

The Influence of Environmental, Social, and Governance (ESG) Disclosure and Intellectual Capital on Earnings Management with Profitability as a Moderating Variable

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ABSTRACT

This study aims to examine the influence of Environmental, Social, and Governance (ESG) disclosure and Intellectual Capital on earnings management practices, as well as the role of profitability as a moderating variable in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the 2019 – 2023 period. The inconsistency of previous research findings regarding the effects of ESG disclosure and Intellectual Capital on earnings management serves as the basis for this study. A quantitative approach is employed, using secondary data obtained from companies' annual and sustainability reports, and analyzed using SEM-PLS. The results show that ESG disclosure has a negative effect on earnings management, while Intellectual Capital has a positive effect on earnings management. This indicates that companies with a high level of Intellectual Capital tend to have a greater propensity to engage in earnings management practices. In addition, profitability is found to moderate the effect of ESG disclosure on earnings management, but does not moderate the relationship between Intellectual Capital and earnings management. These findings imply that while ESG can serve as a control tool against earnings manipulation, the presence of Intellectual Capital may not necessarily suppress it and may even be utilized to reinforce earnings management practices.

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1. Introduction

Earnings management is an accounting practice carried out by company management to influence the information presented in financial statements in order to create a more favorable image of performance in the eyes of stakeholders (investors). This practice poses a significant issue as it can undermine transparency and mislead the economic decisions of financial statement users. In Indonesia, this phenomenon is reflected in various cases of

financial statement restatements due to errors or manipulation in revenue recognition, particularly among manufacturing companies in the consumer goods industry that face intense competitive pressure and demands to maintain a positive performance image. One approach believed to be effective in curbing earnings management is through the disclosure of Environmental, Social, and Governance (ESG) information and the management of intellectual capital, both of which are expected to enhance accountability, efficiency, and oversight of company performance. However, ESG disclosure practices in Indonesia remain inconsistent and are often perceived merely as a legitimacy tool lacking substantive value. Similarly, intellectual capital disclosure has yet to be standardized, allowing management the opportunity to selectively present information that supports a favorable corporate image. These conditions highlight the importance of examining the role of ESG disclosure and intellectual capital in mitigating earnings management practices.

Several previous studies have shown inconsistent findings, such as research conducted by Borralho et al. (2022) and Andriani & Arsjah (2022) indicates that ESG disclosure can reduce earnings management practices by improving transparency and oversight. On the other hand, Almubarak et al. (2023) found that ESG can instead be used as a legitimacy tool to mask poor performance. Similarly, Ardiansyah & Sadikin (2023) stated that intellectual capital can reduce earnings management through improved management efficiency, while Yanti (2023) argued that in some cases, companies with high intellectual capital still engage in earnings manipulation to maintain the perception of strong performance.

These inconsistencies highlight a gap in the literature, particularly in understanding the conditions or factors that may strengthen or weaken the influence of ESG disclosure and intellectual capital on earnings management. One suspected factor influencing this relationship is profitability. In the context of agency theory, highly profitable companies tend to have less incentive to manipulate earnings due to already strong performance, making ESG disclosure and the use of intellectual capital more credible. Conversely, less profitable companies face greater pressure to maintain a positive image, which may drive them to engage in earnings management practices.

Therefore, this study aims to examine the influence of ESG disclosure and intellectual capital on earnings management and to analyze the role of profitability as a moderating variable that may strengthen or weaken this relationship, with a focus on manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange during the 2019–2023 period.

2. Literature Review

Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), explains the relationship between company owners (principals) and managers (agents) who are authorized to manage the company. Conflicts of interest often arise due to differences in objectives between the two parties. Agents do not always act in accordance with the principals' interests, who aim to maximize the value of the company. This theory is reinforced by Eisenhardt (1989) and Ross

(1973), who highlight the importance of control mechanisms to reduce conflicts and information asymmetry. In the context of this study, agency theory serves as the foundation for understanding how ESG Disclosure and Intellectual Capital can suppress earnings management practices through increased transparency and effective management. Profitability, as a moderating variable, strengthens this relationship, as more profitable companies tend to have less incentive to manipulate financial statements.

Earnings Management

Earnings management is a managerial act to influence financial reports to appear more favorable (Kuncara Widagdo et al., 2021). This practice is often carried out for personal gain, such as earning incentives or maintaining positions (Putri et al., 2022). Techniques used include changes in accounting assumptions, as well as accelerating or delaying the recognition of revenues and expenses. The purposes of earnings management include meeting profit targets, maintaining reputation, and attracting investors. This practice arises from conflicts of interest between management and shareholders, known as agency problems (Anggraini & Gustivani, 2022).

Earnings management has negative impacts as it can mislead financial reporting and reflect an inaccurate condition (Andini & Amboningtyas, 2020). There are two types of earnings management: earnings smoothing, which is legal, and earnings manipulation, which is fraudulent and violates accounting principles (Achyani & Lestari, 2019). This practice has broad effects on investment decisions and policies, thus requiring strict regulation and oversight to maintain transparency and accountability.

ESG Disclosure

Environmental, Social, and Governance (ESG) Disclosure refers to the company's disclosure of its policies, practices, and performance in the areas of environment, social responsibility, and corporate governance. ESG disclosure aims to enhance transparency and demonstrate the company's commitment to sustainability and social responsibility (Ghaleb et al., 2021). This disclosure is becoming increasingly important in meeting stakeholder expectations for responsible business practices (Andriani & Arsjah, 2022).

ESG Disclosure includes environmental aspects such as emission reduction, social aspects such as employee rights protection, and governance aspects such as management structure and internal controls. Governance plays a crucial role in enhancing accountability and reducing earnings management practices (Amarna et al., 2024). In addition to being a transparency tool, ESG disclosure also serves to strengthen reputation and gain public legitimacy (Suchman, 1995). However, a major challenge of ESG disclosure lies in the lack of standardization, which may reduce its effectiveness (Borralho et al., 2022). Nevertheless, consistent and clear ESG disclosure can strengthen the company's relationship with stakeholders and create long-term value for society and the environment (Xaviera & Rahman, 2023).

Intellectual Capital

Intellectual Capital is an intangible asset that reflects the value of a company's resources (Mahirun et al., 2024). It consists of three main components: human capital, structural capital, and relational capital (Ardiansyah & Sadikin, 2023). Human capital includes employee knowledge and skills (Yanti, 2023). Structural capital encompasses systems, organizational culture, and technology (Wato, 2019). Relational capital involves external relationships such as with customers and stakeholders (Rantung & Salim, 2024). Companies with strong intellectual capital tend to focus on long-term growth and avoid earnings management practices. Good external relationships also enhance oversight of financial reporting.

Profitability

Profitability is a company's ability to generate profit from its operational activities, indicating the efficiency in managing assets and capital. A common measure is Return on Assets (ROA), which evaluates the profit generated relative to the company's total assets (Astuti & Pangestu, 2019). Profitability serves as a moderating variable that can strengthen or weaken the relationship between ESG disclosure and intellectual capital on earnings management.

Companies with high ROA tend to have less incentive to engage in earnings management due to already strong financial conditions (Amarna et al., 2024). Conversely, companies with low ROA are at higher risk of manipulating earnings to maintain a positive image, even if they have good ESG disclosure or intellectual capital (Jaden Gil Kaligis & Susi Dwi Mulyani, 2024). Therefore, profitability becomes a key indicator in analyzing the potential for earnings management and the effectiveness of ESG and intellectual capital in curbing such manipulation.

The Effect of ESG Disclosure on Earnings Management

Previous studies show that ESG disclosure can function as a monitoring mechanism that reduces earnings management practices. Proper ESG disclosure can enhance company transparency and accountability, which can trigger stricter oversight from investors and stakeholders (Silvera et al., 2024). Moreover, ESG information allows external parties to assess a company's non-financial performance, which affects management's prudence in earnings handling. The governance aspect of ESG is a key factor in curbing earnings management by reducing information asymmetry (Xaviera & Rahman, 2023). Thus, based on agency theory, ESG disclosure can reduce the conflict of interest between managers and owners through increased transparency. The hypothesis that can be formulated is:

H1: ESG Disclosure has a negative effect on earnings management

The Effect of Intellectual Capital on Earnings Management

Research by Ardiansyah & Sadikin (2023) stated that intellectual capital can reduce earnings management practices by increasing efficiency and transparency. Rantung & Salim (2024) added that this influence is affected by the level of profitability, where companies with low profitability remain at risk of engaging in earnings management even if they possess high

intellectual capital.

According to agency theory, intellectual capital can reduce agency conflict by enhancing company value and shareholder trust. Thus, the hypothesis that can be formulated is:

H2: Intellectual Capital has a negative effect on earnings management

The Moderating Role of Profitability in the Relationship between ESG Disclosure and Earnings Management

ESG disclosure reflects a company's transparency in environmental, social, and governance aspects (Borralho et al., 2022). Research by Andriani & Arsjah (2022) noted that profitability strengthens the negative influence of ESG on earnings management, indicating that companies with higher profits are better able to leverage ESG to curb earnings manipulation. From the perspective of agency theory, high profitability can strengthen the credibility of ESG disclosures and reduce the need for managers to manipulate performance. Thus, the hypothesis that can be formulated is:

H3: Profitability weakens the effect of ESG Disclosure on earnings management

The Moderating Role of Profitability in the Relationship between Intellectual Capital and Earnings Management

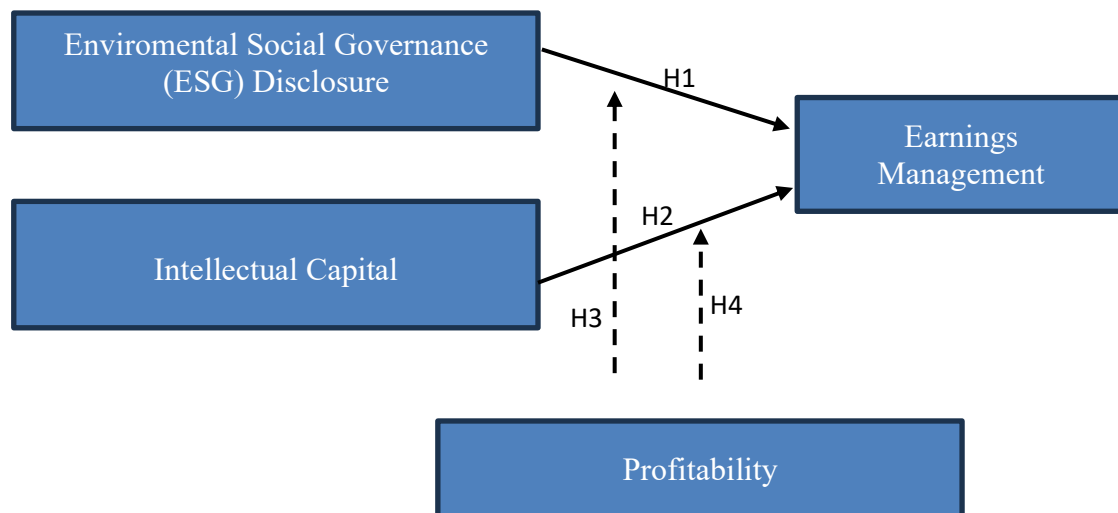
A study by Subagio (2022) shows that earnings management practices can hinder the contribution of intellectual capital, as the financial information presented no longer reflects actual performance. High profitability enables companies to manage intellectual capital more optimally without needing to manipulate financial reports (Pramesti et al., 2024). In the context of agency theory, companies with high profitability tend to utilize intellectual capital genuinely to enhance performance, thus reducing the motivation for earnings management for personal managerial gain. The hypothesis that can be formulated is:

H4: Profitability weakens the effect of Intellectual Capital on earnings Management

3. Method, Data, and Analysis

This study employs a quantitative approach. According to Sugiyono (2022), a quantitative approach is used to examine specific populations and samples, with data collected using research instruments and analyzed through quantitative or statistical methods, with the aim of testing hypotheses. The research method used in this study is causal research with an explanatory approach, which aims to test the influence of ESG disclosure and intellectual capital on earnings management, as well as the role of profitability as a moderating variable. The research model is as follows:

Figure 1. Research Model



Population, Research Context, and Unit of Analysis

The population in this study consists of all manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The research context is focused on companies within this sector due to their characteristics, which are closely related to sustainability issues and the management of intellectual capital. The unit of analysis in this study is the companies’ annual reports and sustainability reports.

Sampling and Respondent Profile

Sampling was conducted using the purposive sampling method, with criteria including companies that consistently published annual reports during the study period, provided ESG disclosure data, and had complete information related to the research variables. The final sample consists of companies that met these criteria over the five-year research period.

Data Collection

The data used in this study are secondary data obtained from companies’ annual reports and sustainability reports published on the official website of the Indonesia Stock Exchange (IDX) and the official websites of the respective companies.

Variable Measurement

The measurement of variables in this study is based on the methods and indicators used in previous research, as follows:

Earnings Management

Earnings management is measured using the Modified Jones Model as developed by Dechow et al. (1995). The formula for earnings management is as follows:

$$DA_t = TA_t/A_{t-1} - (\beta_1 \times (1/A_{t-1}) + \beta_2 \times \Delta Rev_t/A_{t-1} + \beta_3 \times PPE_t/A_{t-1})$$

Explanation:

DA_t : Discretionary Accruals

- TA_t : The difference between net income and operating cash flow
 A_{t-1} : Total assets of the company in the previous year
 β₁, β₂, β₃ : Regression coefficients
 ΔRev_t : Change in revenue
 PPE_t : Value of fixed assets owned by the company in the current
 Year

ESG Disclosure

ESG disclosure is measured using an index based on the 2021 GRI Standards, which includes three main categories. First, the Environmental category (GRI 300) covers GRI 301 (Materials), GRI 302 (Energy), GRI 303 (Water and Effluents), GRI 304 (Biodiversity), GRI 305 (Emissions), GRI 306 (Waste), GRI 307 (Environmental Compliance), and GRI 308 (Supplier Environmental Assessment). Second, the Social category (GRI 400) includes GRI 401 (Employment), GRI 402 (Labor/Management Relations), GRI 403 (Occupational Health and Safety), GRI 404 (Training and Education), GRI 405 (Diversity and Equal Opportunity), GRI 406 (Non-Discrimination), GRI 407 (Freedom of Association and Collective Bargaining), GRI 408 (Child Labor), GRI 409 (Forced or Compulsory Labor), GRI 410 (Security Practices), GRI 411 (Rights of Indigenous Peoples), GRI 412 (Human Rights Assessment), GRI 413 (Local Communities), GRI 414 (Supplier Social Assessment), GRI 415 (Public Policy), GRI 416 (Customer Health and Safety), and GRI 417 (Marketing and Labeling). Meanwhile, the Economic/Governance-related aspects category (GRI 200) includes GRI 2 (General Disclosures), GRI 205 (Anti-Corruption), GRI 206 (Anti-Competitive Behavior), and GRI 207 (Tax). The GRI index used in this study consists of 90 indicator items relevant to manufacturing companies in the consumer goods industry sector. The list of indicators is adapted from the complete GRI Standards and sustainability reporting practices in Indonesia. The index is calculated by dividing the number of ESG items disclosed by the company by the total of 90 relevant indicator items, then multiplying by 100% to obtain a percentage score, using the following formula:

$$\text{ESG Disclosure} = \frac{\text{Number of Disclosed Indicators}}{\text{Total Maximum Indicators}} \times 100\%$$

Intellectual Capital

Measurement of Intellectual Capital In this study, intellectual capital is measured using the Value Added Intellectual Coefficient (VAIC) method. VAIC assesses a company's efficiency in creating value added through three main components: physical capital, human capital, and structural capital. The calculation steps are as follows:

- 1) Calculate Value Added (VA)

$$\text{VA} = \text{OUTPUT} - \text{INPUT}$$

Explanation:

$$\text{OUTPUT} = \text{Total revenue}$$

$$\text{INPUT} = \text{Operating expenses excluding employee salaries and benefits}$$

- 2) Calculate Value Added Capital Employed (VACA)

$$\text{VACA} = \frac{\text{VA}}{\text{CE}}$$

Explanation:

VACA = Ratio of value added to capital employed

VA = Difference between output and input excluding labor and capital

CE = Total equity and net income

3) Calculate Value Added Human Capital (VAHU)

$$VAHU = \frac{VA}{HC}$$

Explanation:

HC = Employee Expenses

VA = Difference between output (revenue) and input (costs other than labor and capital)

4) Calculate *Structural Capital Value Added* (STVA)

$$STVA = \frac{SC}{VA}$$

Explanation:

SC = VA - HC

VA = Difference between output and input excluding labor and capital

5) Calculate Value Added Intellectual Coefficient (VAIC)

$$VAIC = VACA + VAHU + STVA$$

Profitability

Profitability is proxied by the Return on Assets (ROA) ratio, which reflects the efficiency of asset utilization in generating net income. The formula is:

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

Data Analysis Method

Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach with the WarpPLS software. The use of PLS-SEM through WarpPLS was chosen due to its ability to test the relationships between variables simultaneously, handle data with non-normal characteristics, and provide accurate parameter estimates for complex models.

4. Result and Discussion

Model Fit Test

Table 1. Model Fit Test

Model F	Value	Signifikansi	Rule Of Thumb	Keterangan
APC	0,297	0,009	< 0,05	Fulfil
ARS	0,005	0,005	< 0,05	Fulfil
AARS	0,019	0,019	< 0,05	Fulfil
AVIF	1,145		Considered acceptable if ≤ 5 and ideal if ≤ 3.3	Fulfil

Model F	Value	Signifikansi	Rule Of Thumb	Keterangan
AFVIF	3,974		Considered acceptable if ≤ 5 and ideal if ≤ 3.3	Fulfil
GoF	0,571		Small $\geq 0,1$ Medium $\geq 0,25$ Large $\geq 0,36$	Large

Source: Processed data, 2025

The structural model was tested using the PLS-SEM approach through WarpPLS. The results showed that the Average Path Coefficient (APC) was 0.297 ($p = 0.009$), the Average R-squared (ARS) was 0.005, and the Average Adjusted R-squared (AARS) was 0.019 — all of which are statistically significant ($p < 0.05$). These results indicate that the relationships between constructs in the model are significant, and the model has explanatory power regarding earnings management. Furthermore, the AVIF value of 1.145 and the AFVIF value of 3.974 remain within the acceptable threshold (≤ 5), indicating no multicollinearity issues. Meanwhile, the Goodness of Fit (GoF) value of 0.571 is considered high, meaning that the model demonstrates strong compatibility with the empirical data.

Theoretically, these findings align with agency theory proposed by Jensen and Meckling (1976), which suggests that the relationship between managers (agents) and owners (principals) involves a conflict of interest due to differing objectives, potentially encouraging managers to engage in opportunistic behaviors such as earnings management. In this context, ESG disclosure and intellectual capital act as monitoring mechanisms that can reduce information asymmetry and enhance transparency, thereby limiting managers' ability to manipulate financial statements.

Moreover, profitability strengthens this relationship because firms with strong financial performance tend to face less pressure to manipulate earnings to meet market expectations. Thus, these findings demonstrate that the structural model is not only statistically valid but also theoretically supported, particularly in explaining how ESG disclosure and intellectual capital can suppress earnings management practices within the framework of agency theory.

Coefficient of Determination Test (R^2)

Table 2. R-Squared dan Q-Squared

Model F	Value
R-Squared	0,326
Q-Squared	0,531

Table 3. Effect Size for Path Coefficients

Variabel	Path Coefficient	Keterangan	Rule Of Thumb
ESG	0.109	Weak	$>0,02$ Weak

Variabel	Path Coefficient	Keterangan	Rule Of Thumb
Intellectual Capital	0.168	Moderate	>0,15 Moderate
ESG*Profitability	0.090	Weak	>0,35 Strong
Intellectual Capital*Profitability	0.139	Weak	

Source: Processed data, 2025

Based on the WarpPLS output, the R-squared value for the earnings management variable is 0.326, indicating that 32.6% of the variation in earnings management can be explained by ESG disclosure and intellectual capital. Furthermore, the Q-squared value of 0.531 demonstrates that the model has fairly good predictive capability, although it is not yet optimal.

The effect size analysis shows that the influence of intellectual capital is moderate (0.168), while ESG and its interaction with profitability have weak effects (0.109 and 0.090, respectively), as does the interaction between intellectual capital and ROA (0.139). Overall, the model is considered feasible for use, but its effectiveness could be improved by including additional variables in future research.

Hypothesis Testing

Table 4. Path Coefficient and P-Values

Effect	Nilai Path Coefficient	Direction	P-Value	Conclusion
ESG Disclosure -> Earnings Management	-0.326	Negative	0.010	Accepted
Intellectual Capital -> Earnings Management	0.332	Positive	0.009	Rejected
ESG Disclosure*Profitability	-0.242	Negative	0.045	Accepted
Intellectual Capital*Profitability	0.291	Positive	0.020	Rejected

Source: Processed data, 2025

The SEM-PLS analysis results show that ESG (Environmental, Social, and Governance) disclosure has a negative and significant effect on earnings management, with a path coefficient of -0.326 and a p-value of 0.010. This means that the higher the level of ESG disclosure, the lower the company's tendency to engage in earnings management practices. This finding supports agency theory Jensen, Michael C. (1976), which states that ESG disclosure can reduce information asymmetry between managers and owners by increasing transparency. By providing more complete and accurate ESG information, companies make it easier for owners and external parties such as investors or regulators to monitor managerial

actions, thereby reducing managers' opportunities to engage in earnings management for personal gain.

This result aligns with the findings of Borralho et al. (2022) and Nabillah & Fahira (2024), who state that ESG disclosure, especially in the governance aspect, is highly effective in reducing earnings management practices. This is because good ESG disclosure can improve transparency and stakeholder oversight, thereby reducing management's incentives to manipulate financial reports. Xaviera & Rahman (2023) also emphasize that the governance aspect of ESG acts as an important control mechanism for reducing financial manipulation.

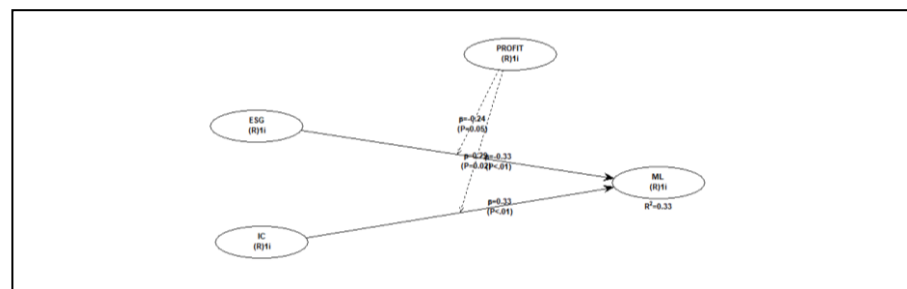
Conversely, the results for Intellectual Capital show that this variable has a positive and significant effect on earnings management, with a path coefficient of 0.332 and a p-value of 0.009. This direction of influence contradicts the initial hypothesis, which predicted a negative relationship. Based on agency theory, this result suggests that high intellectual capital can give managers greater flexibility in managing information, thereby expanding the room for information asymmetry. With knowledge advantages that are difficult for owners or investors to verify, management can leverage intellectual capital to strategically manipulate financial performance and engage in earnings management. Moreover, the lack of standardized IC disclosure in Indonesia can increase opportunities for managers to selectively present information that benefits their image without improving substantive transparency. This finding is consistent with the results of Yanti (2023) and Putra Marchania & Vinola Herawaty (2024), who explain that intellectual capital can be strategically used to obscure poor financial performance through earnings management practices, particularly in companies seeking to maintain a positive image.

Furthermore, profitability (ROA) is found to significantly and negatively moderate the effect of ESG disclosure on earnings management, with a path coefficient of -0.242 and a p-value of 0.045. This means that profitability weakens the effect of ESG Disclosure in suppressing earnings management practices. Within the framework of agency theory, companies with high profitability may face lower monitoring pressure because owners or investors tend to have greater trust in management's performance. Such excessive trust reduces the effectiveness of ESG Disclosure as a control mechanism to limit opportunistic managerial behavior. As a result, in highly profitable companies, ESG Disclosure tends to lose some of its power to prevent earnings management. This finding is in line with research by Andriani & Arsjah (2022), which states that high profitability can weaken ESG's role in reducing earnings management practices. Companies that already demonstrate good financial performance through high profitability may feel less pressure to manipulate earnings, making ESG disclosure potentially less consistent or merely symbolic.

Next, profitability is found to strengthen the positive effect of intellectual capital on earnings management, with a path coefficient of 0.291 and a p-value of 0.020. This finding contradicts the initial hypothesis that expected a negative direction. In other words, companies with high profitability levels may actually leverage intellectual capital to reinforce earnings management practices. This finding aligns with the agency theory perspective that

emphasizes the conflict of interest between agent and principal. In this context, managers in highly profitable companies may face pressure to maintain or enhance market expectations of their financial performance. Intellectual capital, which contains much information and is difficult to measure externally, can give management opportunities to exploit information asymmetry to conduct earnings management more subtly and in ways that are harder to detect. Thus, good financial performance does not always reduce incentives for earnings manipulation; instead, it can increase the opportunities and capacity to do so, especially in maintaining the company's performance reputation in the eyes of investors and stakeholders. Rahmawati et al. (2022) and Subagio (2022) also note that in certain situations, companies with strong intellectual capital and high profitability may be inclined to use both strategically to reinforce positive market perceptions through earnings management.

Figure 2. Research Model (WarpPLS Output)



Sources: WarpPLS, 2025

Equation

Figure 2 presents the conceptual model that has been processed using WarpPLS. Therefore, the equations formed in this study are as follows:

$$EM = \beta_1 ESGD + \beta_2 VAIC + \beta_3 (ESGD.PROF) + \beta_4 (VAIC.PROF) + \varepsilon \quad (1)$$

Explanation:

EM = Earnings Management

ESGD = Environmental, Social, and Governance Disclosure

VAIC = Intellectual Capital

PROF = Profitability

ε = Error term

5. Conclusion and Suggestion

This study examines the effect of Environmental, Social, and Governance (ESG) Disclosure and Intellectual Capital on earnings management, with profitability as a moderating variable, in manufacturing companies in the consumer goods and industrial sector in Indonesia during the period from 2019 to 2023. The results show that ESG Disclosure can reduce companies' tendency to engage in earnings management, while the use of Intellectual Capital actually increases this tendency. Moreover, profitability is found to weaken the effect of ESG Disclosure on earnings management, meaning that in highly profitable companies, ESG's control effect on earnings management becomes weaker. Conversely, profitability

strengthens the influence of Intellectual Capital on earnings management, indicating that companies with good financial performance are more likely to exploit intellectual capital for opportunistic purposes. This finding contributes theoretically by enriching the literature on how ESG and Intellectual Capital interact with a company's financial condition in influencing opportunistic accounting practices.

Practically, this study provides important implications for regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) to encourage the development of more transparent, consistent, and standardized ESG reporting and intellectual capital disclosure guidelines, in order to minimize the potential misuse of information in financial statements. For investors, these findings serve as a reminder that assessing the risk of earnings management should not be based solely on the level of ESG disclosure or intellectual capital individually, but should also consider the company's profitability to obtain a more comprehensive picture.

Nonetheless, this study has limitations in terms of its sector and time coverage, and it does not yet consider other variables such as firm size, ownership structure, and governance quality. In addition, inconsistent ESG reporting practices in Indonesia pose a challenge in obtaining complete and accurate data. Therefore, future research is suggested to expand the industry scope and observation period, consider additional relevant variables, and adopt methodological approaches that can address data limitations, such as using text mining or machine learning on sustainability reports, in order to produce a more comprehensive understanding of the determinants and implications of earnings management practices across various industry contexts.

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