THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITIES ON EARNINGS MANAGEMENT: EVIDENCE FROM VIETNAM

Ngo Phuong Nhat Diem⁴, Le Tuan Hiep⁵

Purpose: This study aims to assess whether listed companies comply with regulations on social responsibility disclosure and the regulatory role of CEO power impact earnings management.

Theoretical framework: Corporate social responsibility (CSR) has become a decisive factor in business performance and is consequential to the sustainable existence of enterprises in the world's competitive environment (Buckingham, 2012; Mark, 2012; Yinyoung et al., 2016; Enric, 2018) and also a concern in the context of many concerns about social and environmental issues.

Design/methodology/approach: The study uses a data sample of 418 companies listed on the two stock exchanges HOSE and HNX in the period 2016 - 2020 through the method of general feasible least squares (FGLS) to measure the impact of corporate social responsibility and the impact of social responsibility with the regulation of CEO power on earnings management.

Findings: This empirical evidence has provided reliable evidence to help listed companies have the incentive to comply with regulations on CSR disclosure to increase their prestige and attract investment.

Research, Practical & Social implications: The research results admit that companies that comply with regulations on CSR disclosure have limited profit management, and in the case of influential executives, the impact of CSR on profit management is more substantial.

Originality/value: The study only examines the impact of CSR combined with CEO power, so it is not possible to have an overview of the CEO’s impact on the implementation of corporate CSR on EM and CSR in the regulation of corporate governance to EM. Therefore, this is the author’s future research direction when considering this issue.

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O IMPACTO DAS RESPONSABILIDADES SOCIAIS CORPORATIVAS NA GESTÃO DOS LUCROS: EVIDÊNCIA DO VIETNAME

RESUMO

Objetivo: Este estudo visa avaliar se as empresas listadas cumprem as regulamentações sobre divulgação de responsabilidade social e o papel regulatório do poder de CEO impactam a gestão dos lucros.

Estrutura teórica: A responsabilidade social corporativa (RSC) tornou-se um fator decisivo no desempenho empresarial e é consequente à existência sustentável de empresas no ambiente competitivo mundial (Buckingham,

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2012: Mark, 2012; Yinyoung et al., 2016; Enric, 2018) and also a concern in the context of many concerns about social and environmental issues. Therefore, in recent years, Vietnam has

Design/metodologia/abordagem: O estudo utiliza uma amostra de dados de 418 empresas listadas nas duas bolsas HOSE e HNX no período 2016 - 2020 através do método dos mínimos quadrados possíveis (FGLS) para medir o impacto da responsabilidade social corporativa e o impacto da responsabilidade social com a regulamentação do poder do CEO na gestão dos lucros.

Conclusões: Estas evidências empíricas forneceram evidências confiáveis para ajudar as empresas listadas a ter o incentivo de cumprir com as regulamentações sobre divulgação de RSE para aumentar seu prestígio e atrair investimentos.

Pesquisa, implicações práticas e sociais: Os resultados da pesquisa admite que as empresas que cumprem com as regulamentações sobre a divulgação da RSE têm uma gestão de lucros limitada e, no caso de executivos influentes, o impacto da RSE na gestão de lucros é mais substancial.


EL IMPACTO DE LA RESPONSABILIDAD SOCIAL DE LAS EMPRESAS EN LA GESTIÓN DE BENEFICIOS: DATOS DE VIETNAM

RESUMEN
Objetivo: El objetivo de este estudio es evaluar si las empresas que cotizan en bolsa cumplen la normativa sobre divulgación de información relativa a la responsabilidad social y si el papel regulador del poder del director general influye en la gestión de beneficios.

Marco teórico: la responsabilidad social corporativa (RSC) se ha convertido en un factor decisivo en el rendimiento empresarial y es consecuente con la existencia sostenible de las empresas en el entorno competitivo mundial (Buckingham, 2012; Mark, 2012; Yinyoung et al., 2016; Enric, 2018) y también una preocupación en el contexto de muchas preocupaciones sobre cuestiones sociales y ambientales.

Diseño/metodología/enfoque: El estudio utiliza una muestra de datos de 418 empresas que cotizan en las dos bolsas de valores HOSE y HNX en el período 2016 - 2020 a través del método de mínimos cuadrados generales factibles (FGLS) para medir el impacto de la responsabilidad social corporativa y el impacto de la responsabilidad social con la regulación del poder del CEO en la gestión de ganancias.

Conclusiones: Esta evidencia empírica ha proporcionado pruebas fiables para ayudar a las empresas que cotizan en bolsa a tener el incentivo de cumplir con las regulaciones sobre la divulgación de la RSE para aumentar su prestigio y atraer inversiones.

Investigación, implicaciones prácticas y sociales: Los resultados de la investigación admiten que las empresas que cumplen la normativa sobre divulgación de la RSC tienen una gestión de beneficios limitada, y en el caso de los ejecutivos influentes, el impacto de la RSC en la gestión de beneficios es más sustancial.

Originalidad/valor: el estudio sólo examina el impacto de la RSE combinada con el poder del CEO, por lo que no es posible tener una visión de conjunto del impacto del CEO en la aplicación de la RSE de las empresas a los beneficios y de la RSE en la regulación del gobierno corporativo a los beneficios. Por lo tanto, ésta es la futura dirección de investigación del autor al considerar esta cuestión.

Palabras clave: Responsabilidad Social Corporativa, Gestión de Beneficios, Vietnam.

INTRODUCTION
In the current trend of more profound and broader integration, corporate social responsibility (CSR) has become a decisive factor in business performance, robust to the sustainable existence of enterprises in the world competitive environment (Buckingham, 2012; Mark, 2012; Yinyoung et al., 2016; Enric, 2018) and also a concern in the context of many concerns about social and environmental issues. Therefore, in recent years, Vietnam has
issued many legal documents related to promoting social responsibility disclosure, such as Circular 155; Circular 96 of the Ministry of Finance replaces Circular 155 about CSR disclosure, which requires businesses to perform social responsibility in their business activities. Therefore, compliance with CSR in Vietnam is compliance with the legal regulations that contribute to the financial reporting to achieve the objective of honesty and fairness.

With the increasing awareness of the international community and stakeholders about environmental and social issues, the role of businesses is no longer simply interested in profits, increasing benefits for investors, increasing the level of contribution to the budget that must care about the environment, contributing to the community towards the goal of sustainable development (Carroll, 1999; Chapple et al., 2005). Vietnamese businesses that want to integrate and develop sustainably need to operate following international practices and disclose social responsibility information to increase the brand value of enterprises in the global market.

According to the sustainable development orientation in general and complying with the regulations on corporate social responsibility in particular, the person who builds a culture of ethical behavior and social responsibility is none other than the leader of the unit - typically the chief executive officer (CEO). If a business is run and led by CEOs with professional vision, reputation, and experience, who always adhere to business ethics and aim for the community's common interests, it will create a strong bond. Connecting with employees, connecting with stakeholders, thereby helping the unit realize its sustainable development goals. Senior managers can influence policy implementation regarding CSR (Waldman & Siegel, 2008). Managerial leadership is imperative in stakeholder theory because strategic decisions are made by the organization's powerful actors (Hambrick & Mason, 1984). The strategic choices of his or her experiences, values, and personality (Hambrick, 2007). Thus, based on these issues, we conduct an empirical analysis to see whether implementing relevant government-issued CSR regulations helps entities behave more responsibly by Transparency of information on financial statements, limiting profit management. At the same time, we also use upper echelons theories to test whether CEO characteristics can predict differences in CSR across companies. Therefore, this article is designed to test companies that comply with CSR regulations with limited profit management and are regulated by an executive with expertise in finance and accounting. Does it change CSR in listed companies?

CSR disclosure policy is also significant evidence for policymakers, regulators, and investors participating in the Vietnamese stock market. This study contributes to the overall picture of CSR and EM research, typically providing compelling empirical evidence that listed companies practice different earnings management behavior when complying with various
CSR regulations. At the same time, this study also acknowledges that companies run by CEOs have other characteristics, so the policy on CSR disclosure is also different. Thus, the article's findings have provided a reliable theoretical foundation on the impact of CSR on the behavior of using accrual policies affecting profitability as well as the role of the CEO in complying with the policies.

THEORETICAL FRAMEWORK

Corporate Social Responsibility and Profit Management

Corporate social responsibility is a strategic behavior that reflects the extent to which an entity carries out activities for the common good of society with compliance with legal requirements (McWilliams & Siegel, 2001; Carroll, 1999). They extended corporate social responsibility from traditional economic and legal obligations to ethical and philanthropic responsibilities in response to growing concerns about ethical issues in business. Meanwhile, the theory of three concentric circles sets out guidelines and principles for assessing and reporting the CSR achievements of enterprises, and this is also a specific measure for the level of CSR commitment of enterprises (Elkington, 1997; Puriwat & Tripopsakul, 2022).

The studies on the link between CSR and EM are pretty rich, but the results differ depending on the theories' perspective. Referring to stakeholder theory, CSR has a positive impact on earnings management. Jensen (2001) and Leuz et al. (2003) argue that CSR increases agency problems, making managers more motivated to use profit manipulation techniques to conceal debts. This view has been corroborated by research results when it is recognized that the more companies comply with regulations on social responsibility disclosure, the higher the EM (Jensen & Meckling, 1976; McWilliams et al., 2006; Hemingway & Maclagan, 2004).

Meanwhile, from the point of view of signaling theory, a negative relationship between CSR and EM is detected. According to this theory, implementing CSR reduces the information asymmetry among business partners (Grougiou et al., 2014), assuming a negative relationship between CSR and EM. The more a company discloses CSR, the fewer accruals and the more irregular earnings management is involved. The results of the studies show that the higher the CSR, the lower the EM, which means that the companies implementing CSR will act responsibly to prepare transparent financial statements based on ethical perspectives (Carroll, 1979; Donaldson & Preston, 1995; Jones, 1995; Phillips et al., 2003; Kim et al., 2012; Ben Amar & Chakroun, 2018) and these results confirmed the point of signal theory (Kim et al., 2012). His research results have proven that companies implementing CSR are less active in
manipulating profits on accruals through economic activities than other companies. The company does not implement CSR. Similarly, other studies (Lim & Choi, 2013; Cho & Chun, 2016; Kim et al., 2019) also agree that companies implementing CSR are less likely to implement profit management through economic activity or accruals.

**Corporate Social Responsibility and CEO Characteristics**

Hambrick & Mason (1984) argued that an organization’s performance, both strategy and CSR, is reflected by the values and perceptions of the powerful manager in the organization - the chief executive officer. They recognize the decision maker's personal perceptions and values as essential screens or filters when analyzing complex situations that affect strategic choices and operational outcomes. CEO observable characteristics such as age, experience, expertise, and gender can often be used as indicators for filters based on their perceptions and values. Thus, hypotheses about the impact of CEO on CSR are also argued based on the high-level theory of (Hambrick & Mason, 1984).

Chief Executive Officer (CEO) is involved in corporate CSR implementation (Bernard et al., 2018; Chen et al., 2019). Companies with high CSR reduce the likelihood of corporate change by the CEO (Orij et al., 2021). Therefore, previous studies have acknowledged that CEO characteristics impact corporate CSR implementation (Chin et al., 2013; García-Sánchez et al., 2020; Bernard et al., 2018). The upper echelons theory argued that the strategies enacted in joint stock companies are governed by the attributes of the CEO (Sanders & Carpenter, 1998; Hambrick & Mason, 1984) and also assumes a decision. The more complex, the stronger the influence of the CEO characteristics (Bernard et al., 2018). So, CEOs explain about 30% of the variation in CSR (Wernicke et al., 2021).

**Changes in CSR in Vietnam in Recent Years**

Although the issue of corporate social responsibility is still a relatively new problem in Vietnam, in the early years of the 21st century, this issue has also been paid attention to by some ministries and sectors. For example, in 2005, the Vietnam Chamber of Commerce and Industry, the Ministry of Labour, Invalids and Social Affairs, and the Ministry of Industry and Trade, together with the Leather, Footwear and Textile Associations, awarded the "Corporate Social Responsibility towards sustainable development" to honor businesses that well perform their corporate social responsibility in the context of integration.

In 2014, for the first time, corporate social responsibility was included in the Law on enterprises, such as the responsibility of enterprises to comply with business conditions.
Besides, the commitment of the enterprise to the tax and financial obligations, duties of enterprises towards employees, and corporate responsibility for the general order of society.

On October 6, 2015, the Ministry of Finance issued Circular 155, guiding the disclosure of information on the stock market with disclosure requirements on social responsibility and has now been changed and replaced by Circular 96, issued by the Ministry of Finance on November 16, 2020, guiding the disclosure of information on social responsibility with requirements on environmental issues; human problems; community service activities.

Thus, with the government's support, the issues of corporate social responsibility information disclosure have been guided quite detailed, specifically, meeting the increasing integration requirements according to international practices.

**Research Hypothesis**

Corporate social responsibility and profit management: Based on the empirical studies mentioned, it is difficult to assess the impact of CSR on income management because those studies have mixed results. Earnings management behavior distorts the business situation of the entity, typically information about profit, so it has negative impacts on the decision to use resources of investors (Healy & Wahlen, 1999), value, and the company's relationship to stakeholders (Cho & Chun, 2016; Kim & Sohn, 2013; Alasiri & AlKubaisy, 2022).

Companies that engage in activities that meet ethical requirements, such as performing social responsibility, will not be able to manage profits and provide honest and reliable financial statements because following ethical theories when businesses carry out activities that contribute to the welfare and interests of society with ethical business practices (Carroll, 1979; Donaldson & Preston, 1995). At the same time, the signal theory suggests that CSR disclosure signals to investors and financial markets that managers can control risk, commit to carrying out social responsibility (Sun et al., 2010), and reduces information asymmetry (Grougiou et al., 2014). Therefore, according to the signal theory, the more companies engage in CSR activities, the less the company will perform earnings management (Chih et al., 2008). The results of this study are also consistent with the results of (Kim et al., 2012) conducted in the US in the period 1991 - 2009, or the study of (Gras-Gil et al., 2016) also acknowledged a negative correlation between CSR and earnings management. Therefore, hypothesis H₁ is proposed:

\[
H₁: \text{Enterprises implement CSR according to regulations restricting profit management}
\]
Corporate Social Responsibility in Regulatory Roles of CEO and Profit Management. Executive management plays an essential role in implementing strategies related to CSR (Bernard et al., 2018; Chen et al., 2019). According to the upper echelons theory, the CEO greatly influences decisions related to the accrual basis, so the tendency of businesses to implement CSR can be affected by the CEO's personality and values (Chatterjee & Hambrick, 2007; Hambrick & Mason, 1984). The upper echelons theory also suggests that CEOs with personal characteristics and specific skills can influence value creation, strategic choices, and accounting policies, and also CEO characteristics can be used to predict their behavior and role in a company's success (Hambrick & Mason, 1984). So, some previous studies suggested that CEO characteristics can affect the effective implementation of CSR (Chin et al., 2013; Tang et al., 2015; García-Sánchez et al., 2020).

Additionally, agency theory predicts that managers are primarily incentivized to manipulate earnings. They are incentivized to pursue their interests and increase agency costs for shareholders (Jensen, 1986). At the same time, Choe et al. (2014) argued that the more powerful directors are, the greater the compensation and benefits they receive, and they can use the power given to influence or influence. It affects the performance and decisions of others in the company (Friedman, 1970) and can also affect the findings of the chief financial officer (Feng et al., 2011). Therefore, in this study, we want to examine whether, with the regulation of the powerful CEO, the impact of CSR implementation on earnings management. The second hypothesis is proposed:

H2: Firms implementing CSR with the regulation of powerful CEO are negatively correlated with EM.

RESEARCH METHODS

Research Database: The study uses a data sample of all companies listed on the two stock exchanges of Ho Chi Minh City and Hanoi in the period 2016 - 2020. After excluding companies in banking, insurance, real estate, securities, investment funds, and companies that do not have enough data on CEO power. The final data sample used in this study is 418 companies. The data streamer database takes information related to calculating accruals for the dependent and control variables. For the data serving the independent variable of CEO power, we load the annual report and view the CEO's characterization on the Board of Directors report as CEO and founder. After finding all the information about the CEO in the annual report (founder and professional in finance - accounting) but still missing, that observation was excluded from the sample.
In addition, to collect information on social responsibility, we base it on the criteria required to be disclosed according to Circular 96 of the Ministry of Finance and use annual or sustainable development reports of listed companies with complete information about the CEO collected above at Vietstock.vn. Finally, the data sample includes 418 companies with 2,090 observations.

**Regression model**

Model 1: \(DA_{it} = \alpha_0 + \beta_1 \text{CSR}_{it} + \beta_2 \text{ROA}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{LEV}_{it} + \epsilon_{it}\)

Model 2: \(DA_{i} = \alpha_0 + \beta_1 \text{CSR}_{it} \times \text{CEOPOWER} + \beta_2 \text{ROA}_{it} + \beta_3 \text{SIZE}_{it} + \beta_4 \text{LEV}_{it} + \epsilon_{it}\)

Where:

- \(DA_{it}\): discretionary accruals estimated by the Modified Jones Model (Dechow et al., 1995);
- \(\text{CSR}\): CSR core obtained from Circular 96 issued by the Ministry of Finance;
- \(\text{CSR} \times \text{CEOPOWER}\): Corporate social responsibility with CEO regulation
- \(\text{SIZE}\): log of total assets;
- \(\text{LEV}\): total liabilities divided by total assets;
- \(\text{ROA}\): return on assets;
- \(\alpha_0\) is the intercept term;
- \(\beta_1, \beta_2, \beta_3, \beta_4\) are coefficients of regression;
- \(\epsilon_{it}\): is the error term.

**Measuring the Dependent Variable in the Regression Model**

**Dependent variable**

Regarding the view on the appropriateness of the accrual measurement model, Dechow et al. (1995) admitted that his model is the best one to identify earnings management or as Chen (2011) remembers the Dechow et al. (1995; Kothari et al. (2005) had the most optimal model in the Chinese market; Pham (2012) thinks that the model that is not suitable to identify earnings management is the Jones model (1991). The authors used Dechow et al. (1995) in this study to estimate discretionary accruals representing earnings management.
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$$\frac{TA_{it}}{A_{it-1}} = \alpha_i \left[ \frac{1}{A_{it-1}} \right] + \beta_1 \left[ \frac{\Delta REV_{it} - \Delta AR_{it}}{A_{it-1}} \right] + \beta_2 \left[ \frac{PPE_{it}}{A_{it-1}} \right] + \epsilon_{it}$$

Where, for fiscal year $t$ and firm $i$, $TA$ represents the total accruals defined as the difference between earnings and operating flows; $A_{it-1}$ represents the total assets in $t-1$, $\Delta REV$ is the change in revenues from the preceding year ($REV_t - REV_{t-1}$); $\Delta AR$ it is the change in net accounts receivables from the prior year, PPE stands for the gross value of property, plant, and equipment.

From there, the non-discretionary accrual is calculated by substituting the parameters into the corresponding model and summing each enterprise's discretionary accruals at each time to be studied through the excel data table according to the formula $DA_{it} = TA_{it} - NDA_{it}$.

**Independent Variables**

The CSR disclosure index in social responsibility includes 20 standards of information that need to be disclosed according to Circular 96 of the Ministry of Finance, showing the requirements on three issues: disclosure of environmental problems, public announcement on labor, and announcement on community. In Bose et al. (2018) view, it is possible to quantify the indexes of CSR disclosures according to unweighted or weighted approaches. Therefore, in this study, we use an unweighted method to quantify the CSR disclosure index, in which each disclosure request item will receive a value of 1 if the company discloses information such as information in the annual report or sustainability report. Otherwise, the value is zero. After determining each point for each standard for each company in each year, the company's social responsibility index is calculated as follows:

$$CSR_i = \frac{\sum \text{SCORE}_i}{n}$$

Where $CSR_i$ is the sum of all the scores received by company $i$ for the social responsibility aspect divided by the total number of standards ($n = 20$). The average calculation of the criteria to determine the CSR score regarding social responsibility is based on Cavaco & Crifo (2014).

CEO power: CEO power (CEOPOWER) is a composite variable consisting of two characteristics CEO is the founder, and the CEO has expertise in finance and accounting (Aier et al., 2005; Le et al., 2020). The study measures CEOPOWER as a binary variable that takes
the value of 1 if the company's CEO is both the founder and has financial-accounting expertise. Otherwise, get the value 0.

**Controlling Variables**

This study includes three variables to control other factors influencing earnings management (Liu & Lee, 2019). The controlling variables are selected based on prior studies. Previous studies found a relationship between company size and earnings management (Dechow & Skinner, 2000; Ben Amar & Chakroun, 2018). Also, this study controls for leverage and proposes a negative association between leverage and earnings management. It is expected that companies with high power are likely to decrease earnings management (Bédard et al., 2004; (Dechow & Skinner, 2000). Finally, return on assets (ROA) is another factor influencing earnings management. Many studies acknowledge the higher quality of financial statements for firms with higher ROA (Dechow & Dichev, 2002; Barua et al., 2010; Alzoubi, 2018).

**EMPIRICAL RESULT**

**Descriptive Statistics**

Table 1 shows the descriptive statistics for the variable used in the tests. The mean value of discretionary accruals (DA) is -0.002. The mean value of CSR is 0.527, which implies that, on average, Vietnamese listed firms have announced more than 50% of social responsibility disclosure targets according to regulations, with a significant difference between businesses. The listed companies' financial performance is relatively good (approximately 50%), but operating efficiency is not good, with a considerable disparity between enterprises (0.0001 to 0.60).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Observation</th>
<th>Mean</th>
<th>Standard error</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretionary accruals (DA)</td>
<td>2.090</td>
<td>-0.002</td>
<td>0.149</td>
<td>-0.996</td>
<td>2.6111</td>
</tr>
<tr>
<td>Corporate social responsibility (CSR)</td>
<td>2.090</td>
<td>0.527</td>
<td>0.2101</td>
<td>0.05</td>
<td>0.95</td>
</tr>
<tr>
<td>Corporate social responsibility with CEO</td>
<td>2.090</td>
<td>0.019</td>
<td>0.099</td>
<td>0.85</td>
<td></td>
</tr>
<tr>
<td>regulation (CSR*CEO)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size (SIZE)</td>
<td>2.090</td>
<td>11.938</td>
<td>0.705</td>
<td>0.0001</td>
<td>14.626</td>
</tr>
<tr>
<td>Financial leverage (LEV)</td>
<td>2.090</td>
<td>0.497</td>
<td>0.221</td>
<td>0.965</td>
<td></td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>2.090</td>
<td>0.081</td>
<td>0.073</td>
<td>0.602</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2022)

Notes: Variable definitions: DA= Discretionary accruals estimated by the modified Jones Model Dechow et al., (1995); CSR = CSR scores obtained from Circular 96; SIZE = log of total assets; LEV = total liabilities divided by total assets; ROA = Return on Assets
Main regression results and test results

Table 2: Pearson correlations and VIF values

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>CSR</th>
<th>CSR*CEO</th>
<th>SIZE</th>
<th>LEV</th>
<th>ROA</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>-0.0502</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.02</td>
</tr>
<tr>
<td>CSR*CEO</td>
<td>-0.0385</td>
<td>0.0131</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>0.0527</td>
<td>0.079</td>
<td>0.0154</td>
<td>1</td>
<td></td>
<td></td>
<td>1.19</td>
</tr>
<tr>
<td>LEV</td>
<td>0.0213</td>
<td>-0.048</td>
<td>0.0097</td>
<td>0.3725</td>
<td>1</td>
<td></td>
<td>1.38</td>
</tr>
<tr>
<td>ROA</td>
<td>0.0442</td>
<td>-0.0329</td>
<td>-0.0147</td>
<td>-0.05</td>
<td>-0.3777</td>
<td>1</td>
<td>1.18</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2022)

Table 2 showed that the absolute value of the pair correlation coefficient between the variables is smaller than 0.7. This showed that there is no strong correlation between the independent variables. However, to ensure that multicollinearity does not occur between the variables in the research model. At the same time, this article also tests the variance exaggeration factor (VIF) to conclude about the problem of multicollinearity collinear. Table 2 showed that the correlation coefficient between the variables is relatively small, and the factor components in the model for the VIF coefficient are minimal (VIF < 10), showing that the model does not have a severe multicollinearity line.

Multiple Regression Analysis

Bảng 3: Estimating regression using POOL, FEM, REM, FGLS

<table>
<thead>
<tr>
<th></th>
<th>POOL</th>
<th>FEM</th>
<th>REM</th>
<th>FGLS</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>CSR</td>
<td>-0.058**</td>
<td>[-3.27]</td>
<td>-0.068**</td>
<td>[-2.36]</td>
</tr>
<tr>
<td>CSR*CEO</td>
<td>0.011**</td>
<td>[1.98]</td>
<td>0.142***</td>
<td>[2.52]</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.021</td>
<td>[2.34]</td>
<td>0.008</td>
<td>[2.47]</td>
</tr>
<tr>
<td>LEV</td>
<td>0.107**</td>
<td>[2.47]</td>
<td>0.113**</td>
<td>[2.42]</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.13**</td>
<td>[-2.39]</td>
<td>-1.69***</td>
<td>[-3.76]</td>
</tr>
</tbody>
</table>

Statistics

F(4, 1668) = 4.24***
F(4, 2085) = 3.64***
Chi2(4) = 17.23***
Chi2(14) = 40.65***

Waldchi2(4) = 14.77***
Waldchi2(4) = 14.46***

White test

11
Regression results of table 3 showed that all 3 models, POOL, FEM, and REM, have F-statistics, and Wald has Prob value <1%, so all are evaluated as suitable. The results of selecting FEM and POOL by the F-test of the two models, respectively, with F (417, 1668) = 1.14 and F (417, 1668) = 1.12, both have Prob>F values less than 5%, which is enough evidence for proving that there are specific differences between enterprises in the research model means that the FEM model is the most suitable.

The results of Hausman's test of choosing FEM or REM in both models give results with Prob > chi2 = 0.000, which is enough evidence to prove that the FEM model is more suitable than the REM model. Thus, the FEM model will be used for the following analysis.

After selecting a suitable model, the study continued to test the variance of change and autocorrelation (dependence between the cross units) by the White test and the Woolridge test, with the results at respectively two models with Chibar2 value, have Prob>chi2 less than 5% and Prob>F value also less than 5%. This shows that the FEM model has variable variance and autocorrelation, which reduces the effectiveness of the FEM model. The feasible generalized least squares (FGLS) estimation method is suitable for the research results when the assumptions about variance and independence between the cross-units are violated. The study was unbiased and efficient (Beck & Katz, 1995).

Based on the FGLS regression results in Table 3, it shows that the responsibility to disclose information of enterprises in terms of social responsibility has negatively impacted earnings management from 2016 to 2020. Specifically:

For model 1: CSR has a negative impact at 0.037 at a 5% significance level. This means that the more information related to social responsibility is disclosed for businesses that implement CSR by regulations, the lower the earnings management. At the same time, other control variables also show that the larger the enterprise, the more efficient the operation on total assets, and the more earnings management tends to increase.

For model 2: CSR*CEO has a negative impact at 0.058 at 5% significance level. This recognizes that businesses controlled by CEOs with expertise in finance and accounting and are founders when implementing social responsibility have a higher impact on earnings management and reduce the earnings management.
The results of the above study are entirely consistent with those (Chih et al., 2008; Kim et al., 2012; Gras-Gil et al., 2016) and are also compatible with ethical theory when it is recognized that firms that perform activities that contribute to the welfare and interests of society are less likely to perform earnings management. This is consistent with the signaling theory, which suggests that the disclosure of CSR information is a signal to investors and financial markets that managers can control risk, commit to fulfilling their responsibilities to society (Sun et al., 2010), and reduce information asymmetry (Grougiou et al., 2014). So, the more companies engage in CSR activities, the less likely they are to practice earnings management. At the same time, the research results in model 2 also acknowledge that enterprises implementing CSR with the regulation of CEO power limit the behavior of earnings management.

However, the level of impact on corporate governance is higher if there is no regulation by the CEO and the results are consistent with the upper echelons theory that the CEO has a significant influence on decisions related to the accrual basis, so the tendency of businesses to implement CSR can be influenced by personality, the value of CEO (Chatterjee & Hambrick, 2007; Hambrick & Mason, 1984).

CONCLUSION

This article focuses on analyzing the impact of corporate social responsibility on profit management, and the effect of CSR with the regulation of CEO power on EM. Research results show that CSR, CSR with the principle of CEO power, harms earnings management. This impact is consistent with previous empirical studies and the agency, upper echelons, and ethical theories. This shows that the more businesses comply with socially responsible information disclosure with the executive role of a CEO with financial expertise and as a founder, the less information asymmetry, lower agency costs, and limited earnings management. With the above experimental results, the authors can suggest implications for companies: companies can increase investment attraction and the financial market's credibility through the strategy to comply with the regulation on CSR implementation. At the same time, implementing CSR reduces information asymmetry, thus increasing the trust of stakeholders and can help the rise in unit operational efficiency. Finally, the study only examines the impact of CSR combined with CEO power, so it is impossible to have an overview of the CEO's impact on the implementation of corporate CSR on EM and CSR in the regulation of corporate governance to EM.
Limitation and further research: CSR is increasingly becoming an essential factor that companies must consider in their sustainable development strategy. Today, most businesses want to perform social responsibility because they realize that CSR can really increase the influence on the public, thereby increasing revenue and profit for businesses. In addition, the State needs to take practical actions to encourage firms to fulfill their responsibilities to society and introduce stricter sanctions against acts of intentionally violating the influence of culture for the interests of the community. Therefore, this is the author's future research direction when considering this issue.

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