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Corporate Social Responsibility & Company Value: Influences of Profit Management Mediation

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This research examines influences of Corporate Social Responsibility (CSR) to company value by accrual profit management mediation. This research population consists of Indonesian mining sectors. The research period was from 2009 until 2017. Based on purposive sampling method, it was obtained 414 observed samples (companies and years). The findings showed that CSR disclosure positively influenced Indonesian mining companies' values. This research proves that CSR disclosure influenced positively to accrual profit management. Profit management could mediate influences of CSR disclosures to Indonesian mining companies' values.

Key words: *Corporate Social Responsibility, Company value & profit management.*

Background

Several empirical experiences reported that CSR disclosure promoted by companies had been used for their own various purposes. They tended to adhere to regulation issued by the government in promoting Corporate Social Responsibility (CSR) (Noronha et al. 2013). Companies typically show their responsibilities as gimmicks to give or increase personal profits for them. However, many of them realise the importance of CSR report and disclosure which influence positively for the companies' values, especially with the emphasis on CSR investments. According to Waddok and Garves (1997); Tang et al. (2012); Orlitzky et al. (2003); Lu et al. (2007); Van Burden and Gossling (2018); Sial et al. (2018); and Ronald et al. (2019). Margolis and Wash (2003) and Orlizky et al. (2003) it was found that CSR disclosure toward company value was not significant.

The positive impact of CSR promotion could be misused to create positive company image with the purpose to hide managerial opportunistic behaviours which commits profit management. This statement is supported by several previous studies – Prior et al. (2008); Martínez-Ferrero et al. (2016); and Suwarno et al. (2018), who stated that profit management tended to motivate CSR disclosure intensity or positive correlation formation. The correlation of those two variables is not supported by a previous study. The study was based on legitimation theory which was able to explain CSR existence (Cespa and Cestore, 2007).

The previous studies about correlation between profit management and CSR still had many variations. Prior et al (2008) reported that there was positive correlation between both variables which indicated the existence of profit for managements. Meanwhile, other researchers, such as Chich *et* al. (2008), Yip et al. (2011), Choi et al. (2010), Herawati (2008), and Pamungkas (2012) reported that accrual profit management negatively influenced company value. Junchristianti (2015) proved that accrual profit management influenced negatively to company value but it was not significant.

Profit management is a way done by management party to do profit management. It does not correlate with accrual performance (Garcia Osma et al.., (2008); Rahmawati, 2007 and Price and Sun, 2017). When an investor finds out that a manager is committing manipulative profit management practice, then it is observed that this will influence the market price which could interrupt and decrease value, reputation, and the image of company since the management does not provide information about, or actual conditions of, the company situation (Fombrun et al., 2000; Roychowdhury, 2006; Sa'diyah and Hermanto, 2017). This could project a negative image to stakeholders, investors, and other partners which could attract serious attention by groups or regulators such as authorized holders (Zahra et al., 2005; Price and Sun, 2017).

Herawati (2008), and Pamungkas (2012) reported that accrual profit management negatively influenced company value. Roychowdury (2006) stated that various ways used by company in real profit management is by promoting price discount to increase their sales while mass production is used to decrease the cost of sold goods and to reduce discrete expense to renew reported margins.

Profit management could influence CSR disclosure. It could be practiced by accrual profit management or real profit manipulation. It could also show the level difference of CSR disclosure tendency. Because of the existence of this possibility , the researcher is interested in carrying out a study to examine the level of differences on the CSR disclosure tendency of a company committing to the accrual profit management technique and real profit manipulation, plus their effects on company value.

Previous studies about CSR and company values, according to Waddok and Garves (1997); Tang et al. (2012); Orlitzky et al. (2003); Lu et al. 2014; Van Beurden and Gössling (2008); Sial *et* al. (2018); Ronald et al. (2019) showed that CSR disclosures which provided positive influences for company values occurred with CSR investment suppression. Different findings were found by Margolis and Wash (2003) and Orlizky et al. (2003) concerning CSR disclosure toward company value which was found to be not significant. Expanding upon previous researches' findings, this current research fills the gap by including mediating variables. They are accrual profit management and real profit manipulation in the Indonesia mining sectors. The use of approach in profit management (Chen, Huang, & Fan, 2012; Zang, 2012; Zhu, Lu, Shan, & Zhang, 2015) consists of the accrual profit management approach and real profit manipulation. This could be achieved in two alternative ways: substitution and complementer.

This research is important because: Firstly, there was indication of company value digression, especially in mining sectors. Secondly, there were empirical experiences reported that correlations between CSR and company values still had many variations. Scholtens and Kang (2013), Arena et al. (2015) and Mart´ınez-Ferrero et. al. (2016) reported there was negative correlation between profit management and CSR. However, Prior (2008) and Sudha (2014) reported that there was positive correlation between both of them, indicating the existence of profit for the management. Meanwhile, McWilliams and Siegel (2000) and Brine et al. (2007) found neutral results of the CSR toward company value so that further review was found to ould be needed. Thirdly, previous studies about CSR with company value are still limited to study on advance countries (Scholtens and Kang, 2013, Arena et al. 2015 and Mart´ınez-Ferrero et al. (2016). Fourthly, research discussing the correlation of CSR to company value with profit management mediation is not frequently done in growing countries.

Theoretical Framework

Positive accounting theory is based on the notion that managers, stakeholders, and regulating apparatuses were the rationales and they struggle to maximise their uses directly, dealing with compensation and prosperity. One of the most frequent ways of misleading the company owner is by committing profit management. Profit management is the safest manipulation because it is a legal matter and does not violate general applied accounting principles. Although it is legal and looks safe, profit management has disadvantageous influences for the company when it is noticed. The consequence when a manager commits profit management is that he loses his job, reputation, and career. Meanwhile, the consequences for the company are: the emergence of unsatisfying actions from employees, misunderstanding from the customers, pressure from the investors, partnership termination, lawsuits from the apparatus, boycott from activists, and cynical perspectives from society, and the disclosure of the situation by the media which leads to the destruction of a company's reputation (Fombrun et al. 2000).

The long term consequence is that a company will lose support from stakeholders which leads to increasing alert and suspicion on the part of other shareholder*s* and stakeholders (Zahra et al. 2005). To avoid any suspicion from *stakeholders,* managers create certain policy to be shown to them through *CSR* practices. CSR practices are concerned with the moral responsibility of a company towards both internal and external environments, such as protection to the environment, human resource management, health and safety during working, relations to local communication, and keeping customer and supplier relationship honest (Virakul, 2009). In promoting CSR, a company could improve stakeholder satisfaction and improves its reputation. When a company has had a positive reputation, then the company will be accepted by wider society and it could improve company's performance to negotiate better contracts with suppliers and government (Fombrun et al. 2000).

Therefore, the result obtained by a company which practices CSR is the gaining of support from various stakeholders who receive profit from CSR practices. Besides that, the company will receive better treatment from government. It will receive support from activists. It will gain trust from society and it will be better reported in news by media (Virakul, 2009). Because of great impacts and benefits of CSR, it means CSR could be used to cover company's management weaknesses. One of them is committing profit management.

A management commits profit management may conduct green environment project and help society through CSR. By using this tactic, the manager could reduce the possibilities of being fired when he is noticed to be committing profit management. In this case, *CSR* is used as an *entrenchment mechanism* (Cespa and Cestone, 2007). *Entrenchment mechanism* refers to the behaviour of an individual who works only to save his position, so he will struggle to *entrench* and to keep his position safe and not to be easily hired or overtaken by other people although he is no longer competent (Jensen and Ruback, 1983). When a company discloses its *CSR* then the value of the company increases.

Influences of *CSR* Disclosures on Company Value

Stakeholder theory is used because CSR emphasises a wider set of social responsibility for business (Freeman, 1984). There were previous studies concerning to CSR and company values showing mixed results. Di Giuli and Kostovetsky (2014) had shown negative correlation between CSR and company value. Meanwhile, most of previous researchers Orlitzky et al. (2003), Price and Sun (2017), Van Beurden dan Gössling (2008), Margolis et al. (2009), found there were positive correlations between CSR disclosure and companies' values.

CSR is a part of proper company management. *CSR* is expected to improve a company's performance because *CSR* is an alignment of company to society so society will be able to choose good products not only based on the products but also through company's management. When society becomes a client, it has a positive value to the company. Then, they will be loyal to the resulted products and it will improve the company's image as reflected through the improvement of the company's performance (Candrayanthi and Saputra, 2013). *CSR* promotion influences company financial performance. It is in line with Robinson and Pearce (2005) that CSR promotion creates efficiency so profit would increase.

Pramana and Yadnyana (2016), Lu et al. (2014), and Sial et al. (2018) showed that CSR attended to by companies would provide positive and significant influences to companies' financial performances and marketing performances. Thus, the hypothesis of this research is:

H1: *CSR* disclosure positively influenced profit management of Indonesia mining companies.

Influences of *CSR* Disclosures on Accrual Profit Management

The assumption of agency theory by Eisenhardt (1985) was about human attitude assumption (human assumption). He stated that humans had rationality limitation. This limitation could be reduced by adding several participated individuals in a certain function i.e. management function in determining the use of accrual and real manipulative profit managements, such as avoiding loan agreement, liability cost digression (Lambert, 2001), and opportunistic motives to prioritise an individual's self, such as expanding reward, promotion, and other honorarium and stock option (Burgstahler and Dichev, 1997; Degeorge et al. 1999; Zhao et al. 2012).

Healy and Wahlen (1999) stated that profit management occurred when managers used certain decision in financial reports and changed the transactions to change financial reports. Thus, it misled stakeholders who wanted to find out about economic performance. The obtained data by the company, or the influencing of the contract result which used reported accounting numbers in financial report, is the basis for evaluating a company.

When the principal or stakeholder found profit management indication in his company, then the company's value will drastically decrease in its stock market performance. Of course, it will seriously influence the principals and other stakeholders. When it occurs, then stakeholders will commit a threatening action to the existence of the managers. The possible effort by managers is to keep safe their positions by making and entering into activity with the purpose to improve the relationship between the company and stakeholders along with the social environment community through CSR. To obtain support from those groups, the typical CSR activity includes the social aspect into the production process, adopting human resource development practices progressively to improve green environment activities. This is done through the recycle and reduction of pollution and waste, or by accelerating the purpose of social organization (McWilliams et al, 2006).

Prior et al. (2008) stated that the manager who committed accrual profit management tended to be more active in improving images and collecting support from the public and stakeholders through CSR policy. Such managers believe by meeting stakeholders' satisfaction and by giving a good impression of supporting the surrounding social environment, any suspicion and vigilance from stakeholders would be reduced so that the possibility of being observed by them who have felt satisfied could be decreased.

Lu et al. (2014), Yateno and Sari (2016), Sial et al. (2018) proved that profit manipulation positively and significantly influenced CSR disclosure. Kim et al. (2012) found that a company disclosing CSR would manipulate their profit and disclose their CSR as *entachment strategy* in anticipating the dissatisfaction of stakeholder. Based on the literature, the hypotheses developed were:

H2: *CSR* disclosure positively influenced accrual profit management of Indonesia mining companies.

Influences of Accrual Profit Management to Company's Value

Accrual profit management could be detected through *discretionary accrual.* Accrual based profit management is applied because of policy discretion from management to determine a certain accounting practice. According to Sulistyanto (2008), accrual practice is done by manipulating accrual components in financial reports since accrual is an easy component to manipulate by individuals who record and arrange financial report. Accrual profit management is motivated by pressure or motivation of managers to create short-term profit and low focus of management toward long-term company's plan. Therefore, if a manager commits accrual profit management in the present year, then the profit of the company will improve which leads to increasing the company's value. If the company's value increases, stock market prices will increase.

Accrual profit management is the most frequently used technique by management in committing accrual done by management because managers could choose the applicable policies. However, tendency to use accrual profit manipulation with *discretionary accruals* has become focus of auditors in revealing profit management practices. If it occurs and a company is proven to be using *discretionary accruals,* then it will directly influence the stock price of the company's value.

Moreover research correlating influences of accrual profit management toward company's value is still limited on Indonesian mining sectors which commit CSR. Therefore, this research investigated influences of accrual profit management upon Indonesia mining companies' values. Several previous studies found inclusive results about profit management influences to performance. McNichols and Stubben (2008) show that profit management could make investment decision making less optimum.

The research of Rachmawati (2007) found that accrual profit management did not influence company values. Abbas and Rizwan (2007) found that discretionary accrual negatively was correlated to company values. Herawaty (2008) investigated a non-financial company listed in IDX, period of 2004 - 2006, finding that accrual profit management negatively influenced company values. Similar results were shown by Koyuimirsa (2011), that accrual management negatively influenced stock performance. It shows that there was indication if the company committed accrual profit management by having *discretionary accruals* because it becomes the main matter investigated by auditors to reveal. Then, *discretionary accruals* will influence company values and the company digression.

Based on the explanation, it could be formulated as follows:

H3: Accrual profit management. positively influenced profit management of the Indonesia mining companies.

Influences of CSR Disclosures to Company Value with Profit Management as Mediator

By the time of increasing demands about corporate social responsibility, then other modes or purposes of corporate social responsibility of the company start to appear. Beyond the promotion of corporate social responsibility as investigated by Sari & Utama, (2014), they found that managers who committed accrual profit management would use CSR as ethical behaviour to provide signs which would distract the attention of the stakeholders from issues which could cause the managers to be punished. Prior et al. (2008) stated that managers manipulated earning (*earning management*) by using CSR as one of the strategies to keep relationship with the stakeholders.

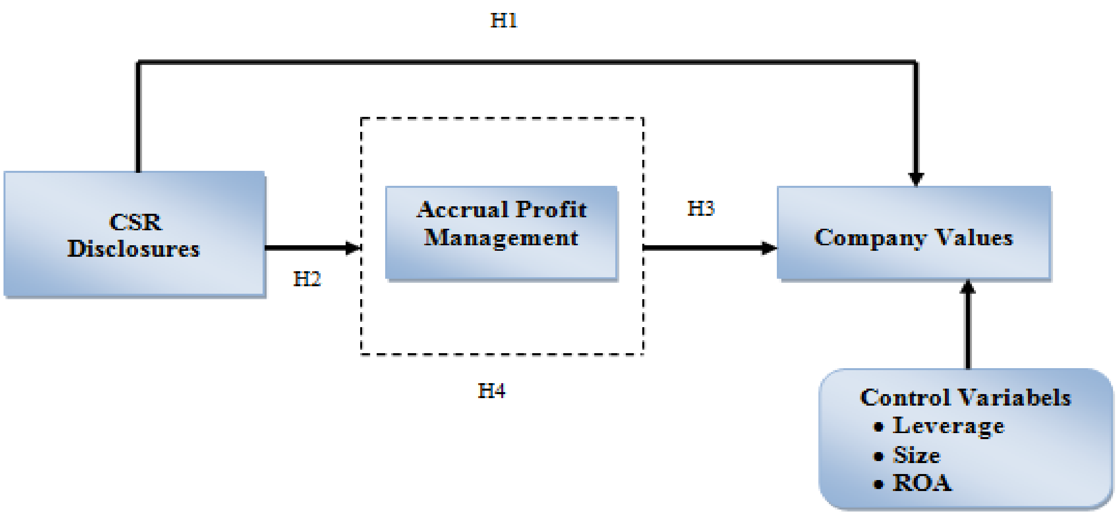
Existence of profit management could decrease society's trust toward financial report and hinder capital flow reliability in financial market (Scott,2012). To recover trust from financial report user parties, such as investors, creditors, and other users, it is expected to have a qualified audit. A qualified audit will result in a proper financial report so that decision making by financial report users would be a rational way to go.

When the principal or stakeholder finds profit management indication in his company, then the company's value will drastically decease in stock market. Of course, it will seriously influence the principals and other stakeholders. When it occurs, then stakeholders will take threatening action towards the managers (McWilliams et al. 2006). One of the most frequently used ways to mislead the company owner is by committing profit management. Profit management is the safest manipulation because it is a legal matter and does not violate general applied accounting principles. Although it is legal and safe, profit management will have disadvantageous impacts for company when it is noticed. When a manager commits profit management he consequence is that he will lose his job, reputation, and career. The long term consequence is a company will lose support from stakeholders which leads to increasingly alerting and making suspicious other shareholders and stakeholders (Zahra et al. 2005). To avoid any suspicion from stakeholders, managers create certain policy to be made available to stakeholders through *CSR* practices. CSR practices are concerned with moral responsibility and are initiated by a company including both internal and external environments, such as protection of the environment, human resource management, health and safety during working, relations to local communication, and keeping the customer and supplier relationship (Virakul, 2009),

Because of great impacts and benefits of CSR, it could be assumed that CSR could be used to cover a company's management weaknesses. One of them is committing profit management. A management that commits profit management may conduct green environment projects and help society through CSR. By using this tactic, the manager could reduce the possibility of being fired when he is seen to commit profit management. In this case, *CSR* is used as *entrenchment mechanism* (Cespa and Cestone, 2007). Based on the explanation, the advance hypothesis is:

H4a: Profit management could be mediated by influences of CSR disclosures to Indonesian mining companies' values.

Figure 1. Research Conceptual Framework



Methodology

This research population consists of Indonesian mining sectors. The research period was from 2009 until 2017. 2009 was chosen as the beginning of the research since there was global crisis in the end of 2009 in which the mining sector was severely affected by the crisis. Based on purposive sampling method, 414 observed samples were gathered (companies and years).

Table 1: Determination of Company Sample Numbers

No	Remark	Year									Total
		2009	2010	2011	2012	2013	2014	2015	2016	2017	
1	Charcoal Sub-Sector	22	22	22	22	22	22	22	22	22	198
2	Oil and Gas Sub-Sector Mining	12	12	12	12	12	12	12	12	12	108
3	Metal and Other Mineral Sub-Sector Mining	10	10	10	10	10	10	10	10	10	90
4	Mining Sub-Sector Jewelery	2	2	2	2	2	2	2	2	2	18
	Sample Numebrs	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**46**	**414**
	Total Observation					**414**					

Operational Definition of Variables and Variable Measurements

Company value refers to the investor perception toward company which is frequently connected to stock price. High stock price makes higher company values. Company value in this research was confirmed through *Price Book Value* (PBV). The formula of *Price Book Value* (Sudana, 2011) is:

$$PBV = \frac{\text{Stock price}}{\textit{Book Value}}$$

Book Value measurement by using this formula:

$$\textit{Book Value} = \frac{\text{Equity Total}}{\text{Stock Total}}$$

Corporate Social Responsibility, CSRDI (Corporate Social Responsibility Disclosure Index) became the proxy of CSR disclosure variables – based on GRI 4 indicators (*global reporting initiatives*), obtained from www.globalreporting.orgas CSR disclosure index. This research used GRI 4 indicators because they are the acknowledged international standard in the world. Three focus indicators in revealing GRI are economy (9 items), environment (34 items), and society (48 items) consisting of: employee (16 items), human right (12 items), society (11 items), and product responsibility (9 items).

The measurement was conducted to obtain CSR disclosure data based on GRI 4 indicators – that was by using *content analysis* method or annual financial report about the existence of the disclosed items based on GRI 4. By giving score 1 for disclosed information, 0 for undisclosed information, the result shows the extent of the disclosures which indicated to have been disclosed. Then, the score of each item was added to find out the whole scores of each company. The formula of CSRDI calculation is based on what was done in this research (Nur & Priantinah, 2012) as follows:

$$\text{CSRDI} = \frac{jumlah\ Indeks\ CSR\ yang\ diungkapkan}{91\ indeks\ GRI}$$

Accrual Discretionary proxied as profit management was used as indicators of profit management practice existence because it emphasized on discretion or available policy to select and apply accounting principles to reach final results. In this research, the accrual profit management was measured by *Discretionary Accrual* proxy (DA) and *Modified Jones Model,* according to Dechow et al. (1995).

Descriptive Statistics

This part presents descriptive statistics of 414 annual reports from the mining company samples listed in IDX during 2009 until 2017 based on the used variables in this research.
Table 2 presents descriptive statistics summary consisting of minimum, maximum, mean, median, and deviation standard scores from independent, dependent, control, and mediating variables during 2009 until 2017.

Table 2: Descriptive Statistics 2009 - 2017

Variables' Names	N =	Mean	Deviation Standard	Min	Max
Dependent Variable					
CSR	292	0.5544	0.3330	-	1.0000
Independent Variable					
Pbv	292	(3.2589)	115.8944	(1,951.3760)	185.2820
Mediating Variable					
DAC	292	0.0006	0.0620	(0.6136)	0.2411
Control Variable					
Lev	292	44.7103	31.2487	(98.5500)	99.9800
Size	292	22.1580	1.8452	16.1454	25.2485
Prof	292	3.6338	16.7988	(70.5700)	53.1500

Source: Processed data, 2019
Remark: Variable Size in Billion Rupiahs, Prof in %, Lev in Year, DAC, Size: company size variable, Prof: profitability variable, Leverage: leverage variable.

Findings

The research data were taken from 46 companies in which the samples were all observations on the consideration of annual observational consistency. The data process was conducted toward 414 observations (*unbalance*) in a period of 2009 - 2017. The hypothesis test was done by multiple regression analysis by using *enter* method and the instrument of analysing the data was STATA Panel Data. The first equation model of the test was testing direct influence of CSR disclosures to company values. The result of data test is presented as follows.

The hypothesis 1 is CSR disclosure positively influenced company values. Based on the test on Table 3, on DAC column, it is found that the coefficient score of CSR is 0.902 and the significant level 0.002. Thus, the hypothesis was accepted because the significant score was lesser than 5%. Thus, it could be concluded that CSR disclosures influenced positively to company values.

Table 3: Summary of CSR Disclosure Test Results toward Company Values

Independent Variable	Predict Sign	Scores	
		(β)	(Prob)
Constanta	?	1.912	0.141
CSR	+	0.902**	0.002
Control Variable:			
Size	+	-0.102*	0.091
Leverage	+	0.005	0.153
Prof	+	0.989***	0.000
Common Effect:			
Total Obs.		292	
Adjusted R2		0.984	
Wald chi2		27823.55	
Probability		0.000	

Source: Processed data 2019

Remark: *, **, *** significant on 10%, 5%, and 1% levels.

CSR: CSR disclosure variable, Size: company size variable, Prof: profitability variable (ROA), Leverage: Leverage variable.

Table 4: Summary of CSR Disclosure Test Results toward Profit Management

Independent Variable	Predict Sign	DAC	
		(β)	(Prob)
Constanta	?	-0.148	0.242
CSR	+	0.450**	0.021
Common Effect:			
Total Obs.		292	
Adjusted R2		0.045	
Wald chi2		5.31	
Probability		0.021	

Source: Processed data 2019

Remark: *, **, *** significant on 10%, 5%, and 1% levels.

DAC; Accrual profit management, Csr: CSR disclosure variable

Hypothesis 2a was *CSR* influenced positively to accrual and real manipulative profit managements. Based on the test on Table 4, on DAC column, it is obtained coefficient score of CSR is 0.450 and the significant level 0.021. Thus, the hypothesis was 2a accepted because the significant score was lesser than 5%.

Table 5: Summary of Profit Management Test Results toward Company Values

Independent Variable	Predict Sign	Scores	
		(β)	(Prob)
Constanta	?	1.912	0.141
DAC	-	-0.028*	0.078
Control Variable:			
Size	+	-0.102*	0.091
Leverage	+	0.005	0.153
Prof	+	0.989***	0.000
Common Effect:			
Total Obs.		292	
Adjusted R2		0.984	
Wald chi2		27823.55	
Probability		0.000	

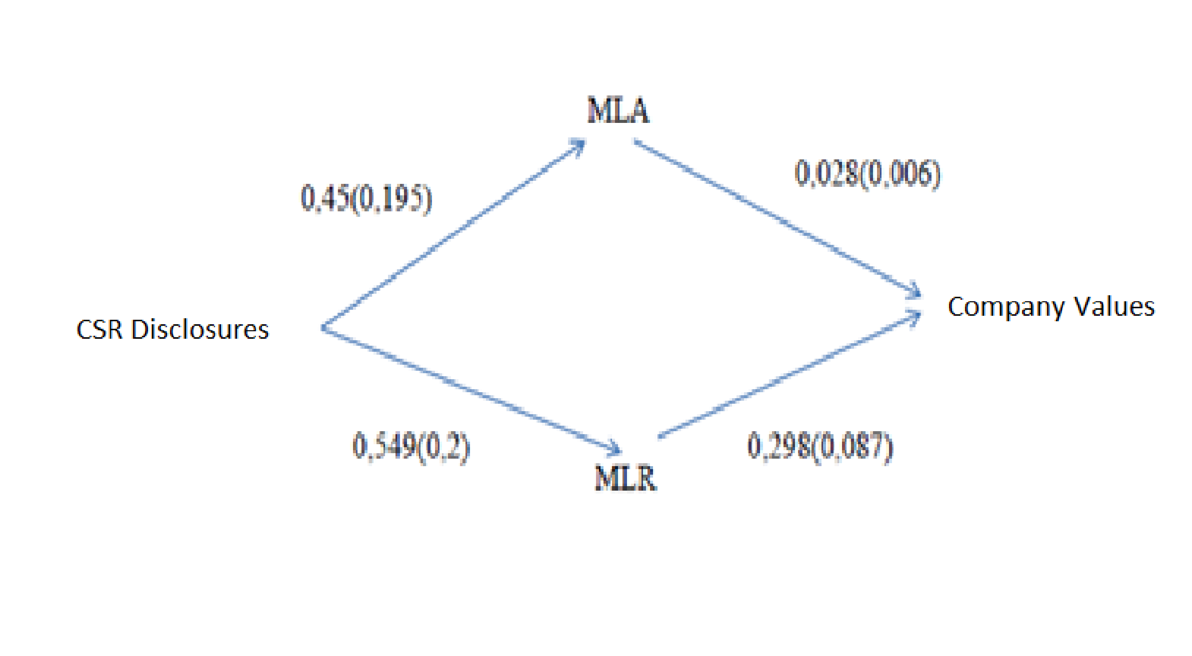
Source: Processed data 2019

Remark: *, **, *** significant on 10%, 5%, and 1% levels.

DAC; Accrual profit management, Size: company size variable, Prof: profitability variable (ROA), Leverage: Leverage variable

Hypothesis 3 in this research is accrual profit management and real profit manipulation negatively influenced company values. Based on the test on Table 5, on DAC column, it is found that the coefficient score of CSR is -0.028 and the significant level 0.078. Thus, the hypothesis was 3a accepted because the significant score was lesser than 10%. Thus, it could be concluded that accrual profit management influenced company values.

Figure 2: Summary of Accrual Profit Management and Real Profit Manipulation Results Mediating CSR Disclosures to Company Values



Source: Processed data, 2019

Hypothesis 4 in this research is accrual profit management and real profit manipulation negatively mediated CSR disclosure influences toward company values. Based on the regression test on Figure 2, the result obtained was as follows.

Based on the sobel test, the test could be carried out as follows:

a. Hypothesis 4:

$$z = \frac{a.b}{\sqrt{(a^2 + SEb^2)(b^2 + SEa^2)}}$$

$$z = \frac{0.45\ x\ \ 0.028}{\sqrt{(0.45^2 + 0{,}195^2)(0.028^2 + 0.006^2)}}$$

$$z = -2{,}068$$

Based on the sobel test, it was found that the Z value was -2.068. Therefore, hypothesis 4a was accepted on significant value 5%. Thus, it could be concluded that accrual profit management could mediate influences of CSR disclosures to company value on significant level 5%.

The reason for using the sobel test in examining the mediator was due to its compatibility to describe the research model and the capability to interpret clearly the connection between two variables. A clear interpretation could be obtained by causal process explanation among three variables or roles of other variables (Baron and Kenny, 1986).

Discussion

This finding disclosed CSR positively influenced company values. This finding is in line with Muñoz et al. (2015), Ciciretti et al. (2014), Rajput et al. (2012), Chen and Wang (2011), Inoue and Lee (2011) and Veronica Siregar and Bachtiar (2010) who found that CSR positively influenced company performance. Based on the assumption of *stakeholder theory* that states that there is a correlation between company and stakeholders who have a relationship based on trust and cooperation in which trust occurs in certain period and it is needed by *stakeholders,* depending on organizational behaviours of concerning party with related trust and loyalty to mutually cooperate (Jones, 1995; Hosmer, et al. 1995; Dan Swift 2001). Therefore, it could be concluded that the findings are in line with *stakeholder theory.*

The output of this research is to show the profit making purpose of companies should be balanced by good ethics. Ethics in running business and becoming mutually cooperated would benefit both parties and all stakeholders. The related regulations of CSR disclosures are stated in Article 74, verse (1) rule number 40 year 2007 about incorporation, and specifically in article 108, verse (1) rule number 4 year 2009 about mineral and charcoal mining activities in which are regulated in Government Rule number 23 year 2010 about promotion of mineral and charcoal mining business activities which was amended by Government Rule Number 8 year 2018 about the fifth amendment of government rule number 23 year 2020 about mining and charcoal mining business activity promotions.

This is the governmental effort in creating harmonious and balanced relationship with the environment, norms, and local customs. Enforcement and application of rules are indeed needed in protecting stakeholders' interests so that the purpose of company could be achieved well, as well as by having mutual cooperation of both parties, the company and stakeholders.

CSR disclosure is an information disclosure instituted by a company to a third party through annual reporting. CSR activity is initiated by a company because a company needs support from the surrounding social environment which is safe and conducive to make the company fully operative. This means a company needs trust or legitimisation from the surrounding society.

Kim et al. (2012) stated that CSR activity in the annual report would make it possible for financial information to be more trusted by any parties using it. A company which frequently discloses information about its activity will limit committing accrual profit management. In contrast, a company which is not transparent in disclosing corporate activity tends to commit various types of accrual profit management and real profit manipulation for their own personal interest and company's profits (Patten and Trompeter, 2003). It causes negative correlation between information disclosure put into place by company and profit management. Arief and Ardiyanto (2014) found negative correlation from CSR disclosure to profit management. CSR disclosures make financial report transparent so it motivates managers to decrease accrual profit management and real profit manipulation.

This result proves that CSR disclosure influenced positively with accrual profit management. This research is supported by Lu et al, (2014), Arief and Ardiyanto (2014), Yateno and Sari (2016), Sial et al, (2018), stating that CSR positively influenced accrual and real manipulative profit managements. It could be seen from the findings of Chih et al. (2008); Scholten & Kang (2012); and Kim et al. (2012) which were researched in European and advanced countries that there were different findings from the research done on Indonesia. Through the existence of CSR disclosure, the positive image of the company was able to attract investors and other parties who consult the financial report. In this way it will distract the attention from being focused on supervision or profit management detection. Managers usually tend to commit collusion through CSR promotion and disclosure by using profit expenses to consume and behave opportunistically so that accrual profit management and real profit manipulation could run well. It is in line with business purpose of a company as explained on agency theory (Jensen and Meckling, 1976).

This finding also concluded that profit management negatively influenced company values. Thus, it could be concluded that accrual profit management negatively influenced company values. This means that higher accrual profit management would lead to lower company values and higher negative impacts caused by it. Two other things could be also concluded: accrual profit management uses managerial policy which could be created to take the company into a beneficial position so that the resulted profit in a certain period could follow the flow of the demanded management. Thus, it is expected that new investments for the company will be possible, which will improve company values in that period. When it moves into a period in which accrual profit management action causes lower profit return, it provides investors signs that there is a digression of company performance so that investors will think twice before investing their funds. Thus, it will influence the stock of the company.

Market stock digression could be assumed as indicators for investors that the company could not maximize the prosperities of the stakeholders (Junchirstianti, 2015); or the management undergoes profit minimisation to facilitate a certain purpose, such avoiding high tax cost which should be paid. This is in line with Herawaty, (2008), Sochib et al. (2018) and Junchristianti (2015). They proved that accrual profit management provided negative impacts on company values although the influence was not significant.

Based on the sobel test, i Z value -2.068 was obtained. Therefore, hypothesis 4a was accepted on significant value 5%. Thus, it could be concluded that accrual profit management could mediate influences of CSR disclosures to company value on significant level 5%. This research supports stakeholder theory. According to this theory, whenever a manager is required to maximise profits from stakeholders and they need to guarantee financial benefits, then profit management behaviour begins. Then, maximising benefits of the stakeholders could endanger the interest of other stakeholders, such as customers and suppliers (Foster and Jonker, 2005; Wong et al. 2011) which resulted in symbolic CSR or *greenwashing* to show the balance interest party approach (Phillips et al. 2003). The leaders of companies are required to consider all requirements of stakeholders. They, therefore, support the management in putting into action symbolic CSR or *greenwashing* and accrual profit management and real profit management to satisfy all interests of stakeholders.

Conclusion

It could be concluded that: first, this research has proved that CSR disclosure influenced positively to Indonesia mining companies' values. CSR disclosures carried out properly are not only symbolic CSR/*greenwashing, continue,* and transparent would provide proper feedback to companies, especially in mining sectors. This research proves that CSR disclosure influenced positively to accrual profit management and real profit management of Indonesia's mining companies. The more active the companies are in disclosing the CSR, the more this would improve their company image so that their accrual profit management and real profit management could be covered. Thirdly, this research proves that accrual profit management and real profit manipulation negatively influenced company values of Indonesia mining companies. It strengthens the fact that accrual profit management and real profit management activated by a company would create negative impacts in the impression they create, so that there is a need of areal process to improve matters. Fourthly, this research proves that accrual profit management and real profit manipulation mediated CSR disclosures toward company values of Indonesia mining companies. And it proves that when a company conducts its accrual profit management and real profit management, then it will cause company performance decreases which will inflict financial loss of the company.

The limitation of this research was that it only used accrual and real manipulative profit managements without discussing other options of profit managements comprehensively. This research could use qualitative approach so that it delivered all the information by mining companies to provide complete portrayal of CSR disclosure toward Indonesia mining companies' values. Secondly, this research could not be generalised to other sectors because it is limited to a certain specific sector.

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