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| RESEARCH ARTICLE

The Effect of Disclosure of Corporate Social Responsibility, Earnings Management and Family Ownership on the Cost of Debt

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| ABSTRACT
The purpose of this study is to provide empirical evidence of the effect of disclosure of corporate social responsibility, earnings management, and family ownership on the cost of debt. The population in this study were manufacturing companies in the basic and chemical industrial sectors, which were listed on the Indonesia Stock Exchange (IDX) from 2016-to 2019, and the sample was determined using a random sampling method with the slovin formula so that the number of samples obtained was 136 companies. This type of analysis is a secondary causal analysis obtained through the company's website, and the annual report is accessed on the Indonesia Stock Exchange website. The analysis method uses multiple regression. The results of the study indicate that the Disclosure of Corporate Social Responsibility and Earnings Management does not affect the Cost of Debt.

| KEYWORDS

Corporate Social Responsibility, Earnings Management, Family Ownership, Cost of Debt

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1. Introduction

To improve its business, the company needs funding sources, both from internal and external parties. Funds from internal sources in the form of retained earnings and external sources in the form of debt. However, in its management, companies generally want to borrow funds (debt) from external parties, namely creditors, if internal capital is insufficient. Funds provided by creditors in terms of corporate funding increase the cost of debt for the company, where the cost of debt is the interest rate received by creditors as the required rate of return. Many ways are tried by companies to attract investors or creditors to be willing to provide capital loans for the smooth running of a company's business. On the other hand, investors or creditors sometimes hesitate to invest in a company for certain reasons. The risk of a company is taken into consideration for creditors in distributing their loans. Therefore, creditors also need to analyze companies that have lent their capital. Creditors must recognize and think about the magnitude of the influence on market conditions to be taken. Because if the company cannot pay its debts to creditors, both interest and principal, then the company can be declared bankrupt or bankrupt.

The phenomenon of cost of debt that occurs in Indonesia itself is found in a family-owned chemical and basic industrial company, namely PT Kertas Nusantara (PT KN). The chairman of the panel of judges, Tjokarda, said that in 2011 he was threatened with bankruptcy because PT Kertas Nusantara was unable to pay its debt of 142 billion plus late fees, bringing it to 194 billion to PT MAD (Savitri, 2011). Another family-owned company with the same shares is a company affiliated with Bakrie Brothers, Founder of Independent Research & Advisory Indonesia Lin Che Wei said, for his research, 10 Bakrie industries have debts of 75.26 trillion(Agustian, 2012).

Corporate Social Responsibility has been a major theme in business for the past few years. CSR is a company's responsibility to the environment, society, and government as a result of the company's operational activities. CSR is currently very much considered by all banks in the world, including in Indonesia, because banks are now starting to realize that the environment is part of the financial sector. Banks in Indonesia cooperate with OJK and the government to support CSR programs(Financial Services Authority,

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2016). Then the bank provides a criterion for companies that borrow debt. Companies that carry out CSR activities are considered worthy of receiving debt from banks.

Earnings Management is an accounting policy used by managers to expand profits so that they reflect good company performance. Earnings management is carried out by the company to influence the perception of creditors in the company to provide debt loans to the company. Relates to conflicts regarding earnings management that include reasonable or unhealthy effects

Companies with family ownership are business entities that have distinctive characteristics that are not owned by companies in general. Family companies generally have a solid long-term vision due to their clear ownership and long-term commitment (Mooryanti, 202). Companies with family owners as majority shareholders have incentives to transfer wealth through financing activities, such as paying dividends that exceed the bound limit set by creditors. Thus, family ownership is believed to have a positive impact on the company's cost of debt because these incentives can increase the opportunities borne by creditors so that the company's debt costs are higher.

2. Literature review

2.1 Agency Theory

Agency theory describes the relationship between shareholders as principals and management as agents. Management is a party contracted by shareholders to work in the interests of shareholders. Because they are elected, the management must be accountable for all their work to the shareholders.

2.2 Signaling Theory

Signaling theory is a behavior of company management in giving instructions to investors regarding management's views on the company's prospects for the future (Brigham & Houston, 2014: 184). Signal theory (signaling theory) explains how signals of success or failure of management (agent) should be conveyed to owners (principals). (Wahyuni & Utami, 2018). Signaling theory is useful for describing behavior when two parties (individuals or organizations) have access to different information. Usually, one sending party must choose how to interpret the signal. Thus signaling theory holds an important position in various corporate literature (Connelly et al., 2011).

2.3 Cost of Debt

The cost of debt (Cost of Debt) is the interest rate received by creditors as the required rate of return(Yunita, 2012:90)

2.4 Disclosure of Corporate Social Responsibility

Corporate Social Responsibility is the company's responsibility to the environment, society, and government as a result of the company's operational activities. CSR is currently very much considered by all banks in the world, including in Indonesia, because banks are now starting to realize that the environment is part of the financial sector. Banks in Indonesia cooperate with OJK and the government to support CSR programs. Then the bank provides a criterion for companies that borrow debt. Companies that carry out CSR activities are considered worthy of receiving debt from banks. This is supported by research by Goss and Roberts (2011), which suggests a negative relationship between CSR and the cost of debt. With the number of disclosures made by the company, the company carries out CSR activities well. If the company carries out CSR activities well, it could be a high-quality company so that creditors can provide lower costs of debt and a longer time than companies or low-quality borrowers. Based on previous research, the authors propose the following hypotheses:

H1: Disclosure of Corporate Social Responsibility has a negative effect on the Cost of Debt

2.5 Earnings Management

Earnings Management is an accounting policy used by managers to increase profits to reflect good company performance. Earnings management is carried out by the company to influence the perception of creditors in the company to provide debt loans to the company. Relates to conflicts regarding earnings management that include reasonable or unhealthy effects. Stolowy and Breton (2000) explained that the manipulation would be carried out alone supports the management's desire to influence investors' perceptions of company risk. Research conducted byPernamasari (2018) showed that the GCG index has no significant effect on the cost of debt, and accrual income management has a significant effect on the cost of debt. This means that earnings management is carried out by management to influence investors' perceptions, especially to influence the choice of buying company shares and affect the value of the company. Based on previous research, the authors propose the following hypotheses:

H2: Earnings Management has a positive effect on the Cost of Debt

2.6 Family Ownership

Companies with family owners as majority shareholders have incentives to transfer wealth through financing activities, such as paying dividends that exceed the bound limit set by creditors. Thus, family ownership is believed to have a positive impact on the company's cost of debt because these incentives can increase the opportunities borne by creditors so that the company's debt costs are higher. This is in accordance with research conducted by(Boubakri & Ghouma (2010)states that once most firms are family-owned, there will be a tendency for families to use their management to the detriment of creditors. Companies with family ownership will have a higher cost of debt if investors take into account that the opportunities contained in the company are above other companies. This risk arises from the possibility of the majority shareholder using their control to the detriment of creditors and the existence of a conflict of interest between the majority investor and the minority investor. Based on previous research, the authors propose the following hypotheses:

H3: Family Ownership has a negative effect on the Cost of Debt

The frame of mind of this research can be described as follows:

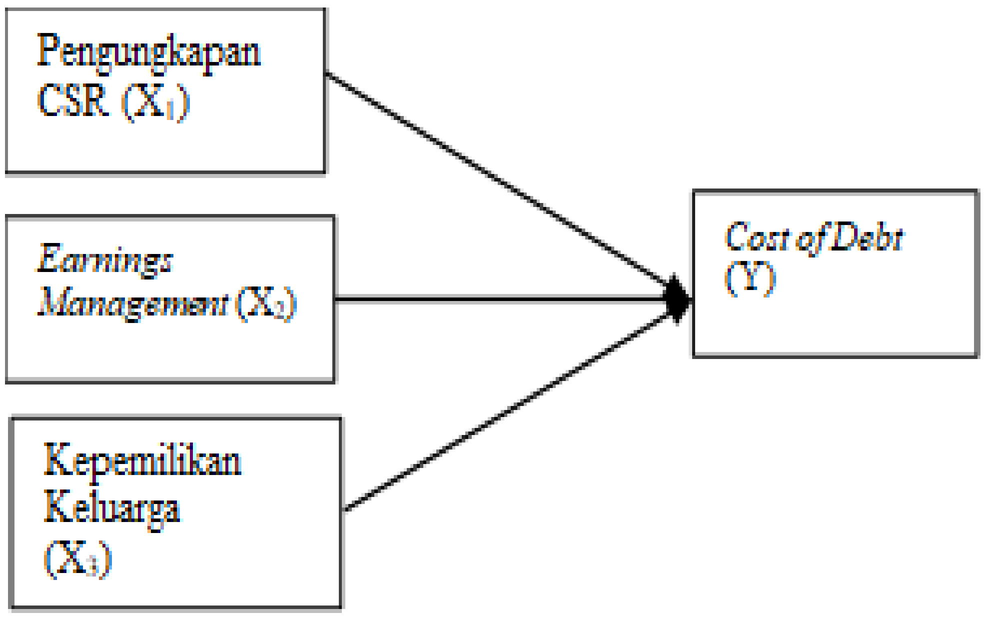

Figure 2.1 Framework of Thought

3. Research methods

This analysis is secondary information and techniques used by the authors related to this analysis in the form of financial statement notes obtained through the website www.idx.co.id. This type of analysis is in the form of a causal analysis carried out to investigate the causal relationship between the independent variable (variable that affects) and the dependent variable (influenced) with an observation period of 2016 – 2019 in manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange. The analysis technique or method used in this study is multiple linear regression which is used to test hypotheses, while in data processing, this research uses the statistical package for the social science (SPSS) version 20.2020 program. The variables in this study consisted of one dependent variable, namely the cost of debt, and three independent variables, namely disclosure of corporate social responsibility, earnings management, and family ownership. The operational variables in this study are:

Table 3.1 Operationalization of Variables

Variabel	Indikator	Skala Pengukuran
Pengungkapan *Corporate Social Responsibility*	$\frac{\text{Total Pengungkapan Sustainbility Report}}{\text{33 Aspek Sustainbility Report}}$ X 100 %	Rasio
Earnings Management	a.) $NDA_{it} = TAC_{it-1}$ b.) $\text{DAit} = \frac{(\text{TAC it} - \text{NDA it})}{\text{TAit}}$	Rasio
Kepemilikan Keluarga	$\frac{\text{Jumlah Saham Keluarga}}{\text{Jumlah Saham}}$ X 100 %	Rasio
Cost of Debt	COD = *Intersest Expense / Average LongTerm Debt*	Rasio

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Table 4.1 Descriptive Statistical Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Pengungkapan CSR	136	.18	.61	.3799	.103918
Earnings Management	136	-.57	.28	-.0110	.124301
Kepemilikan Keluarga	136	.00	.49	.0505	.152442
Cost of Debt	136	-.03	.11	.0252	.112637
Valid N (listwise)	136				

Source: SPSS 20, 2020

Based on descriptive statistical measurements of CSR disclosure results, the average value of 0.3799 means an average of 37.99% of the total items disclosed by the company. The highest value is 0.61 at PT Alam Karya Unggul Tbk and PT Kedawung Setia Industrial Tbk, this shows that the company discloses more CSR and the lowest value is 0.18 at several companies, namely PT Emdeki Utama Tbk, PT Indo Acitama tbk, PT Charoen Pokphand Indonesia Tbk, and PT Eterindo Wahanatama tbk. The standard deviation value for CSR disclosure is 0.9769.

In earnings management, the average value is -0.110, with the highest value of 0.28 at PT Panca Budi Idaman Tbk, where the cash flow from operating activities in 2018 the income received is smaller than the cash flow from operating activities, and the lowest value is -0.57 at PT Panca Budi Idaman Tbk where cash flow from operating activities in 2019 increased 3 times from the previous year, this indicates the possibility of earnings management practices by PT Panca Budi Idaman Tbk. The standard deviation value for earnings management is 0.11981.

Family ownership has an average value of 0.0505, with the highest value of 0.49 found at PT. Intan Wijaya International Tbk, where the shares owned in the company are indicated by the presence of the clan name, and the lowest value is 0 in several companies because there is no indication of the clan name or the composition of the board of directors or commissioners of the share ownership. The standard deviation value for family ownership is 0.12049.

Cost of Debt, the highest value of 0.11 is PT Alam Karya Unggu Tbk and the lowest value of -0.03 is PT Wijaya Karya Beton Tbk. The average value of this dependent variable is 0.0252, and the standard deviation value of this variable is 0.2509. This means that the average value is smaller than the standard deviation, thus indicating that the results are not good.

The results of this study are normally distributed. There is no multicollinearity, there is no heteroscedasticity, and there is no autocorrelation, meaning that this study is feasible to use. Then based on the regression results, the value of Adjusted R Square is obtained is 0.041. This shows that 4.1% of the variable Cost of Debt is influenced by the variables of CSR Disclosure, Earnings Management, and Family Ownership. The remaining 95.9% (100% -4.1%) is influenced by other factors outside the model. A small adjusted R square means that the ability of the variable CSR disclosure, earnings management, and family ownership is very weak in explaining the variable cost of debt.

4.2 T Uji test

Table 4.2 Significant Individual Parameters (Test Statistics t)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.040	.009		4.604	.000
	Pengungkapan CSR	-.033	.022	-.128	-1.508	.134
	Earnings Management	-.019	.018	-.092	-1.091	.277
	Kepemilikan Keluarga	-.042	.018	-.203	-2.401	.018

a. Dependent Variabel: Cost of Debt

Source: SPSS 20, 2020

Based on the test results in table 4.2, it can be concluded as follows:

a. Effect of CSR Disclosure on Cost of Debt

The results of the t-test above can be concluded that the CSR Disclosure variable (X1) as in table 4.8 is obtained by t count -1.508 < t table 1.656 (df = nk = 136-3-1 = 132) with a significant value of 0.134. which is greater than the significance level of 0.05 (0.134 > 0.05). This means that H1 is rejected, so the results of this study have no significant effect on the cost of debt.

b. Effect of Earnings Management on Cost of Debt

The results of the t-test above can be concluded that the earnings management variable (X2), as in table 4.8, is obtained by t count -1.091 < t table 1.656 (df = nk = 136-3-1 = 132) with a significant value of 0.277 which is greater from a significant level of 0.05 (0.277 > 0.05) This means that H2 is rejected so that the results of this study have no significant effect on the cost of debt.

c. Effect of Family Ownership on Cost of Debt

The results of the t-test above can be concluded that the family ownership variable (X3), as in table 4.8, is obtained by t count -2.401 < t table 1.656 (df = nk = 136-3-1 = 132) with a significant value of 0.018 which is smaller from a significant level of 0.05 (0.018 < 0.05) This means that H3 is accepted so that the results of this study have a significant negative effect on the cost of debt variable.

5. Discussion

5.1 *Effect of Corporate Social Responsibility Disclosure on Cost of Debt*

Variable Effect of CSR Disclosure on Cost of Debt. The results of the t-test in this study can be concluded that the CSR Disclosure variable (X) is obtained at - 1.508 < 1.656 (df = nk = 136-3 = 132) with a significant value of 0.134. which is greater than the 0.05 level of significance (0.134 > 0.05). This means that H1 is rejected, so the results of this study have no significant effect on the cost of debt. The results of this study are in line with research by Andini (2012), which states that CSR disclosure as a whole has a negative and insignificant effect on the cost of debt. The results of this study are not in line with the research by Goss & Roberts (2011), which shows a negative relationship between CSR disclosure and the cost of debt. CSR disclosure is expected to be able to provide a signal for the company to attract investors to take positions in the company's shares. In research conducted by Goss &

Roberts (2011), it is stated that with the disclosures made by the company, the company can carry out CSR activities well. If the company carries out CSR activities well, it can be said that the company is of high quality so that creditors will offer lower debt costs and longer terms than low-quality companies or borrowers. The results of this study prove that CSR disclosure is not proven to reduce the value of the cost of debt. Thus, creditors and stakeholders do not see that CSR disclosure in the company's annual report will reduce the cost of debt and become one of the considerations in the decision-making method.

5.2 Effect of Earnings Management on Cost of Debt

Variable Effect of Earnings Management on Cost of Debt. The results of the t-test in this study can be concluded that the earnings management variable (X2) is -1.091 < 1.656 (df = nk = 136-3 = 132) with a significant value of 0.354 which is greater than the significance level of 0.05 (0.277 > 0.05). H2 is rejected, so the results of this study have no significant effect on the cost of debt. The results of this study are not in line with the results of the study by Pernamasari (2018), which shows earnings management has an influence on the cost of debt. In research by Pernamasari (2018), It is mentioned that the debt market responds to information along with accrual earnings management compared to the capital market. This result is also not in line with the research by Pham and Riede (2018), which reveals that the cost of debt is negatively related to accrual-based earnings management and audit quality. However, this relationship was not statistically significant. The results of this study prove that earnings management is not proven to reduce the cost of debt. The ability of creditors and investors to detect the existence of earnings management is also needed to find out whether the company carries out earnings management or not. That the inability to detect this causes earnings management to have no effect on the cost of debt. Thus, creditors and stakeholders do not consider companies to implement earnings management to reduce the cost of debt and become one of the methods in making decisions.

5.3 Effect of Family Ownership on Cost of Debt

Variable Effect of Family Ownership on Cost of Debt. The results of the t-test in this study show that the family ownership variable (X3) is -2.401 < 1.656 (df=nk=136-3=132), with a significant value of 0.07, which is smaller than the significance level of 0.05 (0.08 < 0.05). H3 is accepted so that the results of this study have a significant negative effect on the cost of debt variable. The results of this study are in line with the results of this study by Widadi (2014) and Boubakri & Ghouma (2010), which reveal that family ownership has a significant effect on the cost of debt. The results of this study are not in line with the results of the study by Amelia (2013), Meiriasari (2017), and Prabasari (2014), which revealed that family ownership did not affect the cost of debt. The results of this study prove that companies with family ownership try to minimize the risks that occur for personal interests, so the higher the level of family ownership, the lower the cost of debt. The cost of debt charged by creditors to the company is also lower if the company has a good record in government. Creditors who usually deal with family members can assume that any investment made by the family can offer the highest rate of return that will reduce their risk as creditors.

5. Conclusions

Based on the results of an analysis that examines the factors that affect the Cost of Debt in Manufacturing companies in the Basic and Chemical Industry Sector for the 2016-2019 period, it can be concluded that CSR disclosure does not have a significant effect on the cost of debt, where creditors and stakeholders do not see CSR disclosures can reduce the cost of debt, then Earnings Management has no significant effect on the cost of debt. Where the inability of creditors and stakeholders to detect earnings management, then Family Ownership has a negative effect on the cost of debt where creditors who usually deal with family members can assume that every investment made by the family can offer the highest rate of return that will reduce their risk as a lender.

5.1 Suggestion

CSR disclosure in this study uses aspects of the 2016 GRI; it is recommended for further research to use the latest GRI. For the period and sample, it is better to take a longer period and more samples from this study to give good results. Furthermore, investors, in this case, can consider that family ownership will reduce the cost of debt so that it can be used to assess company performance as a rationale for making investment decisions.

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