THE INTERACTION OF EARNING MANAGEMENT, CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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ABSTRACT

The interaction of earnings management and corporate social responsibility can have a positive impact on corporate governance. This interaction is analysis on the relationship among research variables. The purpose of this study is to analyse the relationship of earnings management, corporate social responsibility and corporate governance. The analysis method used is Pearson correlation analysis. The first independent variable, earnings management is measured by Friedlan's discretionary accrual model. Both independent variables of corporate social responsibility are measured based on the index of economic, social and environmental dimensions disclosure according to global reporting initiative standard (GRI standard). The three independent variables of corporate governance are measured based on corporate governance performance index (CGPI) scores. The findings of this study indicate that there is a significant correlation between earnings management and corporate governance. The existence of corporate governance directs and controls the company to perform earnings management, with the process of financial reporting and the intention of obtaining benefits for both managers and companies. The relationship of earnings management with corporate social responsibility is not significant. Corporate social responsibility is an on-going commitment, that companies not only achieve economic performance, but act ethically and contribute to society and the environment. This is in contrast to the more focused implementation of earnings management to benefit both managers and companies. The contribution of this research result is to be considered for companies and investors in the analysis of the strength relationship between earnings management, corporate social responsibility, and corporate governance.

Keywords: Earning Management, Corporate Social Responsibility, Corporate Governance

1. INTRODUCTION

Corporate Governance is a governance that directs and controls the company through a system that regulates the relationship of various roles (Agoes & Ardana, 2009), namely the board of commissioners, directors, shareholders, and other stakeholders or many aspects according to (Untung, 2014). The issue of corporate governance began to emerge in Indonesia in 1998 when Indonesia experienced a prolonged crisis. The impact of this crisis is that trade activities and company performance deteriorate. One of the factors causing the economic crisis is the weak application of corporate governance to companies in Indonesia. Since then, both the government and investors have begun to pay more attention to corporate governance practices. Good Corporate Governance is a corporate governance system that contains a set of rules that govern relationships between shareholders, managers (managers) of companies, creditors, governments, employees, and other internal and external stakeholders (Purwani, 2010). This system regulates and controls the company, for the purpose of increasing added value for stakeholders.

To provide an attraction for investors, companies try to present financial information with a profit that looks large. This effort is a manipulation of financial statements through earnings management. Research (Kusuma, 2012) concerning the exploration of informational characteristics and opportunistic earnings management in ASEAN countries. The results of the study show that there is a positive relationship between earnings management and profitability in the future, by revealing that earnings management is informational. Conversely, if the negative relationship between earnings management and profitability of the company in the future indicates that earnings management is opportunistic.

Research by (Jamali, 2008) through in-depth interviews with top managers from eight companies in Lebanon, the results of the study show that most managers understand corporate governance as a social responsibility on an ongoing basis. This means that corporate governance in developing countries begins to be balanced with some attention to social responsibility.

The business community in implementing corporate social responsibility according to (Urip, 2014), has not been able to see the benefits of this program. Most CSR activities are considered as a policy of generosity given by the business to the community, and this kind of contribution is only right after the company is established, grows and benefits. In the rules of stakeholder theory and legitimacy theory it becomes clear that naturally the role of the company for stakeholders must also get balanced attention not only requires high profits.

Research by (Anindita, 2017) how disclosure of corporate social responsibility, profitability, and company value, shows there is an attachment to corporate social responsibility with earnings management. Thus there is an alignment that has a positive impact on corporate governance.

The formulation of the problem in this study is "How is the relationship between Earnings Management, Corporate Social Responsibility Performance and Corporate Governance? ". The purpose of this study is to analyze the relationship of earnings management, Corporate Social Responsibility and Corporate Governance. The usability of Research for Investors is to assess the impact of corporate management through an analysis of the relationship of earnings management, performance of corporate social responsibility (CSR) and corporate governance. The usability for companies are as a material input and consideration for the Company regarding the relationship of earnings management, the performance of corporate social responsibility (CSR) and corporate governance. While the usability for other researchers are as a reference and can be a source of knowledge to add insight to the next researcher regarding the analysis of earnings management relationships, the performance of corporate social responsibility (CSR) and corporate governance.

2. LITERATURE REVIEW

2.1. Concept of Corporate Governance

According to the 2004 OECD Principles Study Study Team formed by the Capital Market and Financial Institution Supervisory Agency in the study (Addiyah, 2014) there are two theories that can be used to explain the concept of corporate governance:

1). Stewardship Theory, this theory is built on philosophical assumptions about human nature which in essence can be trusted, able to act responsibly, and have integrity and honesty towards others. If this is applied in company management, then stewardship theory is seen as a party that can be trusted to act as well as possible for the interests of the public and shareholders.

2). Agency Theory, this theory views that company management as an agent for shareholders, will act with full awareness for self-interst not as a wise and fair party to shareholders as in the statement of stewardship theory. This agency theory arises when a contract occurs between the manager (agent) and the owner (principal). A manager (agent) will know more about the state of the company compared to the owner (principal). The manager (agent) is obliged to provide information to the owner (principal). However, the information submitted is sometimes not in accordance with the actual conditions in the company. Agency theory also explains the emergence of earnings management that occurs within a company. Based on this, a manager has more responsibility for the company. Managers must be able to optimize company profits. This means that in the company there are two different interests, namely the interest to optimize profits for the company and the importance of how to hold large responsibilities, it will get a big reward as well, namely the interest for his own person.

According to (Becht, 2002) The term "corporate governance" comes from an analogy between the government of a country or a city and a government in a company. State government that involves various groups with different interests to achieve a goal, corporate governance is also related to the alignment of the problem of collective action involving various investors (Solihin, 2009). Corporate Governance also involves reconciling a variety of different interests from stakeholders. It is evident that without good corporate governance there will be a conflict of interest that can adversely affect the company's performance.

The definition of corporate governance according to the Organization for Economic Cooperation and Development (OECD) is a system for directing and controlling companies. Corporate governance structures define rights and obligations among various parties involved in the corporation such as the board of directors, managers, shareholders, and other stakeholders. The National Governance Policy Committee (KNKG) has formulated GCG in the General Guidelines for Indonesian GCG, there are five guiding principles in implementing GCG (Juniarti, 2013), namely: Transparency, openness in carrying out the decision-making process and openness in presenting material and relevant information about the company . Independency, a situation where the company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with the prevailing laws and regulations and sound corporate principles. Accountability, clarity of functions, implementation and accountability of organs so that company management is carried out effectively. Accountability can also be interpreted as clarity of functions, structures, systems, and accountability of company organs so that company management is carried out effectively. Responsibility, suitability in the management of the company against applicable laws and regulations and sound corporate principles. Fairness, fairness and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. Fairness in fair and equal treatment in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations.

The Indonesian Institute for Corporate Governance (IICG) which was established on June 2, 2000 is an independent institution that conducts activities to obtain information and develop Good Corporate Governance in Indonesia. Vision statement "Becoming an Independent and dignified institution to encourage the creation of a healthy business behavior value", became the inspiration of IICG to strive for the concept of community, GCG practices and benefits to the business world and the wider community. The main activity carried out was conducting research on the implementation of GCG, the results of which were in the form of Corporate Governance Perception Index (CGPI). In the implementation of CGPI, IICG has always provided the development of methodologies and about respondents so that the research results can provide an overview of the implementation of GCG in Indonesia. CGPI is a research program and ranking of the implementation of GCG in corporate companies in Indonesia that aims to encourage companies to improve the quality of the application of the concept of corporate governance (CG) through continuous improvement and realize a dignified business. CGPI participation is voluntary and involves the active role of the company and all stakeholders in meeting the stages of the CGPI program implementation, and this shows a joint commitment in promoting GCG, because the CGPI program seeks to encourage and demand participating companies to improve or improve GCG practices in their environment (IICG, 2015).

2.2. The relationship between Corporate Governance and CSR

According to (Solihin, 2009) in essence the implementation of CSR programs by companies is oriented from the inside out. This shows that before implementing CSR activities that are discretionary/voluntary, companies must improve compliance with the law and companies must run their business or business properly so that they can guarantee the achievement of economic responsibilities. Companies must develop policies related to the implementation of CSR, through the implementation of good corporate governance.

2.3. Profit management

The earnings management of a company and the value of the company are illustrated by the share price that is globally very influential in Indonesia. (William, 2006) defines earnings management as follows: earnings management is an accounting policy by managers of existing Financial Accounting Standards and can naturally maximize their utility and or market value of the company. In the capital market, investors can easily get information in Indonesia and the company's financial statements are needed in the company's net income. Basically financial statements are an important source of information used by investors in assessing the performance of companies listed on the Indonesia Stock Exchange (companies going public). Information on financial statements obtained from the company's financial manager can be used as a basis for reassessing investments made by investors to the company, or to assess how much net profit is obtained from each sale of shares of investors. Earnings management is management intervention in the external financial reporting process.

Earnings management is one of the interesting topics to be researched and discussed (Gumanti, 2000), by examining earnings management can be obtained an overview of managers' behavior in reporting their business activities during a certain period with the possibility of certain motivations that encourage them to regulate earnings or data other financial reports. Earnings management does not have to be associated with efforts to manipulate accounting data or information but can also be associated with the selection of accounting methods to regulate the benefits that can be made because it is permitted according to applicable standards and regulations. Earnings management in financial statements can interfere with users of financial statements who believe in the engineering profit figures as profit figures without engineering. Earnings management is an agency problem that is often triggered by the separation of roles or differences in interests between shareholders and company management. Managers can manipulate profits through earnings management so that profits appear as expected. So earnings management is accounting flexibility to balance itself with business innovation. Another definition states that earnings management is one of the factors that can reduce the credibility of financial statements (Gumanti, 2000).

There are three ways to do earnings management in financial statements, according to (Gumanti, 2000), namely: a). Take advantage of opportunities to make accounting estimates. This method is a way of managers to influence profits through judgment on accounting estimates, among others: estimation of uncollectible accounts, estimated period of depreciation of fixed assets or amortization of intangible assets, estimated costs of guarantees and others. b). Changing accounting methods, changes in accounting methods used to record transactions, for example: changing the method of depreciating fixed assets from the method of depreciating the year to the straight line depreciation method. c). Shifting the period of costs or revenues, this is manipulation of operational decisions. Examples of engineering periods of costs or income include: speeding up/delaying promotional expenses until the next period, accelerating / delaying the delivery of products to customers, regulating when the sale of fixed assets that have not been used.

The driving factor of earnings management, according to Nugroho (2011), is a). Hypothesis Bonus Plan, maximizing its utility like a high bonus. Management of companies that get bonuses based on profit. More use of accounting methods that increase reported earnings in a company that has a bonus plan, then the manager will increase current profits by having an accounting method that is able to shift from the future to the present. b). Debt Convenant Hypothesis, company managers who violate credit agreements tend to have accounting methods that have an impact on increasing profits. This is to maintain their reputation in the view of external parties. In a company that has a high debt to equity ratio, it will encourage company managers to use accounting methods that can increase income or profits. c). Politycal Cost Hypothesis, in a large company that has high political costs, will encourage managers to have accounting methods that postpone reported earnings from the current period to the next period so as to minimize reported profits.

Pattern of Profit Management, in line with the increase in accounting knowledge and training for management, it is easier for them to look at accounting estimates or considerations that can be used to increase reported earnings (Maisyarah, 2016). Therefore, in increasing the increase in profits in the company carried out by managers, it should know the pattern of earnings management in controlling and controlling the increase in corporate profits. Determination of the earnings management model (Dechow, 1995) succeeded in conducting research that aims to evaluate alternative accrual-based models to detect earnings management by dividing total accruals into two, namely discretionary accruals and non-discretionary. Total accruals are calculated as follows:

TAt = (ΔCat - ΔCLt - ΔCasht + ΔSTDt - Dept.) / (At-1)

Information:

ΔCat = delta current asset in year t,

ΔCLt = delta current liabilities in year t,

ΔCasht = delta cash and cash equivalents in year t,

ΔSTDt = delta debt includes in current liabilities (long-term debt due in 1 year) in year t,

Dept = depretiation and amortization expense in year t, and

At-1 = total assets at one year before t.

2.4. Performance of Corporate Social Responsibility

In signal theory that companies must provide signals to users of financial statements (Handayani, 2014). This signal is in the form of information about what has been done by management to realize the wishes of investors. Signals can be in the form of promotions or other information stating that the company is better than other companies. The disclosure of CSR in the annual report is expected to be a signal by the company when it attracts investors to invest in the company's shares. Investors will react positively if they see the company implementing CSR. This can motivate companies to try to give a positive signal when disclosing CSR.

The legal basis in implementing CSR for corporations in Indonesia is Law No.4 of 2007 concerning Limited Liability Companies. Article 27 states: first, the Company that carries out its business activities in the field of and related to natural resources must carry out social and environmental responsibilities. Second, social and environmental responsibility as referred to in paragraph (1) is the company's liability budgeted and calculated as the company's costs which the implementation is carried out by observing compliance and obligations. Corporate social responsibility as a new accounting concept is the transparency of social disclosure of activities or social activities carried out by companies, where the transparency of information disclosed is not only in the form of company financial information, but the company is also expected to disclose information about social and environmental impacts that caused by company activities (Handriyani, 2013).

Bowen in 1953 introduced the concept of corporate social responsibility in his seminary work on entrepreneurial social responsibility. Responsibility is more interpreted as an ongoing commitment from the business world to act ethically and contribute to the economic development of the local community or the wider community. Corporations are companies with a scale; large, medium, small, local, national, regional or multinational. Similarly, both types of trading companies, manufacturers and profit-oriented service companies. Stakeholders are stakeholders including shareholders, employees, customers, suppliers, competitors, intermediary institutions, governmental non-governmental organizations and other public who have the potential for the existence of companies that carry out social responsibility.

The Global Reporting Initiative (GRI) has made guidelines in presenting sustainability reporting, with a range of economic, environmental and social policy reporting, the impact of organizational and product performance in the relationship of sustainable development or tripple bottom line reporting (Parawiyati, 2016) . The content in the economic performance is in the form of economic value produced and distributed, financial implications for climate change, infrastructure development and economic impacts. As for environmental performance in the form of raw materials consumed, energy waste, emissions and waste, water extraction, biodiversity, product impacts, compliance with the law. In social performance includes information about employees, labor relations, health, and security, training and education, diversity and equal opportunities, human rights. The objectives of presenting sustainability reporting (SR) to uncover significant impacts, recognize organizational value and governance models and the relationship between strategy and commitment to a sustainable economy.

The research hypothesis is:

H1: There is a relationship between earnings management and Corporate Social Responsibility

H2: There is a relationship between earnings management and Corporate Governance

3. RESEARCH METHODS

3.1. Operational Definition of Variables

The variables used in this study are CGPI, Profit Management and CSR performance. The first variable is the Corporate Governance Perception Index (CGPI), which is obtained from the results of the ranking of external research institutions. The measurement of CGPI includes 4 stages of assessment which include self assessment, document assessment, paper assessment and observation. 1). Self Assessment, is an independent assessment by all organs, members, and stakeholders of the company regarding the quality of GCG implementation in the company. At this stage the company fills out a questionnaire by inviting respondents to give their perceptions honestly and objectively to provide feedback and evaluation to the company. The list of respondents consisted of 2 respondents, namely internal respondents and external respondents. Internal respondents consist of management (President Commissioner, President Director / President Director), Sharia Supervisory Board, Committee members under the Board of Commissioners and executive committees, managerial employees and non-managerial employees including the Corporate Secretary, Internal Audit and Representatives of the Workers' Union. External respondents consist of institutional investors and minority investors, financial institutions, insurance, industry associations, regulators, partners, rating agencies and various other agencies. 2) Completeness of documents, is the fulfillment of assessment requirements by submitting various documents that have been owned by the company in the implementation of GCG and other documents related to the valuation theme. For companies that have submitted the required documents to the previous CGPI, then the latest CGPI will only provide a confirmation statement that the previous document is still valid. If a change occurs, the revised document of the day is attached. The document will be reviewed and analyzed for later grouped into 7 parts representing governance structure, governance system, governance process, mechanism governance, governance output, governance outcome, and governance impact. Documents submitted include articles of association, board charter for the Board of Commissioners, GCG Manual, Code of Conduct, Annual Report, Internal Audit Charter, Prospectus, Public Expose, and various other documents requested in accordance with the assessment theme. 3) Preparation of Papers, is one of the fulfillment of assessment requirements that describes a series of GCG implementation processes and programs in the company and management efforts related to the assessment theme. The description of the paper describes the direction and focus of the assessment in accordance with the systematic guidance of writing that has been set. Broadly speaking, writing must meet technical criteria which are in accordance with the writing format and fulfill the systematics of writing consisting of cover, validation sheet and content. For content, the papers are arranged in sequences beginning with an abstract which contains a brief description of the contents of the paper, then an introduction explaining the background, goals, objectives and benefits. After the introduction section is the main chapter that explains the subject matter according to the theme of the assessment of CGPI, then the results section is achieved and closed with the closing section. 4) Observation, is the final stage of the assessment as one of the important parts of the research process and CGPI ranking in the form of a direct review by the CGPI assessment team to ensure that the process of implementing a series of GCG implementation programs and management efforts is related to the assessment theme. The implementation of the observations was carried out in the form of presentations and discussion questions and answers with the Board of Commissioners and Directors and other parties related to the company. In addition, the assessment team can verify the data and documentation needed for the sake of a more accurate CGPI assessment.

The CGPI ranking results are divided into 3 categories based on the highest to lowest values as below:

Trusted CGPI Level Score:

85.00 - 100 Very Trusted
70.00 - 84.99 Trusted
55.00 - 69.99 Reliable enough

Source: 27th Edition of SWA Magazine 2012

The second variable Earnings management is a phenomenon that indicates that management can choose a discretionary policy for a standard, with the intention of maximizing their use or increasing the market value of the company (William, 2006). Discretionary accruals are a way to reduce earnings reporting that is difficult to detect through manipulation of accounting policies related to accruals. The calculation model used is the Friedlan model. Friedlan's model is the development of the Healy (1985) and De Angelo (1986) models, namely as follows:

DACpt = (TACpt / SALEpt) - (TACpd / SALEpd)
Information :
DACpt: Discretionary accruals in the test period
TACpt: Total accruals in the test period
TACpd: Total accruals in the base period
SALEpt: Sales during the test period
SALEpd: Sales in the base period
The third variable is CSR Performance which is measured by a score index on the value of sustainability report performance in each dimension. The calculation is done by giving a score of 1 if one item is disclosed and 0 if not disclosed in the existing report. After scoring all items, the score is summed to obtain the overall score for each dimension. The formula for calculating the score index for each dimension is as follows:
Index = n / k

Where :
Index = Index of scores for each dimension
n = Number of items expressed in each dimension
k = Number of items expected for each dimension (standard for each performance).
CSR Performance Standards according to GRI are: 1) Economic Performance, consisting of 13 standards. 2) Environmental performance consists of 30 standards. 3) Social Performance consists of 34 standards. The overall total standard on CSR performance is 77 standards.

3.2. Research Scope

This study focused on the manufacturing, mining, infrastructure, plantation, service and automotive sectors on the IDX in the period 2013 to 2015. This study discusses the relationship of earnings management, corporate social responsibility and corporate governance performance.

3.3. Research Location

Information about the existence of the audit committee is obtained from the IDX homepage, namely www.idx.co.id.

3.4. Population and Sampling Techniques

The population in this study were manufacturing, mining, infrastructure, plantation, service and automotive companies that were listed on the Stock Exchange during the period of 2013 - 2015 with a simple random sampling method. The technique used for sampling is by purposive sampling. The sample for this study amounted to 9 companies listed on the IDX.

3.5. Data Sources and Data Types

The data sources used in this study are financial reports on manufacturing, mining, infrastructure, plantation, service and automotive companies listed on the Indonesia Stock Exchange (IDX) from 2013 - 2015. The type of data used is secondary data, in the form of financial report data in manufacturing, mining, infrastructure, plantation, service and automotive companies listed on the Indonesia Stock Exchange from 2013 - 2015 with quantitative data.

3.6. Data Collection Techniques

To obtain the required data, the authors use the Library Research method. Library research is needed to supplement secondary data through literature review. While information about the existence of the audit committee is obtained from the IDX homepage, namely www.idx.co.id.

3.7. Data Analysis

The data analysis technique used is Analysis of Descriptive Statistics and Correlation Analysis with the help of SPSS 25 software for Windows. 1). Test Descriptive Statistics, according to (Chandrarin, 2017) aims to test and explain the characteristics of the samples that have been observed. The results of descriptive statistic tests are usually in the form of a table containing the names of the variables observed, mean, standard deviation, maximum and minimum, which are then followed by an explanation that explains the contents of the table. 2). Correlation Analysis, this analysis is used to measure the strength of a linear relationship between earnings management, CGPI and CSR. Correlation testing is done on earnings management against CGPI, earnings management on CSR, CGPI on CSR and earnings management, CGPI, CSR on total variable models. The research hypothesis is:

1. H1: $r \neq 0$; there is a relationship between earnings management and the Corporate Governance Perception Index.

2. H2: r ≠ 0; there is a relationship between earnings management and Corporate Social Responsibility.

The strength of the correlation relationship according to (Sarwono, 2009) is as follows:

0	: There is no correlation
0,00-0,25	: Correlation is very weak
0.25-0.50	: Correlation is enough
0.50-0.75	: Strong correlation
0.75-0.99	: Correlation is very strong
1	: Perfect correlation

4. DISCUSSION

Companies engaged in the manufacturing sector, especially the cement sector, are PT. Holcim Indonesia Tbk, PT. Indocement Tunggal Prakarsa Tbk and PT. Semen Indonesia (Persero) Tbk. The company engaged in the mining sector is PT. Bukit Asam (Persero) Tbk. The company engaged in the infrastructure sector is PT. Wijaya Karya (Persero) Tbk. Companies engaged in the plantation sector are PT. Petro Kimia Gresik Tbk. Companies engaged in the service sector are PT. Jasa Marga (Persero) Tbk and PT Telekomunikasi Indonesia Tbk. Companies engaged in the automotive sector are PT. Astra International Tbk.

Based on below table 1 presented a descriptive analysis of the research variables including minimum values, maximum values, mean values and standard deviations as follows:

1. The Profit Management variable using the Accrual Discretionary formula has produced a minimum value of -0.12, while the maximum value is 0.18 with an average of 0.0133 and a standard deviation of 0.06527, in addition there is a data gap of 1.094 and peak data of 2,249. This means that the results of research on financial reporting especially on earnings are still difficult to detect and the cash flow from operating activities of financial statements is still greater than profit, thus causing the results obtained to be not optimal.
2. In the CGPI variable using the index formula produces a minimum value of 77.00, which means the sample that has been studied at PT. Indocement Tunggal Prakarsa Tbk has the lowest value in the assessment of good governance indexes, while in the assessment of good governance indexes that obtain a maximum value of 96.77, namely PT. Jasa Marga Tbk, with an average of 84,647 which as a whole in the sample has a very reliable predicate and standard deviation of 4,84962 this indicates that the quality is quite good, because the average value is greater than the standard deviation value which indicates that the standard error of the variable it's small. In addition, there is a data gap of 0.946 and the peak of the data is 0.247.
3. The CSR variable using the SR formula has produced a minimum value of 0.18, which means that the index obtained based on the disclosure of sustainability reports is still low, while the maximum value of 1.10 shows that observing the data in the sample thoroughly discloses the sustainability report , with an average of 0.5756 which as a whole in the sample has not been optimal in disclosure of the Sustainability Report and standard deviation of 0.29211 this shows that the quality is

quite good, because the average value is greater than the standard deviation value which indicates that the standard error is variable it's small. In addition there is a data gap of 0.586 and the peak of the data is -0.985.

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness (Kemencengan data)		Kurtosis (Puncak data)	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ML	27	-0,12	0,18	0,0133	0,06527	1,094	0,448	2,249	0,872
CGPI	27	77,00	96,77	84,6478	4,84962	0,946	0,448	0,247	0,872
CSR	27	0,18	1,10	0,5756	0,29211	0,586	0,448	-0,985	0,872
Total	27	77,62	97,23	85,2370	4,86131	0,946	0,448	0,162	0,872
Valid N (listwise)	27								

Table 1. Descriptive Statistics Analysis

Source: data processed

Based on the results of testing the correlation in below table 2, the r value of the relationship between Earnings Management and CG is 0.063. This means that 0.063 <0.10 and thus the correlation of the two variables is significant. The strength of the relationship between the two variables is 36.3%. This means that there is a sufficient correlation between Earnings Management and CG.

The value of the relationship between Profit Management and CSR is 0.644. This means that 0.644> 0.10 and thus the correlation of the two variables is not significant. This means that the company's financial reporting is manipulated to make it visible that the company is running and developing well but is not supported by a complete score index disclosure, because the company does the reporting on the basis of the wishes of the internal company and there is no coercion or encouragement from any party. The strength of the relationship between the two variables is 9.3%. This means that there is a very weak correlation between Profit Management and CSR.

Table 2. Correlation Analysis

Correlations					
		ML	CG	CSR	total
ML	Pearson Correlation	1	,363	,093	,381
	Sig. (2-tailed)		,063*	,644	,050
	N	27	27	27	27
CG	Pearson Correlation	,363	1	-,075	,998
	Sig. (2-tailed)	,063		,710	,000
	N	27	27	27	27
CSR	Pearson Correlation	,093	-,075	1	-,014
	Sig. (2-tailed)	,644	,710		,946

	N	27	27	27	27
Total	Pearson Correlation	,381	,998	-,014	1
	Sig. (2-tailed)	,050	,000	,946	
	N	27	27	27	27

Source: data processed

5. CONCLUSION

This study aims to examine the relationship of Profit Management with CSR and the relationship of Earnings Management with CG. Then the results of these tests can be concluded that the relationship of variable Earnings Management with CG is significant while the relationship of Earnings Management with CSR is not significant because it is not supported by full disclosure of index scores.

Suggestion

Based on the results of the research, conclusions, and limitations of this study, the researchers want to give advice to the next researcher, as follows:

1. For further researchers it is expected to use a longer observation period so that the number of samples is greater and the possibility of obtaining real results.
2. Future studies are expected to be samples that will be used not only in manufacturing, mining, infrastructure, plantation, service and automotive companies so that they can find out the results of different studies, for example: the energy sector, the food and beverage industry and the chemical industry.

Implications and Limitations of Research

In this study there are limitations that can be input for future researchers, therefore the limitations experienced by researchers are as follows: The observation period in this study for 3 years in 9 samples that have analysis criteria, namely 2013 - 2015. This variable only has three variables, namely earnings management, CSR performance and CG.

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