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CSR, Corporate Governance, Firm Size and Earnings Management: Empirical Evidence from Indonesian Infrastructure Firms on the IDX

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Abstract
Earnings management remains a critical concern in corporate financial reporting, particularly in Indonesia's infrastructure sector, where cases such as PT Waskita Karya Tbk and PT Nusa Konstruksi Enjiniring Tbk have highlighted the vulnerability of financial statements to managerial manipulation. Grounded in agency theory, information asymmetry between managers and shareholders creates incentives for opportunistic earnings management behavior. Corporate Social Responsibility (CSR) disclosure, institutional ownership, audit committee effectiveness, and firm size have been proposed as potential governance mechanisms to mitigate such practices, yet empirical evidence remains mixed and sector-specific studies are limited. This study aims to examine the influence of CSR disclosure, institutional ownership, audit committee activity, and firm size on earnings management among infrastructure companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2025. Using a quantitative approach with panel data, 20 infrastructure companies were selected through purposive sampling from 70 IDX-listed firms. Earnings management was measured using the Modified Jones Model (discretionary accruals). Panel data regression was conducted using EViews 13, with model selection determined through Chow, Hausman, and Lagrange Multiplier tests, which identified the Random Effect Model (REM) as optimal. CSR disclosure exerts a significant negative effect on earnings management, indicating that greater CSR transparency reduces earnings manipulation. Institutional ownership, audit committee meeting frequency, and firm size, however, show no statistically significant individual effect on earnings management. Simultaneously, all four variables jointly and significantly influence earnings management, though the model explains only 19.20% of earnings management variance.

INTRODUCTION

Starting a business is all about making money. That means making the most of your assets and resources and making sure your working capital is well-managed (Yulianti, 2014; Zahra et al., 2023). In pursuing this objective, companies must formulate specific strategies and policies to sustain their competitive position and operational continuity amid rapid economic transformation.

The infrastructure sector constitutes a critical pillar in accelerating national development, stimulating economic growth, and supporting broader societal activities. A nation's progress is highly dependent on the availability of facilities such as transportation networks, telecommunications, sanitation systems, and energy supply, making infrastructure development the cornerstone of sustainable economic advancement (Farizi & Anshori, 2024). A total of 70 infrastructure-related companies would be listed on the Indonesia Stock Exchange (IDX) by 2025, up from 57 in 2021, as reported by the Indonesia Stock Exchange (IDX). This suggests that investor confidence in this field is growing.

When putting together financial reports, managers sometimes utilize their judgment to cherry-pick the accounting techniques to use, giving the impression that earnings are steady between reporting periods. Earnings management describes this strategy (Oktaviani et al., 2022). A prominent real-world instance occurred at PT Waskita Karya Tbk (WSKT), which allegedly presented financial statements that did not reflect actual conditions: the company recorded a net profit of IDR 4.2 trillion in 2017, while its operating cash flow registered a deficit of IDR 7.7 trillion. Furthermore, PT Nusa Konstruksi Enjiniring Tbk (DGIK) drew public scrutiny after drastically revising its first-quarter 2023 financial report, converting a reported loss of IDR 5.22 billion into a profit of IDR 5.12 billion, which raised considerable suspicion among shareholders (Putri, 2023).

It is compatible with these results to apply "agency theory" (Jensen & Meckling, 1976). This theory proposes that managers may engage in earnings management due to information asymmetry and competing interests between shareholders and the company. This means the financial statements might be misleading about the state of the company's finances. Managers' self-interest, rather than maximizing shareholder value, can cause the firm and its owners to have conflicts of interest, according to agency theory (Fajriati et al., 2023).

A number of monitoring methods have been investigated as potential means of controlling earnings management, including CSR disclosure, company size, the efficiency of the audit committee, institutional ownership, and others. There will be less room for earnings management if CSR is more open and transparent (Yani et al., 2024), although a number of studies have reported mixed results (Rahmawardani, 2020; Setiawati et al., 2022). High institutional ownership is widely regarded as encouraging more rigorous supervisory oversight of management (Himawan & Maharani, 2023), while audit committees possess the authority to access company information in exercising their monitoring functions (Fitroni & Feliana, 2022). Firm size also influences the propensity for earnings management, although the direction of this relationship remains a subject of scholarly debate (Tamara et al., 2022; Sugondo et al., 2025).

Since Indonesia's infrastructure industry is both an economic powerhouse and a major polluter, this is an issue that matters greatly to the country. The importance of empirical research in this area is magnified by regulatory pressures, stakeholder demands, and the increasing focus on CSR. The research on infrastructure businesses earnings management is lacking in a comprehensive analysis that considers the interplay of CSR, institutional ownership, audit committee, and company size simultaneously. In order to determine the impact of these four factors on earnings management, this study will examine IDX-listed infrastructure businesses from 2021 to 2025. In addition to adding to the existing body of research on sustainability, this initiative seeks to provide policymakers and managers in the infrastructure business with actionable recommendations grounded in scientific data.

METHODS

This study's quantitative methodology relies on secondary data gathered via a web of intermediaries, including data suppliers, stock exchanges, and previous academic investigations. Websites of the sampled companies and the Indonesia Stock Exchange both include yearly reports, sustainability reports, and financial statements for businesses from 2021 to 2025. Panel data, which combine cross-sectional and time-series information from 2021–2025, allowed for a more comprehensive and detailed analysis.

Because the infrastructure sector has such a large impact on environmental conditions and economic performance, the research population consists of IDX-listed infrastructure enterprises. Using purposive sampling, we set the following criteria for our sample: companies had to be listed on the IDX and operate in the infrastructure sector. We also needed them to publish sustainability reports and annual reports on their website as well as the IDX portal. Lastly, we needed their data to measure all of our research variables. Twenty companies out of seventy listed infrastructure enterprises for the years 2021–2025 were selected using these criteria. This study's panel data regression equation looks like this:

$$EM = a + \beta_1 CSR + \beta_2 INS + \beta_3 AC + \beta_4 SIZE + \varepsilon$$

Means:
EM : Earnings Management

α : Constant
CSR : Corporate Social Responsibility
INS : Institutional Ownership
AC : Audit Committee
SIZE : Firm Size
$\beta_{1,2,3,4}$: Regression Coefficients
ε : Error Term

Variable Operational Definition

The dependent variable in this research is Responsible Business Practices and Earnings Management, while the independent factors are Institutional Ownership, Audit Committee, and Firm Size. In actuality, the variable is defined as follows:

Variable Dependency

International Financial Reporting Standards (IFRS) require substantial managerial judgment and confer considerable discretion, which is ultimately reflected in discretionary accruals (Fuad et al., 2022). Manipulative or altered financial accounts that are reported are known as earnings management (Watts & Zimmerman, 1979; Junaidi et al., 2024). The Modified Jones Model was employed by Dechow (1995) and Arizah et al. (2024) to measure discretionary accruals, a technique for earnings management. Managers' attempts to artificially inflate reported earnings are indicated by a negative discretionary accrual value, while efforts to artificially deflate them are shown by a positive value. Here is how the measurement is carried out:

Calculate Total Accruals:

$$\mathrm{TAC} = \mathrm{NLit} - \mathrm{CFOit}$$

Estimate Total Accruals via OLS Regression:

$$\frac{TACit}{Ait-1} = \beta 1\left(\frac{1}{Ait-1}\right) + \beta 2\left(\frac{\Delta REVit}{Ait-1}\right) + \beta 3\left(\frac{PPEit}{Ait-1}\right) + Eit$$

Calculate Non-Discretionary Accruals (NDA):

$$NDAit = \beta 1\left(\frac{1}{Ait-1}\right) + \beta 2\left(\frac{\Delta REVit - \Delta RECit}{Ait-1}\right) + \beta 3\left(\frac{PPEit}{Ait-1}\right)$$

Calculate Discretionary Accruals as the earnings management proxy:

$$DAit = \left(\frac{TACit}{Ait-1}\right) - NDAit$$

Independent Variables

a. Corporate Social Responsibility (CSR)

An organization's commitment to caring for people and the world, with a focus on improving people's quality of life, is known as corporate social responsibility (CSR) (Alviansyah & Adiputra, 2021). Under PP No. 47 of 2012, all limited liability companies are obligated to implement social and environmental responsibility programs as part of their role in sustainable development.

CSR disclosure is defined as an ethical framework governing the interaction between a company, society, and the environment (Jiddan & Hapsari, 2023). In this research, CSR disclosure is measured using the following formula:

$$CSRIJ: \frac{\sum Xij}{nj}$$

b. Institutional Ownership

The term "institutional ownership" is used to describe a situation in which a company's ownership structure includes entities like government agencies, banks, or other organizations that hold shares (Julian & Ruslim, 2024). The potential for managers to act opportunistically is reduced as the level of supervisory monitoring increases in tandem with the share of institutional ownership (Himawan & Maharani, 2023). The measurement formula is:

Institutional Ownership = Shares held by institutions / Total shares outstanding

c. Audit Committee

The board of commissioners appoints a special group known as an audit committee to keep an eye on the company's management and make suggestions for improvements to the accounting, internal control, and financial policies of the business (Tamara et al., 2022). As part of their corporate governance system, all issuers and publicly traded enterprises are required to create an audit committee by OJK Regulation No. 55/POJK.04/2015.

The audit committee's connection to earnings management is strengthened by the access it has to corporate data and information in the course of its oversight duty (Fitroni & Feliana, 2022). The effectiveness of the audit committee can be evaluated by looking at how often it meets each year (Mardessi & Fourati, 2020; Kusuma et al., 2023):

ACMEET = Total Number of Audit Committee Meetings

d. Firm Size

Large firms tend to engage in earnings management through income-smoothing strategies because the appearance of stable earnings in financial reports can create a favorable impression and attract investors (Bahri & Arrosyid, 2021). Conversely, large firms are also subject to more rigorous scrutiny from the public and regulators, which constrains managerial latitude for earnings management practices (Adityaningsih & Hidayat, 2024).

SIZE = Ln (Total Asset)

Hypothesis Testing

In order to test theories, this research makes use of panel data regression analysis, which is available in EViews 13. In order to find out how CSR, IO, AC, and F size affect EM, the analysis consists of three steps: selecting an appropriate regression model, checking classical assumptions, and testing hypotheses. The size of the company is another factor. In order to choose the most suitable estimating model, you will first conduct a battery of experiments. The Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model are all part of this set of models. Traditional assumption tests, such as those for heteroscedasticity and multicollinearity, are run after the model is chosen.

Tests for null hypothesis use a variety of statistical tools, such as the t-test, the F-test, and the coefficient of determination. To make sure the model still gives good estimates when heteroscedasticity is present, the residual graph method is employed as a second check. The three panel data regression models, only the CEM and FEM are susceptible to heteroscedasticity; the REM is inherently free from this issue since it employs Generalized Least Squares (GLS), which constitutes one of the established remedies for heteroscedasticity (Basuki, 2021).

Hypothesis Development

H_1: CSR positively influences earnings management.

The overarching concept of corporate social responsibility (CSR) refers to a business's endeavors to better society via its operations by tending to the community and the environment. “Alviansyah & Adiputra, 2021” reported. According to agency theory, managers may be tempted to take advantage of the information asymmetry by manipulating reported net income, which can lead to financial statements that don't reflect the company's real economic situation and leaves users without trustworthy information (Solikhah, 2022).

Companies that are open and honest about their CSR initiatives are less likely to manipulate their earnings (Yani et al., 2024). Companies that actively participate in CSR are less likely to manipulate their profits, since their focus shifts from maximizing profits to bettering the community (Setiorini et al., 2023). Study after study has shown that CSR disclosure has a beneficial effect on earnings management (Setiawati et al., 2022; Yunan, 2023), suggesting that companies with higher levels of CSR participation may be more prone to earnings management.

H_2: Institutional ownership positively influences earnings management.

Improving long-term performance, reducing managerial opportunism, and establishing institutional ownership as a critical governance proxy to oversee the management of shareholder assets are all crucial outcomes of strong corporate governance (Winarsih et al., 2023). One of the primary aims of Good Corporate Governance (GCG), as stated by Saragih and Tampubolon (2023), is to promote open and responsible management practices inside companies. One important aspect of GCG is institutional ownership.

Agency theory posits that institutional ownership performs a supervisory role over management, which can mitigate agency problems and reduce agency costs (Budiharjo, 2021). Research by Himawan & Maharani (2023) demonstrate that institutional investors function as monitoring agents, with their substantial capital market investment reinforcing their oversight capacity, such that higher levels of institutional ownership correspond to more intensive supervisory efforts that ultimately constrain opportunistic managerial behavior.
Both Sari and Fanani (2022) and Pratika and Nurhayati (2022) found that institutional ownership and earnings management go hand in hand.

H_3 Audit committees positively influence earnings management.

Within the GCG framework, the audit committee represents one of the principal governance pillars essential for fostering transparent and healthy corporate governance Saragih and Tampubolon (2023) are cited. The audit committee is responsible for advising the board of directors and ensuring the reliability of the company's financial statements, as per the research conducted by Manurung and Siagian (2021).

From an agency theory perspective, audit committee effectiveness is demonstrated through its capacity to reduce conflict between management and shareholders by overseeing managerial activities, thereby limiting opportunities for earnings manipulation From an agency theory perspective, audit committee effectiveness is demonstrated through its capacity to reduce conflict between management and shareholders by overseeing managerial activities, thereby limiting opportunities for earnings manipulation From an agency theory perspective, audit committee effectiveness is demonstrated through its capacity to reduce conflict between management and shareholders by overseeing managerial activities, thereby limiting opportunities for earnings manipulation (Manurung & Siagian, 2021). Two studies, one by Dompas et al. (2024) and the other by Rahayu et al. (2024), found that audit committees had a major impact on how companies handle earnings management.

H_4 Company size positively influences earnings management.

Carolina et al. (2022) states that the size of the firm is determined by a variety of measures, such as total assets, sales volume, average sales, and others. One contextual indicator of service or product demand is business size, which is measured by equity, sales, workforce, and total assets. The tendency for earnings management tends to increase accordingly as firm size increases (Jeradu, 2021).

As a company grows larger, it faces increasing external pressure, as large firms tend to attract greater public and regulatory scrutiny, which in turn restricts managerial latitude for earnings management (Adityaningsih & Hidayat, 2024). Firm size is significant for investors and creditors given its implications for investment risk; large firms with broader access to financing are often motivated to engage in income smoothing because they are subject to more critical scrutiny from the investment community (Setiowati et al., 2023).

In large companies, management as the agent tends to face heightened pressure from investors as principals to produce credible financial reports, since large firms generally exhibit greater information asymmetry and agency problems compared to smaller entities (Habibie & Parasetya, 2022). Research by Tamara et al (2022) & Hardiyanti et al. (2022) reports a positive effect of firm size on earnings management.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Based on the distributional characteristics and important trends of each variable, descriptive analysis provides an initial appraisal of the study data. Prior to inferential analysis, it is possible to obtain a complete picture of the sample profile by computing traditional statistical measures such as minimum, maximum, mean, standard deviation, and frequency distribution. In order to give a general overview of the sample organizations for CSR, IO, AC, and FS (Firm Size), the research relied on descriptive analysis. The descriptive statistics that were employed in this research yielded the following results:

Table 1
Descriptive Statistical Test Results

	EM	CSR	IO	AC	FS
Mean	0,9769	0,5008	0,7048	15	30,6352
Median	9,2479	0,9915	0,9714	101	33,3337
Maximum	0,0008	0	0,1	4	27,3787
Minimum	1,7609	0,27	0,1648	14,8562	1,6477
Std. Dev.	0,9769	0,5008	0,7048	15	30,6352
Observations	100	100	100	100	100

Source: E-views. Data Processed, 2026

A dismal 0.9769 is the average value of earnings management when taking discretionary accruals into account overall. An EM value closer to zero is considered most desirable; conversely, a mean approaching 1 (0.9769) indicates that the level of accrual manipulation conducted by management within the sampled companies is relatively high.

CSR disclosure, measured on a standardized scale of 0 to 1, yields a mean of 0.5008, suggesting a moderately adequate level of disclosure. This indicates that, on average, sampled companies have disclosed approximately 50.08% of the total social and environmental indicators required.

The Institutional Ownership variable, measured as a percentage proportion, records a mean of 0.7048, indicating that institutional shareholders hold an average of 70.48% of total shares a figure classified as very high. Institutional ownership exceeding 50% signals the presence of a dominant majority shareholder, thereby enabling a highly effective oversight function that constrains actions detrimental to company interests.

There is an exceptionally high volume of sessions held by the audit committee, with an average of fifteen meetings annually. Based on OJK regulations, audit committees are required to convene periodically at least once every three months, or a minimum of four times annually.

The mean value for firm size is 30.6352, classified as very high, indicating that the sample is predominantly composed of large-scale companies characterized by more stable governance systems and more rigorous public oversight.

Hypothesis Testing Results
Panel Data Regression Model Selection

Table 2
Data Panel Model

Test	Probability Value	Selected Model
Chow Test	0.0000	FEM
Hausman Test	0.4795	REM
Lagrange Multiplier Test	0.0000	REM

Source: E-views. Data Processed, 2026

Table 2 displays the results of the sequential panel data model selection tests, which show that the Fixed Effect Model (FEM) performs better than the Common Effect Model (CEM) with a probability value of 0.0000 (< 0.05). A probability value of 0.4795 was obtained from the subsequent Hausman Test, which is higher than the significance level of 0.05. The REM model was more effective than the FE model since our independent factors did not affect the individual impacts. With a probability value of 0.0000 (< 0.05), the Lagrange Multiplier Test confirmed that the Random Effect Model performed better than the Common Effect Model.

The evidence suggests that the REM is the best fit for this research of earnings management. Part one of panel data regression testing is the t-test, part two is the F-test, and part three is the coefficient of determination (R^2). The regression analysis's estimated results were derived using panel EGLS, which stands for cross-section random effects.

Table 3
T-test

Variable	Coefficient	t-statistic	Probability	Decision
CSR (X1)	-0.923	-4.993	0.0000	H_1 Rejected
IO (X2)	-0.256	-0.427	0.6696	H_2 Rejected
AC(X3)	0.004	1.050	0.2960	H_3 Rejected
FS (X4)	0.272	1.643	0.1036	H_4 Rejected

Source: E-Views. Data Processed, 2026

Based on Table 3, the estimated regression equation derived from the panel data analysis is as follows:

$$EM = -6.754 - 0.923CSR - 0.256IO + 0.004AC + 0.272SIZE + [CX=R]$$

An study of the data indicates that the CSR variable has a regression coefficient of −0.9232 and a p-value of 0.0000. Despite the fact that the predicted positive correlation is at odds with the actual negative direction of the coefficient, the probability of this happening is well below the 0.05 level of significance, therefore the effect is definitely statistically significant. I can therefore reject H1 and accept H0 as true. The first hypothesis (H1) proposes that the three independent variables—Firm Size (FS), Institutional Ownership (IO), and Audit Committee (AC)—have a positive influence on earnings management, while the second hypothesis (H0) asserts that they have no effect or a negative one. Based on the results of the t-test, the probabilities of IO (0.6696), AC (0.2960), and FS (0.1316) are shown in that order. For each of these variables, we can accept H0 and reject H1 because their values are all more than 0.05. This means that the sampled companies' earnings management policies are not significantly impacted by institutional ownership level, audit committee effectiveness, or firm size.

Table 4
F-test

Description	Value
Adjusted R-squared	0.191988
Prob (F-statistic)	0.000066

According to the findings of the F-test, that model has an Adjusted R-squared value of 0.191988, as shown in Table 4. When compared to the 19.20% explained by the model's independent variables, the remaining 80.80% of the earnings management variation must be due to other causes. This model's statistical significance is supported by the fact that earnings management is significantly impacted by the independent variables Firm Size, Corporate Social Responsibility, Institutional Ownership, and the probability value of the F-statistic (0.000066, < 0.05). Therefore, it is safe to proceed with further interpretation based on the entire model.

Discussion

The Effect of Corporate Social Responsibility on Earnings Management

The results of the partial test (t-test) show that Corporate Social Responsibility has a statistically significant effect, as indicated by the regression coefficient of −0.9232 and the probability value of 0.0000 (< 0.05). The study hypothesis (H1) is rejected since the coefficient's negative direction contradicts the expectation that CSR would positively impact earnings management. Another way of looking at it is that when companies are more transparent about their CSR initiatives, investors are less likely to gamble on earnings management, and the opposite is also true.

The results are in line with what one would expect from agency theory, which suggests that CSR disclosure can help close the knowledge gap between management and shareholders (Solikhah, 2022; Yani et al., 2024). Firms that are transparent about their CSR initiatives are less likely to engage in short-term gain maximization at the expense of public trust and long-term sustainability (Setiorini et al., 2023). The deviation from prior research findings is likely attributable to the distinctive characteristics of the infrastructure sector, which operates under more stringent public oversight and environmental regulation compared to other industries; consequently, CSR disclosure in this sector tends to reflect genuine corporate commitment rather than serving merely as a legitimacy tool to conceal earnings management practices.

The Effect of Institutional Ownership on Earnings Management

Based on the test results, which display a regression coefficient of −0.2562 and a probability value of 0.6696, institutional ownership is noticeably more prevalent than the 0.05 significance threshold. Based on the data, we can conclude that the quantity of institutional shareholding did not significantly affect the levels of earnings management in the companies that were reviewed, thus we reject H2, which expected that institutional ownership would have a favorable influence on earnings management.

Despite agency theory's assumptions that institutional investors can constrain managerial opportunism, Sari and Fanani (2022) and Pratika and Nurhayati (2022) discovered positive correlations between institutional ownership and earnings management (Himawan & Maharani, 2023; Budiharjo, 2021). This study's lack of statistical significance is probably due to the fact that institutional investors in infrastructure companies are more concerned with the immediate profitability of their investments than they are with keeping a close eye on day-to-day operations. Also, while there are a lot of institutions with a stake in the sample (70.48 percent on average), that concentration could lead to management-sponsored bias instead of impartial oversight, weakening the power of institutional ownership to prevent earnings management.

The Effect of Audit Committee on Earnings Management

Regression coefficient for the audit committee is 0.0041, with a probability value of 0.2960, according to the t-test results; this value is greater than the 0.05 significance level. These findings suggest that among the infrastructure sector companies surveyed, there is no correlation between the frequency of audit committee meetings and the amount of earnings management. This finding runs counter to H3, which posited that audit committee engagement improved earnings management.

Based on agency theory, audit committees are seen as oversight mechanisms that can access corporate information and reduce agency conflict between managers and shareholders (Fitroni & Feliana, 2022; Manurung & Siagian, 2021). However, this result contradicts the findings of Rahayu et al. (2024) and Dompas et al. (2024), which found that audit committees significantly impacted earnings management. Nonetheless, these results are consistent with those of Anjarningsih et al. (2022), who also found that audit committee experience did not significantly affect earnings management. The measurement strategy is likely to blame for the non-significant outcome because it focuses only on meeting frequency to capture quantity rather than quality of oversight. A high meeting frequency, averaging 15 sessions per year, does not in itself guarantee effective oversight if not accompanied by the competence, independence, and substantive engagement of audit committee members in reviewing financial statement content. As a consequence, audit committees in the sampled companies may be functioning primarily as formal instruments of OJK regulatory compliance rather than as meaningful mechanisms of substantive oversight.

The Effect of Firm Size on Earnings Management

The findings of the regression indicate that larger firms are better at earnings management (H4), although neither the probability (0.11036) nor the coefficient (0.2715) lend credence to this, as they are higher than the significance level (0.05). These findings indicate that among the infrastructure sector firms studied from 2021 to 2025, earnings management methodologies were unaffected by firm size, as measured by the natural logarithm of total assets.

Since it helps them attract investors, large firms are more likely to engage in earnings management, which includes income-smoothing strategies (Bahri and Arrosyid, 2021). On the other hand, research by Hardiyanti et al. (2022) and Tamara et al. (2022) found that larger firms had a beneficial effect on earnings management. However, it aligns with an alternative strand of agency theory, which contends that larger firms are precisely those subject to the most rigorous scrutiny from the public, regulators, and capital market analysts, thereby limiting managerial capacity for earnings management (Adityaningsih & Hidayat, 2024). Given that the sample in this research is dominated by large-scale infrastructure companies as reflected in the very high average firm size value the heightened external oversight and public accountability demands faced by these companies likely weaken any earnings-management incentive driven by firm size alone. As a result, firm size ceases to function as a primary determinant of earnings management in the context of strategically significant, heavily regulated sectors such as infrastructure.

The Simultaneous Effect of Corporate Social Responsibility, Institutional Ownership, Audit Committee, and Firm Size on Financial Earnings Management

For infrastructure companies listed on the Indonesia Stock Exchange from 2021 to 2025, the F-test results in Table 4 show that firm size, corporate social responsibility, institutional ownership, and audit committee all significantly affect earnings management. The probability value of the F-statistic, which measures the interaction between the independent and dependent variables, is significantly higher than the null hypothesis (0.000066 vs. 0.05).

Based on these results, it appears that infrastructure companies earnings management strategies are influenced by a combination of factors, including various corporate governance mechanisms and firm-level characteristics. Given the importance of these factors all at once, it follows that strong systems of governance, including socially responsible business practices, institutional investors' roles as monitors, the audit committee's role as an overseer, and the resource capacity of the firm as a whole, help to limit or shape managerial opportunism in financial reporting.

In accordance with agency theory, which contends that principals and leaders have different levels of information and that leaders have an incentive to manipulate profits, this data shows that excellent governance structures can prevent this kind of behavior. The four variables in this model explain about 19.20% of the variance in earnings management (adjusted R-squared value of 0.191988), while the remaining 80.80% could be due to factors like the regulatory environment, macroeconomic conditions, or firm-specific financial characteristics that were not considered in this research. In general, the model is considered valid for making significant empirical conclusions and fits the data well statistically.

CONCLUSION

The purpose of this study was to use aggregate and individual data from the Indonesia Stock Exchange to analyze the relationship between income management and CSR, IOW, Audit Committee, and Firm Size in infrastructure enterprises from 2021 to 2025. In our analysis of panel data using the Random Effect Model (REM), we find that firm size, institutional ownership, audit committee, and corporate social responsibility (CSR) all have substantial impacts on earnings management. Even if this model explains 19.20% of earnings management variation (Adjusted R-squared), the other 80% is explained by factors it doesn't take into consideration.

We cannot sustain the research hypothesis that anticipated a positive directional effect since CSR has a significantly negative impact on earnings management. This suggests that the possibility of earnings management being reduced is correlated with the level of corporate social responsibility disclosure. All three associated hypotheses were rejected since no significant effect of firm size, institutional ownership, or audit committee on earnings management was seen among the studied companies. In contrast to the other three governance tools, we found that CSR disclosure consistently helps infrastructure sector corporations regulate their earnings management. Firm size and audit committee activity, when used separately, do not provide adequate measures for monitoring.

By adding to the growing body of evidence that open communication between principals and agents can reduce instances of information asymmetry and conflict, our results provide theoretical support to agency theory (Jensen & Meckling, 1976). Furthermore, they demonstrate that the efficacy of corporate governance mechanisms is largely determined by sectoral context and the quality of their implementation, rather than by formal governance structures. Several policy-relevant insights can be derived from the findings. First, companies in the infrastructure sector should make CSR disclosure a stronger part of their earnings management control strategy. Second, regulators like OJK and IDX should reconsider audit committee regulations that put too much emphasis on meeting frequency. Lastly, investors should not use firm size or the proportion of institutional ownership as proxies for financial reporting quality.

This research is subject to several limitations. The relatively low Adjusted R-squared (19.20%) indicates that additional factors beyond the model contribute to earnings management variability. The audit committee variable is measured only by meeting frequency, without accounting for member competency or independence, and the sample is restricted to 20 infrastructure corporations. Future research should incorporate extra pertinent variables such as profitability, managerial ownership, audit quality, or leverage to acquire a fuller picture of the elements impacting earnings management in Indonesia. They should also expand the range of sectors and observation periods, and use audit committee proxies that are more comprehensive.

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