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The Effects of ESG, Corporate Governance, and Firm Attributes on Earning Quality Through Earning Management in Non-Banking State-Owned Enterprises

Triana Agustin
Universitas Airlangga, Indonesia
Email: trianaagustin179@gmail.com

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Abstract

Earnings quality is essential for ensuring that reported profits accurately reflect a company's underlying economic performance, particularly in Indonesian non-banking state-owned enterprises that operate under multiple economic and public-service responsibilities. This study examined the effects of Environmental, Social, and Governance (ESG), corporate governance, and firm attributes on earnings quality, with earnings management as a mediating variable. A quantitative associative design was employed using secondary data obtained from the corporate reports of 17 non-banking state-owned enterprises selected through purposive sampling over the 2020–2024 period, yielding 85 firm-year observations. The data were analyzed using descriptive statistics and partial least squares structural equation modeling (PLS-SEM). The findings showed that ESG and corporate governance had significant negative effects on earnings quality, whereas firm attributes had a significant positive effect. Earnings management did not have a significant effect on earnings quality. ESG had a significant negative effect on earnings management, while corporate governance had a significant positive effect on earnings management; firm attributes had no significant effect on earnings management. Furthermore, earnings management did not mediate the effects of ESG, corporate governance, or firm attributes on earnings quality. These findings indicate that formal ESG disclosure and corporate governance mechanisms may not yet have been substantively integrated into financial reporting practices. The study concludes that non-banking state-owned enterprises should strengthen the substantive implementation of ESG and corporate governance through effective internal controls and transparent financial reporting.

INTRODUCTION

Earnings quality is an important concept in accounting and finance that reflects the extent to which reported earnings accurately represent a company's underlying economic condition and fundamental performance (Rofiqoh et al., 2020). High-quality earnings are not merely accounting figures but also reflect a company's ability to generate sustainable cash flows. The characteristics of high-quality earnings include consistency over time, a strong association with cash flows, and limited exposure to managerial manipulation (Ningsih, 2017). Conversely, earnings management practices, whether through accrual-based or real activities, can reduce transparency and increase corporate risk because financial statements may no longer accurately reflect the company's actual economic condition (Azwa Maqfira et al., 2024; Wulandari & Suganda, 2021). In general, higher levels of earnings management are associated with lower earnings quality.

In Indonesia, earnings quality in State-Owned Enterprises (SOEs) has a distinctive institutional context because SOEs function not only as commercial entities but also as instruments of public policy. Majority government ownership and the existence of specific performance targets may create incentives for management to report stable earnings despite unfavorable economic conditions, thereby increasing the potential for earnings management practices (Hendra & Halbadika Fahlevi, 2024; Wahyuningtyas & Rahman, 2023). Efforts to strengthen corporate governance, including the appointment of independent commissioners and the establishment of internal audit units, may also be constrained by political influence in executive appointment processes (Puji r et al., 2023). Therefore, the credibility of SOE financial statements is crucial for maintaining public trust and supporting national financial stability.

This concern is particularly important for SOEs, which combine commercial responsibilities with public-policy mandates. A World Bank study covering approximately 76,000 companies with at least 10% state ownership across 91 countries found that their aggregate revenue was equivalent, on average, to approximately 17% of gross domestic product in countries for which data were available (World Bank, 2023). The economic scale of these enterprises means that weak financial reporting can affect not only investors and creditors but also public finances and the delivery of essential services. SOEs may experience distinctive agency problems because the state simultaneously acts as owner, regulator, and representative of citizens. Political intervention, policy assignments, multiple performance objectives, and pressure to maintain dividend payments may therefore influence managerial incentives and reduce the effectiveness of conventional governance mechanisms.

In Indonesia, reliable financial reporting by SOEs is particularly important because these enterprises make substantial fiscal and developmental contributions. The Ministry of SOEs reported that SOE dividends reached IDR 85.5 trillion in 2024, increasing from IDR 81.2 trillion in 2023 (ANTARA, 2024). At the same time, the consolidated profit of Indonesian SOEs was provisionally reported to have declined from IDR 327 trillion in 2023 to IDR 304 trillion in 2024, representing a decrease of approximately 7.03% (IDNFinancials, 2025). Although these aggregate figures do not establish the occurrence of earnings management, the combination of declining profits, dividend expectations, and public accountability underscores the importance of assessing earnings credibility. This issue is particularly relevant to non-banking SOEs operating across heterogeneous industries, where commercial objectives must often be balanced against infrastructure development, energy security, transportation services, public housing, healthcare provision, and other government assignments.

Indonesia has strengthened its sustainability framework through Financial Services Authority Regulation No. 51/POJK.03/2017, which requires financial institutions, issuers, and public companies to implement sustainable finance and submit sustainability reports (OJK, 2017). Nevertheless, regulatory compliance may produce varying levels of ESG implementation because companies differ in resources, reporting capabilities, governance quality, and strategic commitment. Within the sample examined in this study, consisting of 17 non-banking SOEs and 85 firm-year observations from 2020 to 2024, the mean ESG disclosure score was 0.552, indicating a moderate level of disclosure rather than comprehensive implementation. Earnings quality also exhibited substantial heterogeneity, with values ranging from −27.721 to 48.255 and a standard deviation of 9.728. These descriptive findings indicate that comparable reporting requirements did not result in uniform ESG disclosure or earnings outcomes across non-banking SOEs.

Previous research indexed or discoverable through Google Scholar and Scopus has provided conflicting evidence regarding the relationship between ESG and accounting outcomes. Aydoğmuş et al. (2022) found that ESG performance was positively associated with firm value and profitability, suggesting that sustainability practices can strengthen long-term corporate performance. Ferreira et al. (2025) similarly reported that sustainability reporting contributed to accounting information quality. In contrast, Tohang et al. (2024), using 316 firm-year observations, found that stronger ESG performance was associated with higher discretionary accruals and lower innate earnings quality, indicating the possibility of symbolic ESG practices (Tohang et al., 2024). Vatis et al. (2025) also showed that the relationships among ESG, earnings quality, and real earnings management varied according to firm-level conditions (Vatis et al., 2025). These inconsistent findings demonstrate that ESG disclosure may either constrain managerial opportunism or function as a legitimacy mechanism, depending on the institutional and organizational context.

Evidence concerning corporate governance and firm attributes is similarly inconclusive. Islam et al. (2023) found that audit committee and internal audit quality mediated the relationship between firm size and financial reporting quality, implying that organizational scale may contribute to better reporting only when supported by effective oversight. Alrobai et al. (2025) showed that firm attributes and ownership structures were important determinants of earnings quality in emerging markets. In Indonesia, Nurhayati (2021) found that the proportion and size of the board of commissioners did not significantly mediate the relationship between information asymmetry and earnings management in SOEs. More specifically, Wawo et al. (2024), using 178 observations from 32 Indonesian SOEs during 2017–2022, found that the implementation of good corporate governance did not necessarily suppress earnings management behavior (Wawo et al., 2024). These findings suggest that formally established governance structures, including independent commissioners, may be insufficient when supervisory independence, professional expertise, or substantive authority remains limited.

Several research gaps therefore remain. First, much of the existing literature has examined listed private companies, financial institutions, or broad cross-industry samples, whereas Indonesian non-banking SOEs possess distinctive ownership, policy, and accountability characteristics. Second, previous studies have commonly examined ESG, corporate governance, firm size, earnings management, or earnings quality separately, resulting in limited understanding of their simultaneous relationships. Third, the direction of the relationships proposed in previous studies remains inconsistent: ESG and corporate governance may reduce managerial opportunism, but they may also be adopted symbolically while incentives for earnings management persist. Fourth, earnings management has frequently been treated only as a dependent variable, although it may also function as an explanatory mechanism through which ESG practices, independent commissioner oversight, and organizational scale affect earnings quality. Finally, evidence covering the 2020–2024 period remains limited, even though this period encompassed pandemic-related disruption, economic recovery, expanding sustainability obligations, and substantial restructuring within Indonesia's SOE sector.

Addressing these gaps is important for theoretical, regulatory, and managerial reasons. From an agency theory perspective, the coexistence of state ownership, delegated managerial authority, and multiple public principals may intensify information asymmetry and weaken direct monitoring. From a signaling theory perspective, ESG disclosure should communicate credible information regarding long-term risk management; however, its credibility depends on whether such disclosure is supported by substantive governance mechanisms and transparent accounting practices. Examining earnings management as a mediating variable therefore provides a means of distinguishing between direct organizational effects and reporting-related behavioral mechanisms. The novelty of this study lies in integrating ESG disclosure, corporate governance as proxied by the proportion of independent commissioners, and firm attributes as represented by company size into a single model of earnings quality, while testing earnings management as a mediating variable in the specific institutional context of Indonesian non-banking SOEs.

Accordingly, this study aimed to analyze the effects of ESG disclosure, corporate governance, and firm attributes on earnings quality and to determine whether earnings management mediated these relationships in Indonesian non-banking SOEs during 2020–2024. Its specific objectives were to assess the direct effects of ESG disclosure, the proportion of independent commissioners, company size, and earnings management on earnings quality; examine the effects of ESG disclosure, corporate governance, and company size on earnings management; and evaluate the indirect effects of these three antecedents on earnings quality through earnings management. The study used annual reports and sustainability reports from 17 eligible enterprises, yielding 85 firm-year observations, and applied partial least squares structural equation modeling (PLS-SEM) to estimate the proposed relationships.

The study was expected to make several theoretical, empirical, methodological, and practical contributions. Theoretically, it extends the literature by integrating agency and signaling perspectives to explain why formal ESG and corporate governance mechanisms may not always improve earnings quality. Empirically, it provides recent evidence from non-banking SOEs, an institutional setting that remains underrepresented in studies of sustainability disclosure and financial reporting behavior. Methodologically, the simultaneous assessment of direct and mediated relationships offers a more integrated explanation than models examining each determinant separately. Practically, the findings may help SOE management integrate ESG commitments with accounting controls, support independent commissioners in strengthening substantive oversight, and assist investors and creditors in evaluating ESG disclosures alongside earnings-related indicators. For government institutions and regulators, the results may support policies that emphasize the quality, assurance, and strategic integration of ESG information rather than merely the formal publication of sustainability reports.

METHOD

This study employed a quantitative associative research design to examine the effects of Environmental, Social, and Governance (ESG), corporate governance (CG), and firm attributes (FA) on earnings quality (EQ), with earnings management (EM) as a mediating variable. Secondary data were obtained from annual reports and sustainability reports of the sampled companies and were used to measure ESG disclosure, corporate governance, firm attributes, earnings quality, and earnings management (Waruwu et al., 2025).

The study population consisted of all non-banking State-Owned Enterprises (SOEs) under the Ministry of SOEs in Indonesia during the 2020–2024 period. The sample was selected using purposive sampling based on predetermined criteria, including the availability of annual reports, sustainability reports, and ESG disclosures referring to the Global Reporting Initiative (GRI) standards (Nasdaq, 2019; Sugiono, 2023). Companies that met all selection criteria were included in the final sample.

Data were analyzed using descriptive statistics and partial least squares structural equation modeling (PLS-SEM). Descriptive statistics were used to summarize the characteristics of ESG disclosure, corporate governance as proxied by the proportion of independent commissioners, firm attributes as represented by company size, earnings management, and earnings quality (William, 2013). PLS-SEM was used to test the hypothesized relationships among the variables and the mediating role of earnings management (Ghozali & Kusumadewi, 2023). The measurement model (outer model) was evaluated using outer loadings, average variance extracted (AVE), composite reliability, and Cronbach's alpha, while the structural model (inner model) was assessed using the coefficient of determination (R^2), predictive relevance (Q^2), and path coefficients. The mediating effect of earnings management was evaluated based on the estimated indirect effects in the PLS-SEM model.

RESULTS AND DISCUSSION

Non-banking State-Owned Enterprises (SOEs) have a strategic role in the national economy with a significant contribution to the State Revenue and Expenditure Budget (APBN) through dividends, taxes, and non-tax state revenues (PNBP), as well as in the absorption of labor both directly and indirectly through supporting sectors such as small and medium enterprises (SMEs), logistics, and distribution. This research uses secondary data obtained from the official website of the company and the Ministry of SOEs during the 2020–2024 period. The study population included 59 non-banking SOEs registered with the Ministry of SOEs during the period. The sample selection procedure is presented in Table 1:

Table 1. Sample Selection Procedure

No	Criteria	Number of companies
1	Non-banking SOEs registered with the Ministry of SOEs during 2020–2024	59
2	Companies that did not publish annual reports during 2020–2024	(24) → 35
3	Companies that did not publish sustainability reports during 2020–2024	(3) → 32
4	Companies that do not use the 2021 GRI Index in ESG disclosures	(15)
Total Sample	**17 companies**	**85 observations**

Source: Official Website of the Ministry of SOEs, 2025

Of the initial population of 59 non-banking SOEs, only 17 companies met all the criteria, with a total of 85 data points over five years (17 companies × 5 years). The following table lists the 17 non-banking SOEs included in this study as the final sample:

Table 2. Sample List of Companies

Yes	Company Name
1	PT Perusahaan Listrik Negara (Persero)
2	PT Pertamina (Persero)
3	PT Bio Farma (Persero)
4	PT Pupuk Indonesia (Persero)
5	PT Perkebunan Nusantara III (Persero)
6	PT Reasuransi Indonesia Utama (Persero)
7	PT Brantas Abipraya (Persero)
8	PT Jasa Marga (Persero)
9	PT Perum Perumnas
10	PT Adhi Karya (Persero) Tbk
11	PT Waskita Karya (Persero) Tbk
12	PT Wijaya Karya (Persero) Tbk
13	PT Semen Indonesia (Persero) Tbk
14	PT Pelayaran Nasional Indonesia (Persero)
15	PT Garuda Indonesia (Persero) Tbk
16	Perum Perum Perum Peribu Printing of the Republic of Indonesia
17	PT Telekomunikasi Indonesia (Persero) Tbk

Source: Official Website of the Ministry of SOEs, 2025

These 17 companies form the core of the analysis, providing comprehensive data on financial performance, ESG disclosures, corporate governance, company attributes, and revenue management. The selection ensures that each company publishes an annual report and sustainability report in accordance with the 2021 GRI Index, making the dataset robust and suitable for empirical analysis.

Descriptive Statistics

Descriptive statistical analysis provides an overview of the characteristics of the research variables, which is essential to understand general trends before conducting a structural analysis. Table 3 presents descriptive statistical results for the *variables Earning Quality* (EQ), *Environmental, Social, and Governance* (ESG), *Corporate Governance* (CG), *Firm Attributes* (FA), and *Earning Management* (EM).

Table 3. Descriptive Statistical Results

Variabel	MAX	MONTHS	MEANS	Median	STDV
EQ	48.255	-27.721	2.771	1.395	9.728
ESG	1	0	0.552	0.580	0.291
CG	1	0.167	0.489	0.492	0.237
FA	35.111	18.624	29.494	29.907	3.672
POSTED ON	-14.918	-27.159	-17.995	-17.236	2.781

Source: Researcher Data 2025

The results of descriptive statistics show that *Earning Quality* (EQ) has a wide range, from −27,721 to 48,255, with an average score of 2,771 and a median of 1,395. These findings indicate that although most companies have positive profit quality, there are considerable differences between companies. The standard deviation of 9.728 which is higher than the average value indicates a high level of dispersion, so the quality of profits in the sample companies is relatively heterogeneous.

ESG disclosures are in the range of 0–1 with an average value of 0.552 and a median of 0.580, indicating a moderate level of sustainability disclosure with relatively low variation between firms. *Corporate Governance* (CG), measured through the proportion of independent commissioners, has an average of 0.489 and a median of 0.492, reflecting moderate variation and a fairly balanced distribution of governance practices. *Firm Attributes* (FA) proxied by company size show an average of 29,494 and a median of 29,907 with a standard deviation of 3,672, indicating a relatively stable company size and a tendency to be normally distributed. Meanwhile, *Earning Management* (EM) has a negative average value of −17.995 and a median of −17.236, which shows a tendency to practice declining profits with a limited degree of variation. Overall, these descriptive statistics describe the condition of companies with moderate ESG and governance disclosures, relatively stable company size, and variable profit characteristics, so it is relevant to be further examined in the analysis of structural relationships between variables.

Evaluation of Measurement Models (External Models)

The measurement model (external model) assesses whether the observed indicators adequately represent latent constructions and ensures that the measurements are valid and reliable. This step is critical to ensuring the integrity of the structural model analysis. Convergent validity is assessed through factor load and Extracted Mean Variance (AVE). A factor load above 0.70 indicates that the indicators significantly represent their respective constructions.

Table 4. Outer Loadings Results

Variable	CG (X2)	MS (Z)	EQ (Y)	ESG (X1)	FA (X3)	Description
CG (X2)	1.00					Valid
MS (Z)		1.00				Valid
EQ (Y)			1.00			Valid
ESG (X1)				1.00		Valid
FA (X3)					1.00	Valid

Source: Researcher Data 2025

All indicators show a factor load greater than 0.7, confirming the validity of the convergence. This shows that each measurement item is highly correlated with its respective latent constructs, suggesting that the indicator effectively captures the underlying theoretical concept. Such a high factor load indicates that the measurement model is well-defined and reliable, providing confidence that the data accurately represents the construction being studied and ensuring the robustness of subsequent structural model analysis.

Table 5. Average Variance Extracted (AVE)

Variable	AVE	Description
EQ	1.000	Valid
ESG	1.000	Valid
CG	1.000	Valid
FA	1.000	Valid
POSTED ON	1.000	Valid

Source: Researcher Data 2025

All constructions exceeded the AVE threshold of 0.50, demonstrating strong convergent validity. This shows that more than 50% of the variance in the indicator is explained by the underlying latent construction, confirming that the measurement model reliably captures the theoretical dimension to be measured. The results provide strong evidence that the indicators consistently represent their respective constructions, supporting the accuracy and validity of subsequent structural model analyses. The high AVE value also indicates minimal measurement error and reinforces the robustness of the study's findings.

Table 6. Composite Reliability (CR) and Cronbach's Alpha (α)

Variable	Composite Reliability	Cronbach's Alpha	Description
EQ	1.000	1.000	Reliable
ESG	1.000	1.000	Reliable
CG	1.000	1.000	Reliable
FA	1.000	1.000	Reliable
POSTED ON	1.000	1.000	Reliable

Source: Researcher Data 2025

All latent variables show reliability above the 0.70 threshold, showing consistent and stable measurements across all indicators, which supports the robustness of the construction for analysis and ensures that the results of the study are reliable and replicable.

Evaluation of Structural Models (Inner Model)

The model examines hypothetical relationships between independent and dependent variables, including the effects of mediation.

Table 7. presents the R-Square (R^2) and predictive relevance (Q^2)

Variable	R^2	Criteria	Q^2	Predictive Relevance	SRMR
MS (Z)	0.079	Weak	0.020	Small	0.000 (sempurna)
EQ (Y)	0.138	Weak	0.031	Small	0.000 (sempurna)

Source: Researcher Data 2025

The low R^2 value indicates that while the model describes a modest portion of variance, the SRMR indicates a perfect model fit, and the predictive relevance value indicates an acceptable predictive ability, especially given the exploratory nature of the study.

Pengujian Hypothesis (Bootstrapping)

Bootstrapping is performed to evaluate the significance of the path coefficient for direct and indirect effects. Direct Effects – The Path Coefficient is summarized in Table 8:

Table 8. Direct Effects – Path Coefficients

Path	Coefficient	T-Statistic	P-Value	Description
ESG → EQ	-0.189	1.722	0.043	Accepted
CG → EQ	-0.131	2.352	0.009	Accepted
FA → EQ	0.220	2.661	0.004	Accepted
IN → EQ	-0.213	1.417	0.078	Rejected
ESG → IN	-0.201	2.561	0.005	Accepted
CG → IN	0.151	2.036	0.021	Accepted
FA → EM	0.036	0.246	0.403	Rejected

Source: Researcher Data 2025

The interpretation of direct effects shows that *Environmental, Social, and Governance* (ESG) has a negative influence on *earnings quality* of −18.9%, indicating that ESG implementation tends to still be compliance-oriented and not strategically integrated in long-term value creation. *Corporate governance* also showed a negative influence on *earnings quality* of −13.1%, which implies that the corporate governance mechanism is likely to still be formalistic and not effective in improving the quality of reported profits. In contrast, *firm attributes* have a positive influence of 22% on *earnings quality*, confirming that the fundamental characteristics of a company play an important role in determining the quality of profits. Meanwhile, *earnings management* did not show a direct influence on *earnings quality*, suggesting that discretionary accrual practices did not significantly distort the reported earnings of the observed sample companies.

Table 9. Indirect Effects – Mediation

Path	Coefficient	T-Statistic	P-Value	Description
ESG → IN → EQ	0.043	1.054	0.146	Rejected
CG → IN → EQ	-0.032	1.121	0.131	Rejected
FA → IN → EQ	-0.008	0.198	0.422	Rejected

Source: Researcher Data 2025

The results suggest that EM does not mediate the relationship between ESG, CG, or FA and EQ, suggesting that other mechanisms such as transparency, reputational considerations, or operational policies may play a more important role in influencing revenue quality.

Pengaruh *Environmental, Social, and Governance* terhadap *Earnings Quality*

The results of the study show that *Environmental, Social, and Governance* (ESG) has a significant negative effect on *Earnings Quality*. These findings are in line with the research of Vatis et al. (2025), which reported that the negative relationship between ESG and *Earnings Quality* stronger in large-sized companies. These results indicate that the increase in ESG disclosure in non-banking SOEs has not been followed by consistent improvements in accounting transparency and a decrease in practices *Earnings Management*. ESG implementation tends to focus more on environmental and social programs, while strengthening accounting policies, internal control systems, and financial reporting supervision has not been carried out proportionately (Ma, 2023; Tohang et al., 2024). As a result, ESG has the potential to serve as a legitimacy tool amid political pressures and performance demands faced by SOEs, rather than reflecting the company's fundamental improvement as predicted by the *signaling theory* (Ruan & Liu, 2021).

The Influence *of Corporate Governance* on *Earnings Quality*

Corporate Governance proven to have a significant negative effect on *Earnings Quality*. These findings show that the effectiveness of independent commissioners in non-banking SOEs is still limited in carrying out the supervisory function of financial reporting. Formal independence, limited authority, and weak oversight of the financial reporting process reduce the ability of governance mechanisms to improve *Earnings Quality* (Daeli & Deviani, 2025). Theoretically, independent commissioners are expected to be able to improve transparency and fairness in financial reporting; however, these results indicate that the implementation of *Corporate Governance* in SOEs still facing structural and institutional challenges (Gunawan & Situmorang, 2019; Pratomo, 2019).

The Effect *of Firm Attributes* on *Earnings Quality*

Firm Attributes has a significant positive effect on *Earnings Quality*, which suggests that large-sized companies tend to generate higher quality of profits. Large companies generally have stronger internal control systems, more qualified human resources, and more mature accounting and reporting infrastructure, so that the profits generated better reflect the actual economic performance (Paula Monteiro et al., 2022). In addition, stricter scrutiny from regulators, auditors, investors, and the public encourages management to present financial statements more carefully and accurately (Islam et al., 2023). These findings support *signaling theory* and *agency theory* which states that large companies have a stronger incentive to maintain reputation and credibility through high-quality earnings reporting (Siekelova et al., 2020).

Pengaruh *Earnings Management* terhadap *Earnings Quality*

Earnings Management has no significant effect on *Earnings Quality* in this study. Conceptually, the direction of this relationship is in line with accounting theory, where the level of *Earnings Management* higher tend to lower *Earnings Quality* (Li, 2019; Scott, 2015). However, such insignificance suggests that *Earnings Management* is not the dominant factor influencing *Earnings Quality* in non-banking SOEs. Instead, *Earnings Quality* seem to be more influenced by other factors, such as accounting policies, company characteristics, and regulatory and institutional pressures inherent in SOEs (Paryati, 2024; Saleh et al., 2020).

Pengaruh *Environmental, Social, and Governance* terhadap *Earnings Management*

ESG has a significant negative effect on *Earnings Management*, which suggests that ESG implementation serves as a non-financial control mechanism that limits management's opportunistic behavior. Companies with strong ESG commitments tend to emphasize transparency, accountability, and accountability to stakeholders, thus encouraging more honest and reliable financial reporting (Vatis et al., 2025). These findings are consistent with *stakeholder theory* and *legitimacy theory* which states that companies with good ESG performance seek to maintain long-term reputation and legitimacy through ethical financial reporting practices (Chopra et al., 2024; Paranita et al., 2025).

The Influence *of Corporate Governance* on *Earnings Management*

Corporate Governance has a significant positive effect on *Earnings Management*, which indicates that governance mechanisms measured through the proportion of independent commissioners have not been fully effective in controlling practices *Earnings Management*. In the context of non-banking SOEs, governance supervision that is still administrative and symbolic can actually provide greater discretion space for management in reporting profits (Daeli & Deviani, 2025). These findings contradict expectations *agency theory* which emphasizes the role of independent commissioners in limiting managerial opportunistic behavior, and emphasizes the need to strengthen the quality and independence of governance oversight (Alrawashedh et al., 2025; Auliana et al., 2023).

The Influence *of Firm Attributes* on *Earnings Management*

Firm Attributes has no significant effect on *Earnings Management*, which indicates that the size of the firm is not the main determinant of practice *Earnings Management*. Both large and small companies have a relatively equal chance of doing *Earnings Management*, especially when agency conflicts and information asymmetry still occur (Safarida et al., 2023; Wijaya et al., 2025). In line with *agency theory*, *Earnings Management* is more influenced by the effectiveness of supervision and control mechanisms than by the size of the company alone(Handayani & Syaiful, 2025).

Earnings Management* as a Mediating Variable between ESG and *Earnings Quality

Earnings Management does not mediate the relationship between ESG and *Earnings Quality*. Although ESG has a significant effect on *Earnings Management* and also has a direct influence on *Earnings Quality*, indirect influence through *Earnings Management* insignificant. These findings suggest that the decline in *Earnings Management* the impact of ESG implementation is not enough to explain the change *Earnings Quality*. Thus, the influence of ESG on *Earnings Quality* non-banking SOEs mainly work through direct mechanisms, such as increasing transparency and accountability, rather than through *Earnings Management* (Chopra et al., 2024; Tu, 2023).

Earnings Management* as a Mediating Variable between *Corporate Governance* and *Earnings Quality

Earnings Management does not mediate influence *Corporate Governance* against *Earnings Quality*. Although *Corporate Governance* seduce *Earnings Management* and *Earnings Quality* Separately, the combined influence of the two did not result in a significant mediating relationship. These results show that the influence of *Corporate Governance* against *Earnings Quality* in non-banking SOEs are direct and not through practice control *Earnings Management* (Gunawan & Situmorang, 2019; Qamar et al., 2020).

Earnings Management* as a Mediating Variable between *Firm Attributes* and *Earnings Quality

Earnings Management does not mediate influence *Firm Attributes* against *Earnings Quality*. The characteristics of the company, particularly the size of the company, affect *Earnings Quality* directly without changing the level *Earnings Management*. These findings show that the strength of internal systems, operational capacity, and external supervisory pressure in large companies play a greater role in determining *Earnings Quality* Compared *Earnings Management* as an intervening variable (Ruan & Liu, 2021; Saleh et al., 2020).

CONCLUSION

The results showed that Environmental, Social, and Governance (ESG) and corporate governance had significant negative effects on earnings quality in non-banking SOEs, whereas firm attributes had a significant positive effect, indicating that larger companies tended to report higher earnings quality. Earnings management had no significant effect on earnings quality. However, ESG was found to reduce earnings management practices, while corporate governance had a significant positive effect on earnings management, and firm attributes had no significant effect. In addition, earnings management did not mediate the relationships between ESG, corporate governance, and firm attributes and earnings quality, suggesting that the effects of these variables on earnings quality occurred primarily through direct relationships. Future research should expand the scope of the study beyond non-banking SOEs and extend the observation period. Meanwhile, companies should implement ESG and corporate governance substantively and integrate them into business strategies and internal control systems, while investors should conduct comprehensive financial analyses rather than relying solely on formal ESG disclosures and corporate governance mechanisms.

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