The Effect of Information Asymmetry, Investment Opportunity Set, and Corporate Social Responsibility on Earnings Quality

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Abstract . Earnings quality is the quality of a public company's earning data, which can provide information about the extent to wich earnings influence decision-making and which investors can use to evaluate the company. There are several factors that affect earnings quality, including information asymmetry, investment opportunity set, and corporate social responsibility. This study aims to analyze information asymmetry, investment opportunity set, corporate social responsibility, and earnings quality. In addition, it analyzes simultaneously and partially the effect of information asymmetry, investment opportunity set, and corporate social responsibility on earnings quality in non-financial BUMN companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The method used in this study is a quantitative method. The sample used as many as 16 companies selected using purposive sampling method. The type of data used is secondary data with data collection techniques through documentation and literature study. The data analysis method used is panel data regression analysis using Eviews software. The results show that information asymmetry, investment opportunity set, and corporate social responsibility have a simultaneous effect on earnings quality. Partially, corporate social responsibility has a positive effect on earnings quality, information asymmetry and investment opportunity sets have no effect on earnings quality.

Keywords: Corporate social responsibility, information asymmetry, investment opportunity set, earnings quality.

1. Introduction

In the business world, accounting information is necessary for management decision-making. This is because accounting has elements in financial statements that include assets, liabilities, equity, income, burdens, profits, and losses. For managers, learning and understanding accounting is very useful as it can help evaluate job performance. The work achievement is from the company's performance. Information about company results can be found in the company's financial statements. The financial report is a type of commitment from management to shareholders for performance (Zein, 2016). Financial reports provide users with financial statements with useful information used to determine the financial position used as a primary means of

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communication to external parties and management responsibility for the use of resources by the owner.

Financial statements are important information for its users to make a decision. One of the components of financial statements is a profit/deficit report which contains information about the profit or loss generated by a company, there is a certain period that will be beneficial to the users of the financial report. Information about profits is a benchmark or measure that is very important when evaluating to assess the earnings quality generated by a company. Profit information is important for stakeholders because stakeholdors must ensure that the company's performance of the profits generated is of quality so that the profit information generated in a financial report is useful for decision-making. According to Dhian Eka Irawati, a qualitative profit is a profit that can reveal the actual financial performance of a company without any effort of manipulation and can be used to predict future profits [1].

In recent years, the quality of financial reporting results has attracted much attention from stakeholders and researchers (Molina et al., 2022). This is understandable because financial statements are the main source of information for stakeholders who are important accounting information for decision making, especially investors, creditors and regulators [2].

Earnings quality is the quality of publicly avalaible earnings data that can provide and show how earnings effect decision making and that investors can use to value a company. [3]. The more accurate the value of profit, the higher the company's earnings quality and the lower the earnings quality indicates less informative or less qualified for its use as a basis for decision making. The measurement tool used to measure the earnings quality using the discretionary accruals formula. Discretionary accruals are an acrual component of the results of management activities in the exercise of freedom to decide and implement accounting standards, such as setting estimates of the percentage of unencumbered assets, choosing methods of reduction of fixed assets etc [4]. Discretionary accruals refer to the optimistic action of a person to influence information presented by using rules permitted by accounting standards. The lower the rate of discretionary accruals in a financial report, the higher the earnings quality in the financial report [5].

BUMN is a state-owned company that generates profits to increase the state's revenue, but the phenomenon indicates that many of the companies suffered losses among others is Garuda Indonesia. (GIAA). Garuda Indonesia (GIAA) has regularly experienced internal problems in the presentation of financial reports. The case arose from an agreement between Garuda Indonesia (GIAA) and PT Mahata Aero Technology for an on-board Wi-Fi service provider (Okezone.com, 2019). Garuda Indonesian Company (GIAA) recorded an income that should still be in the form of debts of USD 239.9 million with a difference in the previous share of revenue of USD 278.8 million to USD 38.9 million. (selisih USD 239 juta). The BEI called on Garuda Indonesia (GIAA) to clarify the incident and requested the opinion of the Financial Accounting Standards Board and the Indonesian Accounting Union to obtain clarification from the side of the transaction practice between Garuda India and Mahata. This is what the Financial Services Authority (OJK) is concerned about, which has decided that Garuda Indonesia has implemented profit management practices and will result in low earnings quality.

Based on the phenomenon, Garuda Indonesia (GIAA) which belongs to the category of BUMN companies in fact carried out an action to design its financial reports to show good performance. On the other hand, the company is claimed to generate profits so that the action of embellishing financial reports becomes one of the company's alternative methods. Therefore, researchers are interested in conducting research on the quality conditions of profits in BUMN companies.

2. Review and Formulation Hypothesis

2.1 *Agency Theory*

Jensen & Meckling the agency theory is a contractual relationship between the shareholder (principal) and the management (agent) to do something on behalf of the principal and authorize the management to make the best decision for the shareholders [6]. In this case, the agent has responsibility for the achievement of the task and the principal rewards for the services provided by the agent. However, there is still a difference of purpose between the two, which leads to a conflict of interests. The conflict arises because of the differences between the management and the shareholders. The differences arise because each party tries to meet and maintain the level of satisfaction of each other.

2.2 *Earnings Quality*

Earnings quality is the quality of publicly avalaible earnings data that can provide and show how earnings effect decision making and that investors can use to value a company (Wulansari, 2013). Discretionary accruals are actually an opportunistic act of one to influence the information presented by exploiting the rules of rules permitted by accounting standards. The smaller the level of discretionary accruals in a financial report, the better the quality of the financial report information. Therefore, detailed and transparent disclosure of segment reporting can limit the behaviour of managers in carrying out discretionary accruals, which will then improve the performance and quality of the company itself [7].

2.3 *Informastion Asymmetry*

The asymmetry of information is due to the fact that there is an information gap between the agent's company and the principal acting as a manager and the owner of the company, both regarding the current state and future prospects of the company. This information asymmetry occurs when a company's managers know more about the company and its inside information and the future prospects than shareholders and other stakeholders [8]. The gap between the agency and the owner gives the manager an opportunity to act optimistically, that is, for personal gain. So this is the information asymmetry that can trigger the emergence of profit management practices within a company that will result in the earnings quality to be low. Because, the earnings quality generated from the company's operations is influenced by the way the financial reports are produced by the management.

2.4 *Investment Opportunity Set*

Investment opportunity set is an investment decision in the form of a combination of assets and investment options in the future [9]. This study used the market value of assets (MBVA), which is based on the idea that the company's growth prospects are reflected in the stock price. When a company has a high IOS, the value of the company increases because more investors are interested in investing with the hope of higher returns in the future, which gives the company's management an opportunity to make a profit for the management. To the growth of the company.

2.5 *Corporate Social Responsbility*

Corporate Social Responsibility, or corporate social responsibility is a business approach that promotes sustainability by providing economic, social, and environmental benefits to all stakeholders. Corporate social responsibility (CSR) has become a popular and increasingly used term among companies, governments and the press in recent years [10]. The Harvard Kennedy School issued a credible and complete definition that sees CSR as a strategy. CSR is not only related to a company's profits, but also how those profits are generated. CSR covers more than just charity and compliance [11]. In addition, CSR is also seen as a way to help companies manage their economic, social, and environmental impacts, along with their relationship to the workplace, markets, supply chains, communities, and public policy domains (Rahman, 2013). Thus, companies are expected to be able to balance social needs and economic growth through the strategic and competitive role of corporate responsibility for the future sustainability of the company [12].

2.6 Hypothesis Study

Proposed hypothesis _ in study This is statement short summary _ from review library and is description temporary from necessary problems _ submitted come back , then hypothesis study This as following :

H1: Information Asymmetri has a positive negative on earnings quality .

H2: Invesment opportunity set influential positive to eranings quality.

H3: Corporate social responbility influential negative to earnings quality.

3. Method Study

3.1 Data

This research uses quantitative methods. The type of research used is association research to look at causal relationships between variables. The population used in this study is the company on the BUMN non-financial which is listed on the Indonesian Stock Exchange in 2018-2022. The type of data used is secondary. The sampling techniques used are purposive samplings with consistent criteria registered in the BEI from the year 2018-2022 and consistently publish audited reports and annual reports in a consistent manner during the period 2018-2022.

Descriptive analysis is used to look at the characteristics of a data. The descriptive statistics in this study consist of the maximum value, minimum value, average value, and standard deviation value. The total observation of this study is 80 datasets consisting of 16 companies with a study period of five years. However, some cannot be used because the test results cannot be used to make decisions. Therefore, the researchers performed a deviation test using the Eviews application, looking at the studentized residual values. The residual value examined for the extreme data is greater than 3 or less than -3. In this study, the outlier are 4 observations, so there are 76 total observations after outlier trials. The analysis method is a panel data regression method defined by the following equation.

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon$$

Description:
Y = Earnings Quality
α = Konstanta
β1β2β3 = Coefficient regression
X_1 = Information asymmetri
X_2 = Investment Opportunity Set
X_3 = Corporate Social Responsibility
ε = Error term

4. Research Results

4.1 Statistics Descriptive

Table 1

	Kualitas Laba (Y)	**Asimetri Informasi (X1)**	***Investment Opportunity Set* (X2)**	***Corporate Social Responsibility* (X3)**
Mean	0,69327	0,00452	1,75593	0,81461
Maximum	3,24459	0,02335	8,05450	0,89552
Minimum	0,00418	0,00200	0,69683	0,73134
Std. Dev.	0,61192	0,00297	1,38370	0,03397

Based on the table 1, the results of the descriptive testing show that the variables of earnings quality, information asymmetry, investment opportunity set, and corporate social responsibility have greater average values than the deviation standard.

4.2 Test Assumptions Classic

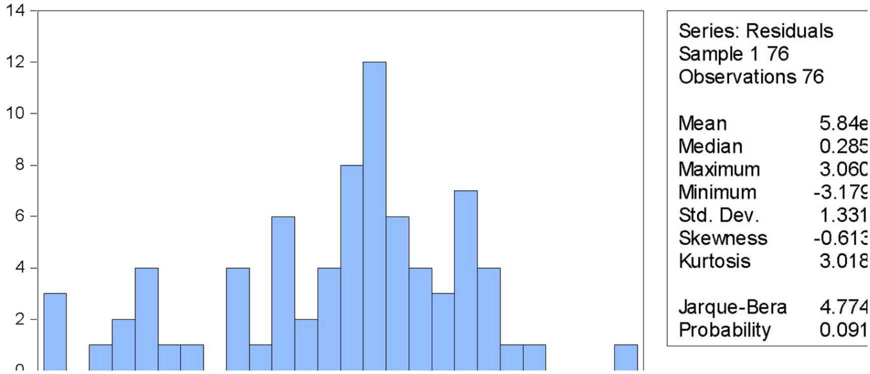

Fig. 1. Normalitas Test

Based on Figure 2, it is known Jarque-Bera probability value of 0.091882 is greater than 0.05. Therefore, it can be understood that the data is normally distributed.

Table 2. Heteroskedastisitas Test

Heteroskedasticity Test: White			
F-statistic	0.618939	Prob. F(9,66)	0.7767
Obs*R-squared	5.915206	Prob. Chi-Square(9)	0.7484
Scaled explained SS	16.79801	Prob. Chi-Square(9)	0.0520

Based on table 2, Chi-Square's probability the value of 0.7484 is greater than 0.05. Therefore, the regression model used shows no symptoms of heterocadastax and should be used to predict the quality based independent variables such as information asymmetry, investment opportunity set, and corporate social responsibility.

Table 3. Autokorelasi Test

Mean dependent var	-0.706412
S.D. dependent var	1.316051
Akaike info criterion	3.376926
Schwarz criterion	3.500525
Hannan-Quinn criter.	3.426278
Durbin-Watson stat	1.968281

Based on Durbin Watson's table of 5% significance with the sum of observations 76 and the number of independent variables 3 (k = 3), then the value du = 1,7104 and dl = 1,5467 The value dw = 1,96828 is greater than the number du = 1,6988 and smaller than the value 4 – du (4 – 1,7104) = 2,2896, thus obtaining du < dw < 4 - du, that is 1.7104 < 1,968228 < 2,2896 Based on the results, this regression model doesn't have either positive or negative autocorrelation.

Table 4. Multikolinearitas Test

Variance Inflation Factors			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	2.723166	651.1522	NA
X1	497.7089	3.469233	1.035826
X2	0.002385	2.836356	1.077695

X3	4.093192	650.6022	1.114709

Based on the table 4, centered VIF values were obtained less than 10. Therefore, it can be understood that the regression model has no correlation between the independent variables or no multicollinearity.

4.3 Test Analysis Regresion Data Panel

Based on the results of the panel data regression model selection test, the most appropriate panel regression method to use is the random effects model.

Table 5. Uji Random Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.498786	1.672325	-2.690139	0.0089
X1	21.46742	22.20761	0.966669	0.3369
X2	0.009202	0.052093	0.176651	0.8603
X3	6.241361	2.055628	3.036231	0.0033

Based on table 5, the panel data regression equation is obtained.

$$Y = -4{,}498786 + 21{,}46742X_1 + 0{,}009202X_2 + 6{,}241361X_3 + e$$

Description:

Y = Earnings Quality
α = Konstanta
β1β2β3 = Coefficient regression
X_1 = Information asymmetri
X_2 = Investment Opportunity Set
X_3 = Corporate Social Responsibility
ε = Error term

4.4 Test Uji Stastik t

Table 6. Stastik t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.498786	1.672325	-2.690139	0.0089
X1	21.46742	22.20761	0.966669	0.3369
X2	0.009202	0.052093	0.176651	0.8603
X3	6.241361	2.055628	3.036231	0.0033

Based on Table 8, the influence of the independent variable on the partially dependent variable can be concluded.

1. The probability value of the data information asymmetry variable (X1) is 0,3369. The value is greater than 0,05 and the regression coefficient value is 21,46742. Therefore, it can be conculeded that information asimetry (X1) does not affect the earnings quality of the non-financial BUMN companies listed on the Indonesia Stock Exchange in 2018-2022.
2. The probability value of the data investment opportunity set variable (X2) has a probability value of 0.8603. The data value is higher than 0.05 and the regression coefficient value is 0.009202. Therefore, it can be concluded that the investment opportunitie set (X2) does not affect the earnings quality of the non-financial BUMN companies listed on the Indonesia Stock Exchange in 2018-2022.
3. The probability value of corporate social responsibility variable (X3) has a probability value of 0.0033. This data value is less than 0.05 and the regression coefficient value is 6.241361. Thus, it can be concluded tha corporate social resposnvility (X3) has a positive impact on the performance quality BUMN companies listed on the Indonesia Stock Exchange in 2018-2022.

5. Conclusion

The study tested the impact of information asymmetry, investment opportunity set, and corporate social responsibility on the earnings quality in non-financial BUMN companies listed in Indonesia Stock Exchange the period 2018-2022. Information asymmetry, investment opportunity set and corporate social responsibility simultaneously affected the earnings quality on the non-Financial companies of BUMN listed on the Indonesian Stock Exchange during the 2018-2022 period. The coefficient of determination value of 0.085756 means that information asymmetry variables, investment opportunity sets, and corporate social responsibility capital can explain earnings quality of 8.5756% and the rest can be explained by other variables outside this study.

Information asymmetry and investment opportunity set do not affect on the earnings quality of non-financial BUMN companies listed on the Indonesian Stock Exchange during the period 2018-2022, while corporate social responsibility has a positive effect on earnings quality of the non-Financial BUMN listed in the Indonesia Stock Exchange in the period 2018-2022.

The effects of corporate social responsibility impacts on the earnings quality indirectly means that environmentally friendly companies have good governance and a strong corporate culture thus minimizing tax control, so that the profit information generated is quality. The higher the disclosure of corporate social responsibility is disclosed in the company and in the annual report, the higher the return of the company. The results of this study are consistent with the study of (Aziz dan Faisol), according to which corporate social resposnbility has a positive effect on accrual quality the better social resposnbility, the better the cumulative quality in the company[13].

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