The Effect of Corporate Social Responsibility, Good Corporate Governance, Free Cash Flow, Leverage, and Profitability on Earnings Management in Industrial Sector Companies Listed on the Indonesia Stock Exchange

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This study aims to analyze whether Corporate Social Responsibility, Good Corporate Governance, Free Cash Flow, Leverage, and Profitability have an influence on earnings management. This study was conducted on industrial companies listed on the Indonesia Stock Exchange for the 2022-2024 period, with a research population of ninety four (94) companies listed on the Indonesia Stock Exchange. The sampling technique used a purposive sampling technique, resulting in a sample of sixty one (61) companies. The data used were the financial reports of each sample company published on www.idx.co.id. The research method used was a descriptive method, classical assumption tests, and multiple linear regression analysis using the SPSS program. The results of the study indicate that partially, Free Cash Flow and Leverage have a significant effect on earnings management. Meanwhile, CSR, GCG, and Profitability have no significant effect on earnings management. This study is expected to serve as a reference for investors and further researchers in understanding the factors that influence earnings management.

Keywords: Corporate Social Responsibility, Good Corporate Governance, Free Cash Flow, Leverage, Profitability, Earnings Management.

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1. Introduction

Manufacturing companies in the industrial sector are companies engaged in the process of producing goods through the use of machinery, equipment, and labor to transform raw materials into finished products. These companies may include various subsectors, such as automotive, electronics, textiles, food and beverages, chemicals, metals, and many others. Many manufacturing companies begin with innovative ideas from founders who aim to solve specific problems or meet market needs. Large companies generally have a long history that includes expansion, product development, and improvements in production processes [1].

Earnings management, a term often heard in the corridors of accounting and finance, encompasses more than just numbers in financial statements. It is both an art and a science of managing reports to reflect company performance in the most favorable way while still remaining within ethical and legal boundaries. As a strategy used by company managers, earnings management plays a crucial role in regulating revenues and expenses to optimize operating profits [2].

All activities and operations carried out by a company must certainly be accountable to every stakeholder involved. These include employees, shareholders, customers, governments, and the general public. This

responsibility is commonly known as Corporate Social Responsibility (CSR). CSR is a form of social responsibility that must be undertaken by company management toward all stakeholders and parties with interests in the company. The parties referred to above include company employees, shareholders, consumers, the government, and communities surrounding the company. The form of responsibility reflected in CSR includes activities or programs conducted by company management as an expression of the company's responsibility toward society and the surrounding environment in which it operates [3].

Good Corporate Governance (GCG) refers to a set of principles, policies, and practices that ensure a company is managed efficiently, transparently, accountably, and in compliance with applicable laws and ethical standards. The main objective of GCG is to create long-term value for shareholders and other stakeholders while ensuring that the company operates with consideration for the interests of all stakeholders. The implementation of GCG is expected to increase trust and reliability, reduce risks, and ultimately create long-term value for shareholders and all stakeholders [4].

Free Cash Flow is the remaining cash owned by a company after making investments and paying for its operational activities. Generally, free cash flow is used as a relatively accurate measure to understand the company's actual business profitability. This is because cash flow is more difficult to manipulate and can better describe the company's current condition compared to other commonly used metrics, such as net income [5].

Leverage is often associated with borrowing funds as company capital, such as for purchasing supplies, equipment, inventory, or other assets. Leverage is one of the solutions for businesses that require additional capital to expand their operations. Compared to equity or shares, leverage is a shortcut more commonly used by business actors to grow their businesses [6].

Profitability, often referred to as profitability ratios, is a financial metric used by investors and analysts to measure and evaluate a company's ability to generate profits relative to revenue, operating costs, balance sheet assets, and shareholders' equity over a certain period of time. This ratio indicates how effectively a company uses its assets to generate profits and value for shareholders. Higher profitability ratios or values are generally preferred by most companies [7]

Table 1. Phenomenon (Presented in Rupiah)

Company	Year	CSR	Number of Outstanding Shares	Net Fixed Assets	Total Debt	Earning After Tax	Operating Cash Flow
CBUT	2022	1	3,125,000,000	418,947	2,250,454	223,147	492,877
CBUT	2023	1	3,125,000,000	385,821	3,433,778	144,242	384,366
CBUT	2024	1	3,125,000,000	473,680	3,231,021	68,186	246,579
BISI	2022	1	3,000,000,000	515,181	360,231	523,242	668,145
BISI	2023	1	3,000,000,000	721,419	455,124	595,740	42,910
BISI	2024	1	3,000,000,000	798,721	244,047	178,640	146,282
CMRY	2022	1	7,934,683,000	1,266,586	964,919	1,060,582	485,962
CMRY	2023	1	7,934,683,000	1,647,085	1,105,529	1,241,780	1,424,316
CMRY	2024	1	7,934,683,000	1,836,850	1,439,423	1,519,425	1,728,059

Source: Processed from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period.

Based on the table above, PT CBUT disclosed Corporate Social Responsibility (CSR). However, the CSR disclosure was followed by a decline in operating cash flow. In 2023, the company's operating cash flow

amounted to 384,366 and decreased to 246,579 in 2024. Based on the table above, in 2022 PT BISI had net fixed assets of 515,181, which increased to 721,419 in 2023. This condition had an impact on operating cash flow. In 2022, operating cash flow amounted to 668,145 and decreased to 42,910 in 2023. Likewise, earning after tax in 2022 amounted to 523,242 and increased to 595,740 in 2023, which also affected operating cash flow. In 2022, operating cash flow was 668,145, while in 2023 it declined to 42,910. Based on the table above, in 2023 and 2024 PT CMRY had the same number of outstanding shares amounting to 7,934,683,000, which did not significantly affect operating cash flow. Meanwhile, total debt in 2023 amounted to 1,105,529 and increased to 1,439,423 in 2024. This condition affected operating cash flow, where in 2023 operating cash flow amounted to 1,424,316 and increased to 1,728,059 in 2024.

2. Method

Type of Research

This study uses a quantitative research approach. Quantitative research is a type of research that involves numerical testing and analysis using statistical methods. The use of a descriptive quantitative method aims to determine whether there is a relationship among the variables used in this study.

Type and Source of Data

The data used in this study are secondary data obtained indirectly through documentation prepared by other parties. This study uses financial statement data from industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The data were obtained through the official IDX website at Indonesia Stock Exchange (IDX).

The population in this study consists of 94 industrial sector companies. The sample was selected using purposive sampling based on the following criteria:

Table 2. Sample Selection Criteria

No	Criteria	Total
1	Industrial sector companies listed on the Indonesia Stock Exchange during 2022–2024	94
2	Companies that consistently published financial statements during 2022–2024	(13)
3	Companies that generated profits	(20)
	Total selected sample companies	61
	Total research sample (61 × 3 years)	183

Operational Definition of Variables

Table 3. Operational Definition of Variables

No	Variable	Operational Definition	Indicator	Scale
1	Corporate Social Responsibility	CSR disclosure in this study refers to the Global Reporting Initiative (GRI) G4 guidelines with 91 CSR disclosure indexes.	CSRi = ∑Xky / Ny	Dummy
2	Good Corporate Governance	GCG is proxied by institutional ownership measured based on the percentage of shares owned by institutions.	KI = Institutional Shares / Outstanding Shares × 100%	Ratio

3	Free Cash Flow	Cash available to be distributed to creditors or shareholders after fulfilling working capital and capital expenditure needs.	FCF = Operating Cash Flow – Capital Expenditure	Ratio
4	Leverage	A ratio used to measure how much company assets are financed through debt.	Leverage = Total Debt / Total Assets	Ratio
5	Profitability	A ratio used to assess management effectiveness in generating profits from company operations.	NPM = EAT / Sales	Ratio
6	Earnings Management	Actions taken by management in managing earnings information presented in financial statements for certain objectives.	TAit = Nlit – CFOit	Ratio

Data Analysis Technique

Normality Test

The normality test aims to determine whether the residual variables in the regression model are normally distributed.

Multicollinearity Test

The multicollinearity test aims to examine whether there is a correlation among independent variables in the regression model. Multicollinearity can be detected using Tolerance and Variance Inflation Factor (VIF) values. If the Tolerance value is greater than 0.10 and the VIF value is less than 10, then there is no multicollinearity problem.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between residual errors in period t and period t–1. This study uses the Durbin-Watson (DW) test. If the significance value is greater than 0.05, then no autocorrelation occurs.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is inequality of residual variance from one observation to another in the regression model.

Research Data Analysis Model

This study uses multiple linear regression analysis to determine the simultaneous effect of independent variables on the dependent variable. The regression equation is formulated as follows:

$$Y=a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5+e$$

Where:

Y = Earnings Management

α = Constant

b_1,b_2,b_3,b_4,b_5 = Regression coefficients

X_1 = Corporate Social Responsibility

X_2 = Good Corporate Governance

X_3 = Free Cash Flow

X_4= Leverage

X_5 = Profitability

e = Standard Error

t-Test (Partial Test)

The t-test is used to determine the individual effect of each independent variable on the dependent variable.

F-Test (Simultaneous Test)

The F-test aims to determine whether all independent variables simultaneously affect the dependent variable.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) measures how far the regression model can explain the variation in the dependent variable. The value of R^2 ranges from 0 to 1.

3. Results and Discussion

Descriptive Statistical Analysis Results

Descriptive statistics are used to describe or illustrate the research data. This test aims to provide information regarding the characteristics of the data, such as the minimum value, maximum value, mean, and standard deviation of each research variable.

Table 4. Descriptive Statistics

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Ln_CSR	183	-4.34	0.02	-2.8840	0.69829
Ln_GCG	183	-6.21	0.33	-0.7608	0.69453
Ln_FCF	124	11.43	29.11	18.8836	5.71585
Ln_LEVERAGE	183	-7.78	0.97	-1.0896	0.86041
Ln_PROFITABILITY	183	-8.94	22.21	-2.4509	3.40289
Ln_EARNINGS MANAGEMENT	105	13.62	29.59	20.6834	5.17985
Valid N (listwise)	78				

Source: Results of SPSS Data Processing

Based on the test results above, it can be explained that:

a. In the Ln_CSR variable (X1), the minimum value of -4.34 was owned by PT Charoen Pokphand Indonesia Tbk, while the maximum value of 0.02 was owned by PT Wilmar Cahaya Indonesia Tbk. The mean value was -2.8840 with a standard deviation of 0.69829.
b. In the Ln_GCG variable (X2), the minimum value of -6.21 was owned by PT Aman Agrindo Tbk, while the maximum value of 0.33 was owned by PT Pradiksi Gunatama Tbk. The mean value was -0.7608 with a standard deviation of 0.69453.
c. In the Ln_FCF variable (X3), the minimum value of 11.43 was owned by PT Dewi Shri Farmindo Tbk, while the maximum value of 29.11 was owned by PT Mayora Indah Tbk. The mean value was 18.8836 with a standard deviation of 5.71585.
d. In the Ln_Leverage variable (X4), the minimum value of -7.78 was owned by PT Provident Investasi Bersama Tbk, while the maximum value of 0.97 was owned by PT Bakrie Sumatera Plantations Tbk. The mean value was -1.0896 with a standard deviation of 0.86041.
e. In the Ln_Profitability variable (X5), the minimum value of -8.94 was owned by PT Cerestar Indonesia Tbk, while the maximum value of 22.21 was owned by PT Provident Investasi Bersama Tbk. The mean value was -2.4509 with a standard deviation of 3.40289.

f. In the Ln_Earnings Management variable (Y), the minimum value of 13.62 was owned by PT Mayora Indah Tbk, while the maximum value of 29.59 was owned by PT Dewi Shri Farmindo Tbk. The mean value was 20.6834 with a standard deviation of 5.17985.

Results of Classical Assumption Tests

Classical assumption tests are conducted to ensure that the regression model used meets the required assumptions so that the estimation results obtained are valid and reliable. The classical assumption tests in this study include the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Normality Test

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	Unstandardized Residual
N	78
Mean	0.0000000
Std. Deviation	0.82600274
Most Extreme Differences (Absolute)	0.085
Positive	0.085
Negative	-0.069
Test Statistic	0.085
Asymp. Sig. (2-tailed)	0.200

Notes:
a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the table above, the results of the classical normality assumption test indicate that the Asymp. Sig. (2-tailed) value is 0.200. Since this value is greater than 0.05, the regression model residuals meet the normality assumption (normally distributed) and are appropriate for further parametric analysis.

Multicollinearity Test Results

Table 6. Multicollinearity Test Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.	Tolerance	VIF
(Constant)	3.243	0.541		5.999	0.000		
Ln_CSR	-0.235	0.160	-0.029	-1.468	0.146	0.874	1.144
Ln_GCG	0.127	0.190	0.013	0.668	0.506	0.954	1.048
Ln_FCF	0.981	0.019	0.990	50.550	0.000	0.915	1.093
Ln_LEVERAGE	0.511	0.168	0.065	3.046	0.003	0.769	1.300
Ln_PROFITABILITY	-0.011	0.034	-0.006	-0.311	0.757	0.842	1.187

Dependent Variable: Ln_Earnings Management
Source: Results of SPSS Data Processing

Based on the table above, it can be concluded that there is no multicollinearity among the variables in this study. Multicollinearity can be identified through the tolerance and Variance Inflation Factor (VIF) values. If

the tolerance value is greater than 0.10 and the VIF value is less than 10.00, it indicates that no multicollinearity problem exists in the regression model. All variables in this study have tolerance values above 0.10 and VIF values below 10.00; therefore, the regression model is free from multicollinearity problems.

Heteroscedasticity Test Results

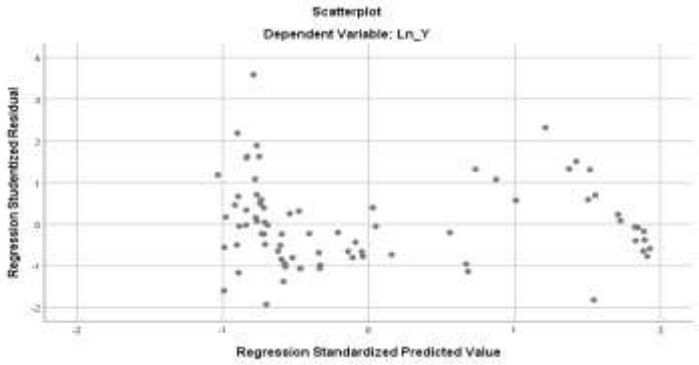

Figure 1. Scatterplot Results of the Heteroscedasticity Test

Based on the results of the heteroscedasticity test using the scatterplot method, it can be seen that the data points are randomly distributed and do not form a particular pattern such as a wave-like, narrowing, or widening pattern. The distribution of the points is also not concentrated in only one specific area. This indicates that there is no heteroscedasticity problem in the regression model.

Autocorrelation Test Results

Table 7. Autocorrelation Test Results

Runs Test	Unstandardized Residual
Test Valuea	-0.10243
Cases < Test Value	39
Cases >= Test Value	39
Total Cases	78
Number of Runs	44
Z	0.912
Asymp. Sig. (2-tailed)	0.362
a. Median	

Based on the table above, the significance value is 0.362. The decision criterion in the Runs Test states that if the significance value is greater than 0.05, then no autocorrelation occurs. Since the significance value of 0.362 is greater than 0.05, it can be concluded that the regression model does not experience autocorrelation and is appropriate for use in this study. This test was used because the data did not meet certain requirements for the Durbin-Watson test.

Multiple Linear Regression Analysis Results

Table 8. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	3.243	0.541		5.999	0.000
Ln_CSR	-0.235	0.160	-0.029	-1.468	0.146
Ln_GCG	0.127	0.190	0.013	0.668	0.506
Ln_FCF	0.981	0.019	0.990	50.550	0.000

Ln_LEVERAGE	0.511	0.168	0.065	3.046	0.003
Ln_PROFITABILITY	-0.011	0.034	-0.006	-0.311	0.757
Dependent Variable: Ln_Earnings Management					

Source: Results of SPSS Data Processing

The multiple linear regression equation obtained is:
Ln_Earnings Management=3.243−0.235Ln_CSR+0.127Ln_GCG+0.981Ln_FCF+0.511Ln_Leverage−0.011Ln_Profitability+a

Based on the regression equation above, the interpretation is as follows:

a. The constant value of 3.243 indicates that if all independent variables (Ln_CSR, Ln_GCG, Ln_FCF, Ln_Leverage, and Ln_Profitability) are assumed to be constant or equal to zero, then the value of Ln_Earnings Management is 3.243.
b. The regression coefficient of Ln_CSR is -0.235, meaning that every one-unit increase in Ln_CSR will decrease Ln_Earnings Management by 0.235, assuming other variables remain constant.
c. The regression coefficient of Ln_GCG is 0.127, indicating that every one-unit increase in Ln_GCG will increase Ln_Earnings Management by 0.127.
d. The regression coefficient of Ln_FCF is 0.981, indicating that every one-unit increase in Ln_FCF will increase Ln_Earnings Management by 0.981. This is the largest coefficient, meaning that Ln_FCF has the most dominant influence on Ln_Earnings Management.
e. The regression coefficient of Ln_Leverage is 0.511, meaning that every one-unit increase in Ln_Leverage will increase Ln_Earnings Management by 0.511.
f. Meanwhile, Ln_Profitability has a coefficient of -0.011, meaning that every one-unit increase in Ln_Profitability will decrease Ln_Earnings Management by 0.011.

Partial Test Results (t-Test)

Table 9. Hypothesis Testing Results (t-Test)

Variable	t-value	Significance	Result
Ln_CSR	-1.468	0.146	Not Significant
Ln_GCG	0.668	0.506	Not Significant
Ln_FCF	50.550	0.000	Significant
Ln_LEVERAGE	3.046	0.003	Significant
Ln_PROFITABILITY	-0.311	0.757	Not Significant
Dependent Variable: Ln_Earnings Management			

Source: Results of SPSS Data Processing

Explanation of the t-test results:

a. Based on the partial test results, the Ln_CSR variable has a significance value of 0.146 (> 0.05) with a t-value of -1.468. This indicates that Ln_CSR has no significant effect on Ln_Earnings Management.
b. The Ln_GCG variable has a significance value of 0.506 (> 0.05) with a t-value of 0.668. Thus, Ln_GCG also has no significant effect on Ln_Earnings Management.
c. The Ln_FCF variable has a significance value of 0.000 (< 0.05) with a t-value of 50.550. This indicates that Ln_FCF has a positive and significant effect on Ln_Earnings Management. Every increase in Ln_FCF significantly increases Ln_Earnings Management.
d. The Ln_Leverage variable has a significance value of 0.003 (< 0.05) with a t-value of 3.046. This means that Ln_Leverage has a positive and significant effect on Ln_Earnings Management.

e. The Ln_Profitability variable has a significance value of 0.757 (> 0.05) with a t-value of -0.311. This indicates that Ln_Profitability has no significant effect on Ln_Earnings Management

Simultaneous Test Results (F-Test)

Table 10. Hypothesis Testing Results (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2027.739	5	405.548	555.803	0.000
Residual	52.536	72	0.730		
Total	2080.274	77			
Dependent Variable: Ln_Earnings Management					

Based on the test results in the table above, the calculated F-value is 555.803 with a significance value of 0.000. Since the significance value is smaller than 0.05 (0.000 < 0.05), it can be concluded that the regression model used in this study is feasible and significant. This indicates that the independent variables simultaneously have a significant effect on the dependent variable.

Coefficient of Determination Test Results

Table 11. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.987	0.975	0.973	0.85420	1.764
Predictors: (Constant), Ln_PROFITABILITY, Ln_GCG, Ln_FCF, Ln_CSR, Ln_LEVERAGE					
Dependent Variable: Ln_Earnings Management					

Based on the test results above, the Adjusted R Square value is 0.973, indicating that 97.3% of the variation in the dependent variable can be explained by the independent variables included in the model. This means that the regression model is able to explain most of the observed variation in earnings management. The remaining 2.7% is influenced by other variables not included in this study. Other variables outside the regression model may also have significant effects on earnings management.

Discussion of Research Results

The Effect of Corporate Social Responsibility on Earnings Management

Based on the test results, the Corporate Social Responsibility (CSR) variable was proven to have no significant effect on earnings management in the companies studied. This indicates that the level of CSR disclosure carried out by the company does not have a meaningful relationship with earnings management practices. This result is consistent with the study conducted by Pratiwi et al. [8], which stated that CSR has no significant effect on earnings management because the level of CSR disclosure is not the main factor in determining earnings management practices. However, this finding is not consistent with the previous study by Yunan [9], which found that CSR significantly affects earnings management. Differences in findings may be caused by differences in research periods, sample sizes, and variable measurement methods used in each study. In addition, company characteristics may also influence the relationship between CSR and earnings management. This condition may occur because companies disclose CSR more as a form of compliance and to maintain the company's image in the public eye, rather than as a tool to conceal earnings management practices. Furthermore, investors tend to pay more attention to the company's financial performance than CSR information when making investment decisions; therefore, CSR disclosure is not directly related to earnings management practices.

The Effect of Good Corporate Governance on Earnings Management

The partial test results indicate that Good Corporate Governance (GCG) has no significant effect on earnings management in the companies studied. These results indicate that the implementation of GCG mechanisms has not been able to limit or suppress earnings management practices effectively. This may occur because the supervisory functions carried out by parties within the corporate governance structure, such as the board of commissioners, audit committee, and institutional ownership, have not functioned effectively. This finding is consistent with the study conducted by Yunan [9], which stated that GCG proxied by institutional ownership has no significant effect on earnings management. However, this result differs from the study conducted by Astuti et al. [10], which found that Good Corporate Governance significantly affects earnings management practices. This difference indicates that under certain conditions, the implementation of GCG can play a role in reducing earnings management practices.The findings indicate that both high and low levels of GCG implementation do not have a direct relationship with corporate earnings management practices. Therefore, GCG cannot yet be considered a significant factor influencing earnings management in this study.

The Effect of Free Cash Flow on Earnings Management

Based on the hypothesis testing results, the Free Cash Flow (FCF) variable partially has a positive and significant effect on earnings management in the companies studied. This result indicates that the amount of free cash flow owned by the company can influence earnings management practices. It also suggests that the availability of free funds is utilized by management for operational interests. This finding is supported by the study conducted by Nuriyah and Amir [11], which stated that Free Cash Flow has a positive and significant effect on earnings management. However, this result is inconsistent with the study by Choyriyah and Amaniyah [12], which found that free cash flow has a negative and insignificant effect on earnings management. The greater the Free Cash Flow owned by the company, the higher the possibility of earnings management practices occurring. This condition occurs because management has greater flexibility in managing company funds, thereby creating opportunities for opportunistic actions, including earnings management, to achieve certain targets or maintain the company's image in the eyes of investors.

The Effect of Leverage on Earnings Management

The test results show that leverage has a positive and significant effect on earnings management in the companies studied. This finding proves that the higher the company's leverage level, the greater the tendency of management to conduct earnings management practices. This condition occurs because companies with high debt levels tend to face pressure from creditors to fulfill contractual obligations, encouraging management to present financial statements that appear more favorable. This finding is supported by Nasution et al. [13], who explained that companies with high leverage ratios tend to conduct earnings manipulation to avoid debt agreement violations. Higher leverage levels increase company risk and encourage management to increase reported earnings. However, this result differs from the study conducted by Marenda et al. [14], which showed that higher leverage can reduce earnings management because companies experiencing large debt burdens may face difficulties in fulfilling their obligations if financial management is ineffective. Leverage demonstrates that companies with high debt levels tend to experience pressure from creditors, which encourages management to perform earnings management so that the company's financial condition appears stable and capable of fulfilling debt agreements.

The Effect of Profitability on Earnings Management

In this study, profitability does not have a significant effect on earnings management in the companies studied. Therefore, the hypothesis stating that profitability affects earnings management is rejected. This

finding is consistent with the study conducted by Marenda et al. [15], which found that liquidity has no significant effect on earnings management when companies experience difficulties in paying short-term obligations. However, this result differs from the study conducted by Abi and Wulandari [16], which stated that profitability reflects company performance and profit generation during a certain period. Lower profitability may encourage companies to engage in earnings management practices. A high level of profitability generally reflects good company performance, so management does not have a strong incentive to conduct earnings management. Therefore, profitability is not considered a factor influencing earnings management practices in this study.

4. Conclusion

Based on the results of the data analysis and discussion, it can be concluded that Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), and profitability do not have a significant effect on earnings management in industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. These findings indicate that the implementation of CSR, governance mechanisms, and the level of company profitability have not been effective in influencing or reducing earnings management practices. On the other hand, Free Cash Flow (FCF) and leverage have a significant effect on earnings management, which means that the availability of free cash flow and higher levels of debt can encourage management to engage in earnings management practices. Furthermore, the simultaneous test shows that CSR, GCG, FCF, leverage, and profitability collectively have a positive and significant effect on earnings management. This indicates that all variables together contribute to explaining the occurrence of earnings management practices in industrial sector companies listed on the IDX during the 2022–2024 period.

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