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THE Effect Of The Company's Anti-Corruption Commitment On Earnings Management

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Abstract

This study examines the relationship between a company's anti-corruption commitment and earnings management through disclosures referring to the GRI 205 Standard. Using a panel data regression analysis of 225 sustainability reports from companies listed on the IDX between 2019 and 2023, this research employs discretionary accruals for non-financial firms and Discretionary Loan Loss Provisions (DLLP) for financial firms as proxies for earnings management. The findings reveal that anti-corruption disclosure has a significant positive relationship with earnings management. However, significant difference was found in disclosure practices before and after the GRI 205 standard became effective. These results suggest that managers may use anti-corruption disclosures as a symbolic tool to create a positive reputation while potentially masking opportunistic behavior. This study contributes to the literature by exploring firm-level anti-corruption proxies and their impact on corporate transparency and information asymmetry in an emerging market context.

Keywords Anti-Corruption Disclosure; Earnings Management; GRI-205 Standards.

INTRODUCTION

This study investigates how management incentives are in performing earnings This study investigates how management incentives are in performing earnings management in Indonesia after the implementation of the GRI 205 Anti-Corruption Standard in the disclosure of sustainability reports. Several studies on earnings management consider the phenomenon of corruption as a factor affecting earnings management (La Porta et al., 1998; Leuz et al., 2003; Van Tendeloo and Vanstraelen, 2005; Shen and Chih, 2005, 2007; Chih et al., 2008; Doupnik, 2008; Li et al., 2011) who use the power of the legal environment to explain managers' incentives to use earnings management to hide the company's real performance from outside parties. However, there is very little research that explains how corporate anti-corruption disclosures affect earnings management incentives which may have an impact on increasing corporate transparency. The key question is whether the effect of corporate anti-corruption disclosure is considered by managers in making discretionary corporate earnings policies. This study is motivated by the research of Blanc et al. (2017, 2019), and Joseph et al. (2016) to examine whether the identified anti-corruption policy information, namely the company's anti-corruption disclosures in the sustainability report, is associated with managers' discretion in carrying out earnings management.

Theoretically, research on earnings management (Healy and Wahlen, 1999; Dechow and Skinner, 2000; Walker, 2013) is inseparable from the information asymmetry problem described by Jensen and Meckling (1976) as an agency theory that describes the relationship between management and shareholders as agent and principal. Besides the problem of information asymmetry, an assumption that is closely related to the problem of earnings management is the opinion of Meyer and Rowan (1977) as an institutional theory which thinks that organizations must provide public confidence as an organization that has legitimacy and is worthy of being supported to survive by adjusting. with the organizational environment. The same thing was stated by Scott (2008) in the use of institutional theory, where organizations that emphasize legitimacy tend to adjust to external expectations, where social factors, community expectation factors, and environmental factors (Ashworth et al ., 2009), external factors (Frumkin and Galaskiewicz), 2004), as well as exogenous factors (Dacin, 1997; Tina Dacin et al ., 2002) are factors in taking an action and making individual and organizational decisions. Adjustment between public organizations and the other one that has a similarity or isomorphism with organizations other public her, which tend to be early to get legitimacy (DiMaggio and Powell, 1983). This similarity encourages companies in the same population to make the same policy to show that company management is oriented towards taking sides with the community, government, individuals and community groups (Gray at el, 1996).

In several cases in Indonesia, there are still many corruption cases involving the private sector that still dominate the cases handled by the Corruption Eradication Commission (KPK). In the period of handling corruption cases by the KPK from 2004 to September 30 2017, individuals from the private sector had the largest percentage compared to other professions/positions, namely 25%. Some cases of corruption are not only committed by private employees of small and medium-scale companies, but corruption is carried out by directors or commissioners of the largest companies in Indonesia.

This condition encourages companies to implement anti-corruption strategies (Hills et al., 2009). The same thing was stated by S. Xu et al. (2019) that global sustainable development cannot be separated from company participation. S. Xu et al. (2019) found that the intensity of regional anti-corruption has an impact on the disclosure of corporate social responsibility. This opinion is supported by the findings of Benyasrisawat (2019) which states that companies with superior performance attributes accompanied by good governance have a higher level of anti-corruption progress. In addition, Benyasrisawat (2019) also found evidence that anti-corruption announcements were associated with significant market reactions. This shows that the announcement of anti-corruption information contains new information that is considered relevant and shows that the company has a commitment to participate in fighting corruption in their organization. Therefore, the urge for business organizations to implement strategies to combat corruption is getting higher (Hills et al., 2009) through good corporate governance and sustainability reporting.

Sustainability reporting follows the GRI Sustainability Reporting Standards which are designed for companies to disclose information about the company's impact on the economy, environment and society. One of them is the standard GRI 205: Anti-Corruption, where this standard regulates company disclosures about how the management approach related to the issue of anti-corruption disclosures as well as explanations of specific anti-corruption topics in their company. This standard came into effect on July 1 2018, so that the practice of anti-corruption disclosure in companies is still relatively new. Anti-corruption disclosure based on GRI Standard 205: Anti-Corruption in the company's annual sustainability report on disclosures of management approach referring to GRI 103, disclosure 205-1 of operations assessed for risks related to corruption, disclosure 205-2 communication and training on anti-corruption policies and procedures, and disclosure of 205-3 incidents of corruption proven and actions taken.

Several studies on earnings management consider the phenomenon of corruption as a factor influencing earnings management. The findings of Riahi-Belkaoui (2004) , Riahi-Belkaoui and AlNajjar (2006) Lourenço et al . (2018) show that the perception of corruption in a country has a positive effect on earnings management practices. This finding is in line with the opinion (H. Xu et al ., 2019) which states that companies located in corrupt areas tend to practice earnings management. With guided by certain motivations and inequality of information will be an opportunity for managers to manage earnings.

Research by Healy and Palepu (2001) and Lambert et al. (2007) explain that information inequality can be reduced by disclosure, one of which is the disclosure of anti-corruption information. The examination of anti-corruption information was carried out by Joseph et al. (2016) through disclosure of the commitment to eradicate corruption in the company's annual report, where corruption prevention strategies such as professional codes of ethics and whistleblowing systems are the most disclosed information content. Hills et al. (2009) argue that strategies for preventing corruption through disclosure of anti-corruption are an integral part of corporate reporting on social and environmental responsibility.

When the regulations governing anti-corruption disclosure are effective, managers involved in earnings management conform to disclosing anti-corruption strategies. This suggests that the management exploit the situation to divert the attention of stakeholders to get involved without having to look for the actions of opportunistic do (Muttakin et al., 2015). This is following institutional theory were to give confidence to the public and gain legitimacy to survive, the organization discloses anti-corruption policies and strategies according to regulations that are symbolic to external parties (Meyer and Rowan, 1977).

Also, this condition is following the legitimacy theory which explains that companies that disclose anti-corruption strategies may be accepted by stakeholders because this means that the company shows compliance and transparency of information. This suggests that managers who carry out earnings management may strategically use social and environmental responsibility disclosures in which there is the disclosure of anti-corruption strategies to disguise their opportunistic behaviour so that the level of anti-corruption disclosure has a positive effect on earnings management.

In line with previous studies, Consoni and Colauto (2016) stated that the lack of information will lead investors to reexamine their beliefs about the value of the company and. In this regard, Consoni et al. (2017) explained that managers have an incentive to disclose all the data they have to differentiate themselves from those who have less favourable data. In turn, theories about corporate voluntary disclosure have concentrated on identifying the reasons that full disclosure does not occur. Anti-corruption disclosure is one of the voluntary disclosures when companies face problems related to corruption cases such as bribery, money laundering and other problems that will have an impact on investor confidence in the company.

GRI Standard 205: Anti-Corruption became effective on July 1 2018, so the practice of anti-corruption disclosure in companies is still relatively new. The anti-corruption disclosure approach used in this study refers to GRI Standard 205: Anti-Corruption. The dimensions of the disclosure include 1) disclosure of management approach (this section refers to GRI 103), 2) disclosure 205-1 on operations assessed for risks related to corruption, 3) disclosure 205-2 communication and training on anti-corruption policies and procedures, and 4) 205-3 disclosure of proven incidents of corruption and actions taken. Until before the GRI 205: anti-corruption standard became effective, anti-corruption disclosure in the company was still the choice for management to disclose or not.

Following the institutional theory that when the regulations governing anti-corruption disclosure are effective, management will make policies that are tailored to the conditions of the company and have similarities or isomorphisms with other organizations to gain legitimacy (DiMaggio and Powell, 1983). The company similarity in the population together to form one unit in one that resembles unit other when facing similarity performance situation of the environment (Hawley, 1968). Therefore, the practice of disclosure before and after the standard is effective, there are still preferences for disclosing anti-corruption information between companies which differ from one another.

Furthermore, this research is organized as follows introduction, theoretical background and hypothesis development. The samples, data, and research methodologies for investigating the use of reconciliation information over time. Result and discussion provide analyzes the results of hypothesis testing. Then, concludes the study.

METHODS

This research uses population and sample data of companies listed on the Indonesia Stock Exchange during 2019-2023 and has published and published annual reports and sustainability reports for 3 years, namely 2016-2018. The company does not have negative total assets during the 5 years, 2019-2023. The data collection of this research uses secondary data sources that come from annual reports and financial reports published by the company during the observation period. Data for anti-corruption disclosure is obtained by hand collection in annual reports and company sustainability reports that refer to the GRI 205 instrument, then for earnings management data is obtained through the OSIRIS database.

Variable Measurement

Measurement of earnings management in this study uses a proxy of Discretionary Accruals (DA) according to the Modified Jones Model (Dechow et al., 1995) for non-financial companies and Discretionary Loan Loss Provisions (DLLP) according to Kanagaretnam et al. (2004) for financial firms. Discretionary Accruals (DA) proxy calculation according to Dechow et al. (1995) is to calculate total accruals as the difference between variations in current assets and variations in current liabilities, minus variations in cash flows from operations and depreciation, plus variations in debt in current liabilities. This study calculates discretionary accruals based on panel data consisting of several years and several industries. The estimation of the coefficient was calculated using statistical regression. In this model, non-discretionary accruals are estimated as the following equation:

1. **Calculating Total Accrual (TA):**

$$TAi.t = NIi.t - CFOi.t \tag{1}$$

2. **Determine the coefficient of the total accrual regression:**

$$TAi.t = \alpha 1\ 1/(A\ i.t\text{-}1) + \alpha 2\ (\Delta REVi.t) + \alpha 3\ (PPEi.t) + \varepsilon \tag{2}$$

3. **Calculating the Nondiscretionary Accrual (NDA):**

$$NDAi.t = \alpha 1\ 1/(A\ i.t\text{-}1) + \alpha 2\ (\Delta REVi.t - \Delta RECi.t) + \alpha 3\ (PPEi.t) \tag{3}$$

4. **Calculating Discretionary Accrual (DA):**

$$DAi.t = TAi.t - NDAi.t \tag{4}$$

Information :

- DAi.t = Discretionary Accruals of company i in year t
- NDAi.t = Nondiscretionary accruals of company i in period t
- TAi.t = Total accruals of company i in year t
- NIi.t = Net income of company i in period t
- CFOi.t = Operating cash flow i in period t
- Ai.t-1 = Total assets of company i at the end of year t-1
- ΔREVi.t = Change in company i's income in year t minus revenue in year t-1
- ΔRECi.t = Change in net receivables of company i in year t minus net receivables in year t-1
- PPEi.t = Gross property, plant and equipment of company i in year t

Meanwhile, for the calculation of the proxy for Discretionary Loan Loss Provisions (DLLP), according to Kanagaretnam et al. (2004), namely by measuring earnings management in the banking sector using the main accrual, namely Loan Loss Provision (LLP). Pengukuruan is divided into two components, namely discretionary and non-discretionary as where the model below:

$$LLP = \text{Non-discretionary LLP} + \text{Discretionary LLP}$$

The component of Non-discretionary Loan Loss Provision (NDLLP) is estimated using the initial value of Non-performing Loss (NPL), the value of changes in NPL and the value of changes in total credit/financing. LLP error prediction estimation using statistical regression. estimator an NDLLP using the following equation:

1. Estimating the predicted Loan Loss Provision errors:
$$LLP_{it} = \beta 0 + \beta 1\ NPL_{it-1} + \beta 2\ \Delta NPL_{it} + \beta 3\ \Delta TL_{it} + €_{it} \quad (5)$$
2. Calculating the discretionary LLP (DLLP):
$$DLLP_{it} = LLP_{it} - (\hat{\beta}0 + \hat{\beta}1\ NPL_{it-1} + \hat{\beta}2\ \Delta NPL_{it} + \hat{\beta}3\ \Delta Tl_{it}) \quad (6)$$

Information :

- LLPit = Total LLP at bank i in year t
- NPLit – 1 = Initial NPL at bank i in year t
- ΔNPLit = Change in the NPL value at bank i in year t
- ΔTLit = Change in the total value of financing at bank i in year t

Estimator's disclosure of anti-corruption refers to the standard instrument Global Reporting Initiative (2016). This standard includes disclosures used are disclosures of management approach (this section refers to GRI 103), disclosures 205-1 of operations assessed for risks related to corruption, disclosures 205-2 communication and training on anti-corruption policies and procedures, and disclosures 205 -3 proven incidents of corruption and actions taken. The categories are divided into 19 items with the following details in Table 1

Table 1. GRI 205 Anti-Corruption Disclosure Categories

GRI Number	Disclosure Categories	Number of Aspect	Number of items
103	The management approach disclosure	1	8
205-1	The operations assessed for risks related to corruption	2	2
205-2	The communication and training on anti-corruption policies and procedures	5	5
205-3	The proven corruption incidents and actions taken	4	4

Source: GRI-205 Standard (2016)

Content analysis is used to measure anti-corruption disclosure. Measurements are made using a dichotomous approach by giving a score of 1 for each item if the disclosure indicator is presented in the sustainability report. Meanwhile, a score of 0 for each item is given if the disclosure indicator is not presented in the annual report. Then, the scores obtained by each item are added up to get the total score of items disclosed for each company. Next, the total item score disclosed is divided by the total item disclosure to produce an anti-corruption disclosure index (ACDI) value for each company. The calculation of the anti-corruption disclosure score uses the following formula:

$$\text{ACDI} = \frac{\text{Total items disclosed}}{\text{Total disclosure items}} \text{ x } 100\% \quad (7)$$

The control variables in this study were auditor quality, firm size, profitability ratio, and solvency ratio. The quality of the auditors is determined according to the reputation of the Public Accounting Firm known as The Big-4 or non The Big-4. Company size as measured by the natural log (ln) of total assets. The measure of profitability uses the return on assets (ROA) ratio. Solvency measurement uses the leverage ratio (LEV). Hypothesis testing in this study uses panel data regression analysis. Panel data regression analysis was chosen because the data used is characterized by a combination of time-series data and cross-sectional data. The regression model used in this study is as follows:

Hypothesis Regression Model 1

$$\text{EM} = \alpha + \beta\ 1\ \text{ACDI} + \beta\ 2\ \text{BIG4} + \beta\ 3\ \text{SIZE} + \beta\ 4\ \text{ROA} + \beta\ 5\ \text{LEV} + \sum \text{nd}\ \beta\ \text{ind}\ (\text{IDUM}) + \sum \text{year}\ \beta\ \text{year}\ (\text{YDUM}) + € \quad (8)$$

Hypothesis Regression Model 2

$$\text{EM} = \alpha + \beta\ 1\ \text{POST} + \beta\ 2\ \text{ACDI} + \beta\ 3\ \text{POST} * \text{ACDI} + \beta\ 4\ \text{BIG4} + \beta\ 5\ \text{SIZE} + \beta\ 6\ \text{ROA} + \beta\ 7\ \text{LEV} + \sum \text{ind}\ \beta\ \text{ind}\ (\text{IDUM}) + \sum \text{year}\ \beta\ \text{year}\ (\text{YDUM}) + € \quad (9)$$

FINDINGS AND DISCUSSION

Findings

This study uses annual reports and sustainability reports from companies listed on the Indonesia Stock Exchange for the 2019-2023 observation period. The sample selection in this study was selected based on the purposive sampling method. Of the 85 companies that published sustainability reports, 45 companies were the final sample in this study with 225 observational data.

Table 2. Descriptive Statistics Result

Variable	***N***	***Mean***	***SD***	***Min***	***Max***
EM	225	8,03	2.97	-0.39	13.63
ACDI	225	0.67	0.21	0.39	1.00
POSTACDI	225	0.22	0.33	0.00	1.00
SIZE (Ln)	225	3.45	0.04	3.36	3.55
ROA (%)	225	3.72	9.06	-54.87	46.66

LEV (%)	225	0.62	0.26	0.13	1.92

Source: Data processed (2023)

Based on Table 2, the earnings management variable (EM) shows a mean value of 8.03 with a standard deviation of 2.97, the lowest value is -0.39 and the highest value is 13.63. Variable disclosure of anti-corruption (ACDI) showed an average value of 0, 67 with a standard deviation of 0.21, the lowest value of 0.39 and a high of 1.00. The auditor quality variable (BIG4) shows as many as 33 observations of company reports that are not audited by Public Accounting Firm non The Big-4 and as many as 192 observations of company reports audited by Public Accounting Firm non The Big-4. The company size variable SIZE (Ln) shows an average value of 3.45 with a standard deviation of 0.04 , the lowest value of 3.36 and the highest value of 3.55. Variable profitability (ROA) showed an average value of 3,72% with a standard deviation of 9.06, the lowest value of -54.87% and a high of 46.66%. Variable leverage (LEV) showed an average value of 0,62 % with a standard deviation of 0.26% and has the lowest value by 1.92% and the highest value of 1.00.

Table 3. Data Panel Regression Result Hypothesis Testing 1

Variable	Koef.	Prob.
ACDI	1,981	0.040
BIG4	0.286	0.604
SIZE	43,265	0,000
ROA	0.025	0.325
LEV	0.476	0.130
_cons	-143,879	0,000
Adj R-squared	0.414	
Prob> F	14.54	0,000

Source: Data processed (2023)

The results of the first hypothesis test, namely the company's anti-corruption disclosure have a positive relationship with earnings management. The results of hypothesis testing on Table 3 show that the anti-corruption disclosure coefficient (ACD I) is 1.981 with a significant value of 0.040. The value of R 2 amounting to 0,414 (41%), which means that 41% of the variation variable dependent can be explained by the independent variables that exist in hypothesis 1. The value of F on a test of hypothesis 1 is equal to 14.54 with probabilities 0,000 lower than the value of α 5 % so that there is at least one independent variable that affects the dependent variable. Based on these results, the first hypothesis which suspects that anti-corruption disclosure is positively related to corporate earnings management is statistically significant.

The results of hypothesis testing 2 in Table 4 shows the value of the coefficient of post-anti-corruption disclosure (POSTACDI) of 0, 126 with a probability value of 0.060 6. The value of R 2 of 0.445 (45%), which means that 45% of the variation variable dependent can be explained by the independent variables that exist in hypothesis 2. F on hypothesis 2 that is equal to 12.63 with 0.000 probabilities lower than the value of α 5%, so that at least one independent variable affects the dependent variable. This shows that the second hypothesis which suspects that the effect of anti-corruption disclosure on earnings management is greater after Standard GRI 205 is effective than before is statistically supported.

Table 4. Data Panel Regression Result Hypothesis Testing 2

Variable	Koef.	Prob.
POSTACDI	0.126	0.060
ACDI	1,942	0.048
BIG4	0.275	0.624
SIZE	43,605	0,000
ROA	0.025	0.328
LEV	0.480	0.131
_cons	-143,704	0,000
Adj R-*squared*	0.445	
Prob> F	12.63	0,000

Source: Data processed (2023)

Regression test results related to control variables are presented in the hypothesis test results table, showing only company size (SIZE) which shows a significant effect, while other control variables do not. The regression results of the company size (SIZE) are the first hypothesis with a coefficient value of 43.265 and a significance of 0.000 and the regression results on the second hypothesis with a coefficient value of 43.605 and a significance of 0.000. These results indicate that the relationship between company size in the two hypotheses is significantly supported.

Discussion

The first hypothesis which suspects that anti-corruption disclosure has a positive effect on corporate earnings management is statistically significant. These results are in line with previous research (Riahi-Belkaoui, 2004; Riahi-Belkaoui and AlNajjar, 2006; and Lourenço et al ., 2018) which found a relationship between corruption and earnings management. Companies use anti-corruption disclosure as a medium to interact with users of corporate reports that provide accountability and transparency information as a reduction in information asymmetry (Healy and Palepu, 2001; and Lambert et al ., 2007).

This finding is consistent with the institutional theory (institutional theory) were expressed about how the company gives the public confidence that the entity they commit corruption to gain legal recognition (legitimately) from the public. This is supported by the research results of Hess (2009) which state that reporting on the effectiveness of anti-corruption practices by companies has many organizational goals. First, it provides accountability. Second, it builds public awareness and awareness about anti-corruption which puts pressure on other companies to adopt the principles. Third, reporting on anti-corruption also serves organizational learning purposes. Also, the disclosure of anti-corruption information in the annual report shows the organization's commitment to eradicating corruption (Joseph et al ., 2016).

Disclosure of anti-corruption information will give a positive impression to companies showing responsibility to the behaviour of its employees, to the negative consequences on the reputation, integrity and legitimacy of the company if proven they were involved in corruption. This condition is following the legitimacy theory which explains that companies that disclose anti-corruption strategies are to get support and public recognition that the company shows compliance and transparency of information.

On the other hand, when the social and environmental responsibility reports contain anti-corruption strategies to create the impression to stakeholders that the company is transparent the company is hiding behind transparency while engaging in earnings management (Kim et al., 2012). This shows that there is still a possibility of a gap to carry out earnings management practices by several unscrupulous managers. These findings are in line with agency theory that managers tend to behave opportunistically where the issue of corruption is still considered a sensitive issue so that managers do not fully disclose information related to anti-corruption and tend to choose which information is considered favourable to their position.

Furthermore, when the regulations governing anti-corruption disclosure are effective, managers involved in earnings management adapt themselves to disclosing anti-corruption strategies. This is following institutional theory were to give confidence to the public and gain legitimacy to survive, organizations reveal anti-corruption policies and strategies according to regulations that are symbolic to external parties (Meyer and Rowan, 1977).

The second hypothesis which suspects that the effect of anti-corruption disclosure on earnings management is higher after the GRI 205 standard became effective than before, is statistically supported. This is because companies that have reported sustainability reports have partly disclosed their anti-corruption policies which refer to laws and regulations that govern the transparency of public companies, such as the Otoritas Jasa Keuangan Letter Number 30/SEOJK.04/2016 requiring companies to submit communication right policies and anti-corruption procedures in issuers or public companies, as well as training on anti-corruption (if any). Besides, anti-corruption disclosures have been previously regulated in the GRI-G4 social (society) reporting standards in the G4-SO3, G4-SO4, and G4-SO5 standards, so that the implementation of anti-corruption disclosures does not experience a significant difference between the period before and after GRI standard 205: Anti-Corruption is effective.

Before the standard became effective, anti-corruption disclosure was still the choice for management to disclose or not. Consoni et al. (2017) argue that managers have an incentive to disclose information that strengthens their position and keeps it less profitable. The findings of this study indicate that there is no visible change in the substance of the interests of anti-corruption disclosure even though the presentation changes. Although anti-corruption disclosures used to be voluntary disclosures, companies use those disclosures to demonstrate that they commit to fighting corruption and toward what is better. This is supported by the findings of Benyasrisawat (2019) showing evidence that companies with good performance and corporate governance have a higher level of progress in anti-corruption. Also, Benyasrisawat (2019) also found evidence that anti-corruption announcements were associated with significant market reactions. This indicates that the anti-corruption announcement contains new information that investors consider relevant to the company.

We find empirical evidence that supports the existence of a positive relationship between the disclosure of anti-corruption with earnings management. These results are in line with previous research (Riahi-Belkaoui, 2004; Riahi-Belkaoui and AlNajjar, 2006; and Lourenço et al ., 2018) which found a relationship between corruption and earnings management. Also, we found that there were no differences in the company's anti-corruption disclosures before and after the implementation of the GRI 205: Anti-Corruption standard in the sustainability reports. This is because companies that have prepared sustainability reports, some of which have disclosed their anti-corruption policies, refer to laws and regulations and other regulations governing the transparency of public companies.

This research contributes by enriching the earnings management research literature and research on sustainability reports of anti-corruption companies. This is an important contribution to the literature and further understanding of the relationship between corruption and earnings management. Lourenço et al. (2018) use the company's anti-corruption disclosure variable in the sustainability report. The emphasis of this study on the consequences of anti-corruption disclosure of firm-level proxies goes beyond the previous literature which has focused on the relationship between earnings management and corruption based on corruption perceptions index and law enforcement (La Porta et al., 1998). Besides, referring to the standard regulation GRI 205: Anti-Corruption as part of the continuous reporting element, this study also provides a different approach from the research of Blanc et al. (2017) and Blanc et al. (2019) regarding anti-corruption disclosure influenced by media exposure and state press freedom as well as the relationship between the cultural characteristics of countries. This study also contributes to providing solutions in the literature where there is little documented empirical evidence about anti-corruption disclosure through institutional factors that affect corporate reporting

CONCLUSION

This study investigates how management incentives are in managing corporate earnings in companies in Indonesia after the enactment of the GRI 205 Anti-Corruption Standard in disclosing sustainability reports. This study is based on the research results of Riahi-Belkaoui (2004) and Lourenço et al. (2018) to predict how corruption is positively related to higher corporate incentives to manipulate profits in the case of developing countries. We are motivated to check whether the anti-corruption policy information identified by Blanc et al. (2017, 2019) and Joseph et al. (2016), which is about disclosure of corporate anti-corruption in the sustainability report associated with managers' discretion in carrying out earnings management. This study examines the relationship between corporate anti-corruption commitment to earnings management. In addition, this study analyzes the differences in corporate anti-corruption disclosures before and after the mandatory standard of GRI 205: Anti-Corruption in sustainability reports.

Testing the relationship between anti-corruption disclosure and earnings management, this study uses 135 annual reports and sustainability reports from companies listed on the Indonesia Stock Exchange for the 2016-2018 observation period based on the purposive sampling method. Measurement of earnings management in this study uses a proxy of Discretionary Accruals (DA) according to the Modified Jones Model (Dechow et al., 1995) for non-financial companies and Discretionary Loan Loss Provisions (DLLP) according to Kanagaretnam et al. (2004) for financial firms. Measurement of anti-corruption disclosure refers to the Global Reporting Initiative Standard instrument (2016). This standard includes disclosures used are disclosures of management approach (this section refers to GRI 103), disclosures 205-1 of operations assessed for risks related to corruption, disclosures 205-2 communication and training on anti-corruption policies and procedures, and disclosures 205 -3 proven incidents of corruption and actions taken. Categories are divided into 19 items.

We find that there is a positive relationship between anti-corruption disclosure and earnings management. The company's anti-corruption commitment, demonstrated through anti-corruption disclosure, is used as a tool to disguise the opportunistic behaviour of management in carrying out earnings management. Managers tend to behave opportunistically where the issue of corruption is still considered a sensitive issue so that managers do not fully disclose information related to anti-corruption and tend to choose which information is considered favourable to their position. the organization discloses anti-corruption policies and strategies according to regulations that are symbolic to external parties. In addition, we also found that there were no differences in the company's anti-corruption disclosures before and after the implementation of the GRI 205: Anti-Corruption standard in the sustainability reports. This is because the companies that have made sustainability reports, some of which have disclosed their anti-corruption policies, refer to laws and regulations and other regulations governing the transparency of public companies

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