidence in the company's financial reports is highlighted, leading to a better understanding of the impact of the dividend policy on company performance.

This study is concentrated on the manufacturing sector, driven by observed phenomena and identified research gaps. Researchers aim to investigate the dynamics outlined in the research titled "The influence of corporate social responsibility and dividend policy on earnings management, with audit quality as a moderating variable, in manufacturing companies listed on the Indonesia Stock Exchange from 2018-2022." This research seeks to provide insights into the interplay between corporate social responsibility, dividend policies, and earnings management, while also exploring the moderating role of audit quality within the specified timeframe and industry context.

THEORETICAL BASE

Agency Theory

Jensen and Meckling (1976) introduced agency theory as a framework to describe the dynamic between the authoritative party (principal) and the manager (agent) who acts on their behalf. As emphasized by Alam, Ramachandran, & Nahomy (2020), the inherent misalignment of interests between managers and owners often leads to decision-making that doesn't necessarily prioritize the owners' interests. Managers, being agents, may make choices that diverge from the owners' objectives. In this context, the principal, typically motivated by a desire to enhance their prosperity, engages in contractual relationships aimed at achieving this goal. This can involve strategies such as dividend distribution or efforts to increase the company's share price, as noted by Jeradu

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(2021). The agency theory thus serves as a lens to understand and navigate the complexities arising from the differing interests of principals and agents in a corporate setting.

Legitimacy Theory

Legitimacy theory explains the adjustment of perceptions or assumptions of an action taken by an entity where the action is desirable, appropriate or in line with a system of norms, values, beliefs and socially developed definitions (Herbert & Graham, 2021). This Legitimacy Theory advises companies to ensure that their activities and performance are acceptable to society.

Corporate Social Responsibility

Meliawati, Fadillah & Gerald (2021) define social responsibility as a company's initiative to contribute to economic development, enhance community well-being, and safeguard the sustainability of the environment. Garanina (2023) further emphasizes that disclosing Corporate Social Responsibility (CSR) serves as a strategic, long-term approach to fostering relationships with stakeholders and enhancing the company's image and value. This is particularly effective when the company's overall conduct is not contradictory but aligns with principles of support, fairness, and transparency.

The proxy for corporate social responsibility (CSR) is represented by CSDI-y, calculated as the number of items disclosed by a company divided by the total of 117 disclosure items in accordance with the 2021 Global Reporting Initiatives (GRI) standards found at www.globalreporting.org. According to Alexander & Palupi (2020), CSR exhibits a negative impact on earnings management. This is attributed to the transparency introduced by CSR disclosure, which, in turn, reduces the prevalence of earnings management practices, as the information provided by the company to stakeholders becomes more transparent. In line with this perspective, Dissanayake, Ajward & Dissanayake (2022) suggest that companies leverage CSR disclosures as a strategy to conceal managers' opportunistic behavior through earnings management. However, effective corporate governance mechanisms can significantly curtail this behavior. Gonçalves, Tiago, Cristina & Andre Ferro (2021) contribute to this discourse by highlighting that corporate social responsibility disclosure manifests a negative influence on earnings management. Notably, socially responsible companies tend to engage in fewer earnings management practices, resulting in higher reported earnings quality.

Empirical investigations into the relationship between corporate social responsibility (CSR) and earnings management have been approached through two distinct lenses: stakeholder legitimacy and managerial opportunism (Herbert & Graham, 2021). The stakeholder legitimacy perspective posits that companies deeply committed to sustainability practices are less inclined to manipulate earnings. This is attributed to the belief that CSR is rooted in long-term goals and a genuine commitment to societal well-being. On the other hand, the managerial opportunism perspective, as outlined by Buertey et al. (2020), contends that managers may engage in sustainability activities primarily for personal gain. This argument suggests that sustainability practices can be perceived as a mere façade or a form of greenwashing, as highlighted by Yu, Van & Chen (2020). Consequently, the disclosure of non-financial information is linked to concerns about potential earnings manipulation.

According to Palacios-Manzano et al. (2019), managers who engage in earnings management may strategically implement Corporate Social Responsibility (CSR) initiatives to disguise their opportunistic behavior, using financial information to their advantage. The high level of CSR activity in a company becomes a focal point for stakeholders, thereby increasing concerns about the potential for earnings management. Consequently, the impact of social responsibility extends to corporate profits and the overall quality of financial reports. If not done wisely, misuse of CSR can encourage managers to take earnings management actions. Ehsan et al. (2021) support this idea by establishing a negative relationship between corporate social responsibility and earnings management.

H1: Corporate social responsibility has a negative effect on earnings management.

Dividend Policy

Ngoc & Bui (2019) posit that dividend policy serves as a signaling mechanism, effectively communicating information regarding a company's prospects to investors. The primary objective behind dividend disbursement is the equitable distribution of company profits among its shareholders (Trinh, Haddad & Tran, 2022). Handoyo & Kusumaningrum (2022) provide documentation supporting the notion that dividend payments act as a deterrent, restraining managers from engaging in earnings management (EM) practices. Dividend policy, often represented by the dividend payout ratio, is utilized as a proxy in this context. Ali, Jiang, Murtaza & Muzammal (2022) also contribute to this discourse by indicating that real earnings management exhibits a negative and statistically insignificant impact on dividend payment policies. Their study underscores a prevailing emphasis on upholding consistency in dividend payments to investors rather than ensuring uniformity in reported returns. In a related vein, Khan & Syah's (2021) research contends that dividend policy exerts a negative influence on earnings management. This implies that in instances where management manipulates earnings, there may be a tendency to forego dividend payments, consequently leading to a decline in investor confidence.

Dividend policy stands out as a focal point for agency conflicts, a contention supported by the Bird in the Hand Theory. This theory posits that shareholders exhibit a preference for substantial dividend distributions, favoring dividends over capital gains. In contrast, managers tend to advocate for lower dividend payouts, aligning with the Residual Cash Dividend Theory (Padmini & Ratmadi, 2020). Companies aspiring to distribute higher dividends are required to demonstrate satisfactory profits. To manage and potentially reduce the profits earmarked for distribution, management may resort to earnings management tactics, characterized by an income increasing pattern. Hussain & Akbar (2022) affirm that dividend payments play a role in constraining managers from engaging in earnings management practices. Extensive research, including studies by (Tran & Ashraf, 2018; Khan & Syah, 2021; Amelia & Purnama, 2023), collectively asserts that dividend policy exerts a negative impact on earnings management. This implies that a lower dividend policy ratio correlates with reduced occurrences of earnings management practices.
H2: Dividend policy has a negative effect on earnings management.

Audit quality

High audit quality depends on the competence and independence of the external auditor which may be related to the size of the company's audit (Alzoubi, 2016). High-quality audits are the most effective way to reduce earnings management actions within a company, auditors with high-quality audits will increase public trust (Alexander, 2021). Audits that have high quality have a great chance of finding manipulation in accounting and errors in reporting, in contrast to audits that have lower quality. However, several studies conclude that in the case of developing countries, high audit quality may not always be effective in controlling earnings management practices (Habbash & Alghamdi, 2017). The quality proxy for audit quality uses KAP measures. This measurement based on KAP is in line with research (Chowdhury & Eliwa, 2020; Ayuputri, Rudiawarni & Girindratama, 2023). If a company undergoes an audit by one of the big four, it is said that the audit is likely to be more independent, because the big four KAPs have a higher level of resistance to pressure from management to report fraud.

Chowdhury & Eliwa (2020) assert that the presence of the big four auditors is significantly and positively correlated with higher levels of sales and manipulation of discretionary spending. Corporate social responsibility (CSR) serves as a form of company legitimacy through the disclosure of CSR activities (Hamabali, Husain & Makalalag, 2016). Additionally, companies engaging in earnings management may be motivated to increase CSR activities to camouflage such manipulations. The trust of stakeholders in CSR disclosure provides an opportunity for managers to execute earnings management. Consequently, to rebuild the trust of financial report users, especially investors, it is crucial to contribute to good audit quality (Ghaleb, Qaderi, Almashaqbeh & Qasem, 2021; Kalbuana, Utami & Pratama, 2020). Pratama & Kusumadewi (2020) suggest that audit quality has the potential to moderate the relationship between earnings management and CSR.
H3: Audit quality weakens the effect of corporate social responsibility disclosure on earnings management.

If a company adopts a generous dividend policy, investors are likely to perceive it as having promising prospects, making it a more appealing investment option (Hussain & Akbar, 2022). However, opportunistic behaviors related to dividend policy information can arise, where managers possess more comprehensive information than shareholders, leading to potential discrepancies. Azevedo Tortoli, Stanzani & Gaio (2019) emphasize that dividend policy can impact earnings management, as investors tend to favor companies that distribute profits through dividends.H4: Audit quality strengthens the effect of dividend policy on earnings management. Research by Kurniati & Syafruddin (2019) indicates that high audit quality plays a crucial role in mitigating the influence of affiliated companies on earnings management practices. Lau & Norman (2020) found that companies with higher quality auditors tend to revise their estimates more promptly, and this influence on revised forecasts is asymmetric. The Big Four, known for delivering superior audit quality, are recognized for meeting or exceeding expectations in providing audits of the highest quality (Awuye, 2022).

RESEARCH METHODS

In this research, the population used is Manufacturing Companies listed on the Indonesia Stock Exchange in the 2018-2021 period. The sampling technique used in this research was purposive sampling. The sampling criteria used in this research are as

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follows: (1) Manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2021 observation period. (2) Manufacturing companies that distributed cash dividends during the 2018-2021 observation period. The secondary data collected in this research will be analyzed with the help of the EViews program which aims to predict the population average and the average value of the dependent variable.

To see the influence of the variables studied on company value, researchers used panel data regression analysis with the following regression equation:

$$Y = \alpha + \beta 1X_1 + \beta 2X_2 + \beta 3X_1{*}Z + \beta 4X_2{*}Z + e$$

Information:

Y	: Earning Management
α	: Constant
β1 β2 β3 β4	: Regression Coefficients
X2	: Corporate Social Responsibility
X2	: Dividend Policy
Z	: Audit Quality
e	: error

RESEARCH RESULT

The research sample obtained the results of the number of observations from 2018-2022 as many as 122 samples. The description of variables in this study includes mean, median, standard deviation, minimum, maximum.

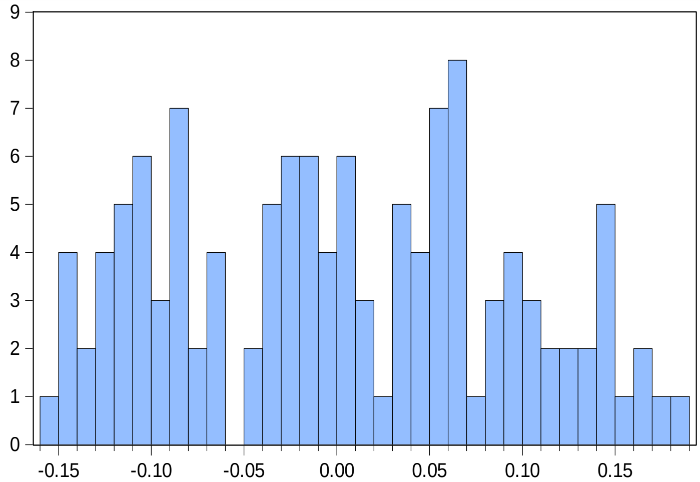
Descriptive Statistical Analysis

Table 1. Descriptive Statistics Results

	CSR	DP	EM	QA
Mean	0.403030	0.463476	0.508696	0.256706
Median	0.299145	0.381924	1.000000	0.227638
Maximum	0.974359	8.029657	1.000000	0.878373
Minimum	0.000000	-6.374366	0.000000	0.071264
Std. Dev	0.298664	0.844020	0.501015	0.138789
Observations	122	122	122	122

Normality Test Results

The following are the results of the normality test in this study using the JB (Jarque-Bera) statistical test:



Series: Standardized Residuals	
Sample 2018 2022	
Observations 122	
Mean	0.001366
Median	-0.002740
Maximum	0.186706
Minimum	-0.150896
Std. Dev.	0.089762
Skewness	0.100640
Kurtosis	1.994064
Jarque-Bera	5.349803
Probability	0.068914

Figure 1. Graph of Normality Test

Results Source: EViews output, 2023.

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Multicollinearity Test Results

The following are the results of the multicollinearity test as shown in table 2:

Table 2. Multicollinearity Test Results

CSR	DP	CSR*QA	DP*QA
1.000000	0.066634	0.420127	0.027683
0.066634	1.000000	0.240589	0.502486
0.420127	0.240589	1.000000	0.665929
0.027683	0.502486	0.665929	1.000000

Autocorrelation Test Results

The following are the results of the Autocorrelation test as shown in table 3:

Table 3. Autocorrelation Test Results

F-statistic	2.880398	Prob. F (2,115)	0.0602
Obs*R-squared	5.819911	Prob. Chi-Square (2)	0.0545

Heteroscedasticity Test Results

The following are the results of the heteroscedasticity test as shown in table 4:

Table 4. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.084375	0.009731	8.670867	0.0000
CSR	0.009239	0.028884	0.319857	0.7496
DP	-0.030188	0.017265	-1.748544	0.0830
CSR*QA	-0.016713	0.040522	-0.412449	0.6808
DP*QA	0.007087	0.025965	0.272921	0.7854

Hypothesis Test Results

Testing of the structural stage of the model is carried out to test the hypothesis that the independent variable has effect on the dependent variable and the moderation variable using a random effect model as shown in table 5:

Table 5. Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.249855	0.017903	13.95577	0.0000
CSR	-0.017194	0.034974	-0.491614	0.6239
DP	-0.042879	0.018717	-2.290870	0.0238
CSR*QA	1.09E-05	0.051458	0.000211	0.9998
DP*QA	0.043856	0.032818	1.336342	0.1840
R-squared	0.049074	Mean dependent var		0.053459
Adjusted R-squared	0.016564	S.D. dependent var		0.040298
S.E. of regression	0.038479	Sum squared resid		0.173238
F-statistic	1.509499	Durbin-Watson stat		1.542644
Prob(F-statistic)	0.203884			
R-squared	0.018836	Mean dependent var		0.237101
Sum squared resid	0.975160	Durbin-Watson stat		0.274052

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DISCUSSION

Effect of Corporate Social Responsibility on Earnings Management

The findings of the research indicate that the disclosure of corporate social responsibility (CSR) does not exert a statistically significant impact on earnings management. This conclusion is drawn from the insignificance of the p-value associated with corporate social responsibility of 0.6239 > 0.05, which means rejecting H1. Disclosure of corporate social responsibility does not have an impact on earnings management, because earnings management practices are considered unethical, and companies that uphold ethics and care about Corporate Social Responsibility activities tend not to carry out such actions. Companies that are not involved in earnings management practices are considered as entities that show seriousness in engaging in Corporate Social Responsibility disclosures. This is due to the company's need for legitimacy or support from the community to operate effectively and continue to carry out environmental and social responsibilities. This responsibility includes environmental preservation, development of public facilities and infrastructure, improving employee welfare, and various other aspects (Sembiring, 2017).

The extent of Corporate Social Responsibility (CSR) disclosure does not exhibit an impact on earnings management, signifying that earnings management is not influenced by the degree of CSR disclosure. This outcome is rationalized by the primary motive behind companies disclosing CSR activities, which is to cultivate a positive corporate image. CSR, in this context, serves as a mechanism to curtail the practice of earnings manipulation or management that deviates from the company's original objectives. The disclosure of CSR activities is driven by the goal of promoting responsible corporate behaviour, and fraudulent actions by management are deemed incompatible with such objectives.

These research findings align with earlier studies, including those conducted by (Imroatus, 2023; Kalbuana, Utami & Pratama, 2020; Lim & Hendriyeni, 2021; Azzuhry & Prasetyo, 2023), all of which assert that corporate social responsibility has no discernible effect on earnings management. This consistency in results strengthens the understanding that a comprehensive CSR disclosure, while contributing to a positive company profile, does not directly impact the occurrence of earnings management practices, as the emphasis remains on responsible business conduct.

Effect of Dividend Policy on Earnings Management

The results of this research indicate that dividend policy has a negative effect on earnings management. This was obtained based on a probability coefficient value of 0.0238 < 0.05, which means H2 is accepted. Negative research results show that the more dividend policy increases, the more the value of earnings management will decrease. On the other hand, the lower the level of dividend policy, the greater the value of earnings management. These findings align with and support the conclusions of prior research studies conducted by (Ali, Jiang, Murtaza & Muzammal, 2022; Amelia & Purnama, 2023; Padmini & Ratnadi, 2020; Kustono, Aspirandi, & Varisa, 2021; Tran & Ashraf, 2018; Khan & Shah, 2021). The consistency in these results emphasizes a recurring pattern in which variations in dividend policy are mirrored by corresponding changes in the extent of earnings management.

Dividend policy involves the crucial decision of whether a company's end-of-year profits will be distributed to shareholders as dividends or retained to bolster future capital for potential investments. In Indonesia, the realization of dividend policy is determined through the Rapat Umum Pemegang Saham (RUPS) and is not an autonomous decision made by management. Nevertheless, management does have the ability to estimate the anticipated dividends, and this information is often communicated through the company's prospectus. The prospectus serves as a document outlining the company's intended dividend policy, encompassing details such as the percentage of cash dividends in relation to the total net profit.

The outcomes of this study substantiate the tenets of agency theory, which posits that the relationship between the principal (owner or mandator) and the agent (executing the mandate) is characterized by distinct individual interests. In this dynamic, both parties consistently strive to prioritize their personal gains or utility. The Bird in the Hand Theory underscores shareholders' preference for more substantial dividend distributions compared to capital gains. Conversely, the Residual Theory of Cash Dividends contends that management typically avoids dividend distribution, opting to invest in retained earnings, unless the management is certain that such funds do not yield a positive Net Present Value (NPV) on additional investments (Widanaputra, 2010). This theoretical framework highlights the inherent conflict of interests between principals and agents, indicating an agency conflict. The complexities of this agency conflict are underscored by the fact that agents and principals seek to maximize their own welfare, and the divergent interests lead managers to make decisions that may not align with the owners' interests (Alam, Ramachandran & Nahomy, 2020). In pursuit of reducing planned dividend payouts, which are predetermined in the company prospectus, management, as the authority over financial information, has an incentive to engage in earnings management to curtail reported profits (Widanaputra, 2010). This behavior reflects the inherent tension between the interests of management and owners, indicative of the agency conflict in action.

Audit Quality Able to Moderate the Effect of Corporate Social Responsibility Disclosure on Earnings Management

The results of the hypothesis testing, conducted through Moderate Regression Analysis (MRA), indicate that audit quality does not serve as a moderating factor in the relationship between corporate social responsibility (CSR), specifically measured by the number of CSR disclosure items following GRI standard guidelines, and earnings management. The observed moderating effect of audit quality is weak (negative) and statistically insignificant in influencing the correlation between CSR and earnings management. This conclusion is drawn from a probability coefficient value of 0.9998 < 0.05, which means H3 is rejected. The research results suggest that the prominent four Key Audit Partnerships (KAPs), often referred to as the big four, do not mitigate the relationship between CSR and earnings management. This lack of moderation is attributed to the finding that the size of the KAPs (big four) does not have a correlation with the level of CSR disclosed by the company. If there is any connection with the company's legitimacy or reputation, it appears to be linked to the issue of audit quality or the selection of KAPs. Furthermore, the use of the big four KAPs is perceived as a strategic move by the company to build trust and demonstrate responsibility to stakeholders, leveraging the reputable image associated with these auditors.

The findings of this study diverge from those of previous research, particularly in contrast to the outcomes reported by Helda, Asyikin, and Ernawati (2022), as well as Pratama & Kusumadewi (2020), who suggested that audit quality has a moderating role, weakening the relationship between corporate social responsibility (CSR) and earnings management. Additionally, the results differ from the research conducted by Iswandika et al. (2014) and Hapsoro (2012), which indicated a correlation between the quality of audits, especially those conducted by big four Key Audit Partnerships (KAPs), and CSR. In this context, the current study's divergence from these previous findings implies a nuanced understanding of the relationship between audit quality, CSR, and earnings management. These disparities may stem from variations in research methodologies, sample characteristics, or contextual factors that influence the outcomes. The incongruities underscore the complexity of these relationships and emphasize the need for a comprehensive and context-specific approach when examining the interplay between audit quality, CSR, and earnings management in different organizational settings.

Audit Quality Able to Moderate the Effect of Dividend Policy on Earnings Management

Based on the results of hypothesis testing through Moderate Regression Analysis (MRA), it is evident that audit quality does not function as a moderating variable in the relationship between dividend policy, represented by the dividend payout ratio, and earnings management. The initially posited statement suggests that audit quality strengthens the influence of dividend policy on earnings management, as per hypothesis four (H4), is rejected. This was obtained based on a probability coefficient value of 0.1840 < 0.05. The interaction test reveals that audit quality does not prove to be a moderating variable that either strengthens or weakens the impact of dividend policy on earnings management. The inability of audit quality to moderate the influence of dividend policy on earnings management is attributed to the decision-making dynamics within the RUPS decision. The RUPS results in a decision to distribute or not distribute the company's profits for that period. This is because it is in the management’s interest to implement a dividend policy by distributing low amounts, the management's aim is to have higher retained earnings for the company. This will provide flexibility for managers in developing investments that promise a positive NPV, which means it will result in an increase in company value in the future with the hope that managers will receive additional higher bonuses. These findings align with agency theory, which posits that there exists a relationship between principals and agents, each with distinct goals. Principals typically seek substantial dividend distributions, whereas management or agents favor retaining earnings for the company, reflecting the inherent conflict of interests between the two parties.

The outcomes of this research align with the findings of a previous study conducted by Hasty & Herawaty (2017). The examination of audit quality, represented by Key Audit Partnerships (KAP) size in this study, reveals that it does not have a discernible impact on earnings management. This lack of effect may be attributed to the idea that earnings management practices stem from a company's aspiration to present favorable financial performance to potential investors, irrespective of the involvement of big four auditors, as suggested by Luhgiatno (2010). The research suggests that the presence of the big four auditors is not necessarily aimed at reducing earnings management per se. Instead, their role is perceived as enhancing the credibility of financial

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reports by minimizing disturbances and contributing to the production of more reliable financial information, as indicated by Felicya & Sutrisno (2020). This implies that while the big four auditors may not directly impact the incidence of earnings management, they play a crucial role in fostering financial report reliability and, by extension, the credibility of a company's financial information.

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