THE EFFECT OF OWNERSHIP STRUCTURE ON CORPORATE SOCIAL RESPONSIBILITY AND EARNINGS QUALITY

Farah Saniah Mohd Zabidi[1], Maryam Mohd Esa[1], Nor Hazanah Miskan[1] , Sarimah Ahmad[1], Noor Azlin Mohd Kasim[1]

[1] Faculty of Business Innovation and Technology,
Universiti Melaka, Batu 28, 78200 Kuala Sungai Baru, Melaka, Malaysia.

Corresponding author's email: farahsaniah@unimel.edu.my

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ABSTRACT

The purpose of this paper is to identify the issue of corporate governance, corporate social responsibility, and earnings quality. This study also helps the stakeholders to determine the actual practices amongst listed companies. The positive significant relationship between the independent variable, ownership structure, corporate social responsibility, and dependent variable earnings quality signals all the stakeholders regarding the unethical activities among companies in Malaysia that manipulate their reported earnings. The result of this study may also provide valuable findings to regulators (standard setters) such as the Security Commission and Bursa Malaysia. In ensuring high quality of reported earnings, regulators and professional bodies may highlight some of the important findings to improve and take appropriate actions. Additionally, the findings will create public awareness of the extent of earnings quality issues in Malaysia. Through corporate governance compliance and practice by standard setters, it would reduce the ability to manage the earnings and increase the transparency of the reported earnings.

Keywords: *Corporate Governance, Corporate Social Responsibility, And Earnings Quality.*

INTRODUCTION

Part of the objectives of revising the Companies Act and introducing the Malaysia New Companies Act 2016 are to accord protection to corporate directors and other stakeholders of a company and enhance internal control, corporate governance, and corporate responsibility. In line with integrating the content of the new Companies Act 2016 with the notions and elements of Corporate Responsibility, the directors' report will cover additional matters including policies on internal control and corporate responsibility which would be covered under the business review report. The director is also encouraged to report matters relating to risks faced by the company, future projections, and Key Performance Indicators (KPI) as well as matters policies on environmental matters affecting their business, policies on their employees, and social and community issues (Suruhanjaya Syarikat Malaysia,2016). Aligned with Suruhanjaya Syarikat Malaysia, the research is focused on the disclosure of corporate social responsibility and the association between the ownership structure of the company and earnings quality.

The separation of ownership and control in a business causes a possible issue of interest between company directors and shareholders (El-Kassar et al., 2018). In Malaysia, the share of most Malaysian companies is commonly concentrated by the ownerships of the State, families, or individuals (Amran & Che Ahmad, 2013). Thus, the intention to practice and disclose corporate social responsibility (CSR) may differ depending on the company's ownership. Liu et al., (2017) suggest that family ownership in the U.S. is the main driver of the association between CSR and earnings management. To this, the management that manipulates earnings may use ESG initiatives to protect themselves against activism and vigilance from stakeholders (Almubarak et al., 2023)

The users of the financial reports would expect a true and fair view of financial information and non-financial information provided by the company. That would help them to make wise decisions and judgments. In real practice or the business environment, the company usually wants to give positive information to its stakeholders. It is important to gain their trust and to show the company's high performance and reputation. Therefore, the manager will manipulate the financial report to show their desired result which will cause accounting distortion through earnings management. Theory and evidence indicate that managers are concerned about their current performance which motivates them to engage in manipulating current period earnings at the expense of future period earnings (J.-B. Kim & Sohn, 2013).

There are various theoretical definitions and classifications to understand earnings management (EM) practices, motivations, and consequences. Regulators suggest that their definition of earnings management encompasses financial fraud as well as any choice and judgment made within generally accepted accounting principles so long it is used with the intent of misleading current and prospective stakeholders about underlying economic performance (Mohd Radzi et al., 2011). Management can manage earnings by increasing period income, take a big bath by markedly reducing period income, and reduce earnings volatility by income smoothing. Besides that, management also may have different motivations to engage in earnings management practices, like capital market motivations, regulatory motivations, and contracting motivations. Significant risks would exist if the controlling shareholder owns private interests outside of the listed company and the controlling shareholders have ample opportunity to take advantage of the liquidation of the company's assets (Suffian et al., 2018).

There are several reasons for earnings management (EM), including manager self-interest to increase their incentive (Siregar & Utama, 2008), increase in stock price to show the company's good performance, for tax avoidance, and lobbying government subsidies. Managers are concerned with boosting current performance, such as stock prices and they have incentives to inflate current earnings by borrowing future earnings for use in the current period (H. S. Kim, 2013), through stock sales, job security, operational flexibility, or control (Hazarika et al., 2012). However, the reason to manage the earnings also depends on the ownership structure that would influence the monitoring of earnings management activity (Siregar & Utama, 2008). Thus, there is a necessity for corporate governance to overcome the reliability of financial statements.

When organizations introduce corporate social responsibility into their operations, they enjoy long-term benefits such as retention of highly skilled employees, improved community standards for employees, swaying public opinion against government intervention, attracting socially conscious

investors, repetitive customer base, increased creditworthiness in the financial market, confident suppliers support, increase public image (Famiyeh, 2017). Certain types of corporate social performance are manifestations of attempts to establish trusting, cooperative firm/stakeholder relationships and should be positively linked to a company's financial performance (Platonova et al., 2018).

Corporate social responsibility activities can enhance firm value through a reduced conflict of interest between managers, and stakeholders and also can be a signal to employees of the extent to which an employer values its various stakeholders. Agency conflict exists when managers opportunistically manipulate earnings in their favor; to secure their jobs, and also to distract shareholders' attention from monitoring earnings management activities. Managers involved in earnings management practice are motivated to behave proactively by seeking perceptions and confidence from shareholders and diverse groups of stakeholders that they are taking actions to secure optimal performance (Sun et al., 2010). Thus, through voluntary disclosure in annual reports such as corporate social responsibility disclosures, it is necessary to demonstrate to stakeholders the company's awareness of wider interests and its accountability to behave in a socially responsible manner.

Agency problems arise from the separation of ownership and control when firm managers have insufficient residual claims on a firm. Based on the agency theory, insiders or managers may tend to overinvest in corporate social responsibility to increase their reputation and to be entrenched as socially responsible managers at the expense of shareholders. In other words, corporate social responsibility investments represent costly diversions of a firm's valuable resources due to agency conflicts between managers and shareholders (Buchanan et al., 2018).

According to the opposition of corporate social responsibility, being socially active through engaging in charity projects, supporting and promoting staff welfare, and minimizing environmental damage can be expensive and give rise to an administrative burden therefore, it is argued that corporate social responsibility activities create financial burdens for corporations (Platonova et al., 2018). Corporate social responsibility activities and constructing extensive disclosure on those activities can be an intensified mechanism for a company's well-being. Some of the benefits a company could gain are improved financial performance, enhanced image and reputation, competitive advantage accomplishment, and elevation of the company's value (Atikah et al., 2018).

Corporate social responsibility has been opportunistically used as a hedging and self-defense strategy to cover the conflict of interest and opportunistic managerial discretion. This motivation is purposely conducted by irrational managers involved with managing earnings to mislead the stakeholders from detecting their opportunistic managerial discretion and acquire stakeholders' support and protection (Atikah et al., 2018). In particular, firms involved in corporate social responsibility might try to hide the impact of corporate misconduct. Managers of such firms may report more corporate social responsibility activities so that their opportunistic behavior is overshadowed by the corporate social disclosures. In other words, firms with more corporate social responsibility disclosures may manipulate information and report poor-quality earnings, thereby resulting in less transparent information (M. Muttakin et al., 2015). This study will create awareness through compliance with the standard and corporate governance practice that would increase the transparency of the reported earnings.

LITERATURE REVIEW

Earnings Quality

The use of accounting techniques and limitations in accounting standards to produce desired financial reports that may disclose an overly positive picture of a company's business performance and financial position. Management takes advantage of how accounting rules can be applied and are legitimately flexible when companies can incur an increase or decrease in reported earnings (Park & Shin, 2004). Besides, management is also involved in reporting the greater economic value of the firm (Noor et al., 2015). Thus, the firm manages its earnings in order to make its finances desirable and more attractive (Iatridis & Kadorinis, 2009).

It can be difficult to identify these allowable practices from this earnings manipulation or management. Companies with large amounts of accrual and opportunity use aggressive earnings

management to increase their earnings (Iqbal & Strong, 2010). Meanwhile, income smoothing will help companies to smooth out fluctuations in earnings to make tradeoffs between how much to report in the current and future period, and such tradeoffs depend on managerial reliance on future financial performance (Bouwman, 2014). Enormous fluctuations in income and expenses may be a normal part of a company's operations, but the changes may alarm investors regarding company stability. Another strategy that the company used to manage its earnings is through big bath, where the company saves the income to be disclosed in the subsequent event accounting period without affecting its reputation and performance (Bornemann et al., 2015).

Earnings management occurs with the presence of agency problems arising from the conflict of interests between shareholders and managers (Noor et al., 2015). The factors to manage the earnings vary for the companies. Each company has its motive to manipulate the earnings and both shareholders and managers have their own interests and fulfill their targets for the company's financial performance (Yang et al., 2016). The pressure and motive to engage in earnings management came from various factors. Hamid et al., (2012), classify the motive of earnings management into three categories: altruistic, speculative, and pressure from affiliated parties.

Y. Kim et al., (2012) contend that firms that expend efforts and resources in designing and implementing ethical programs in order to serve the interests of societal stakeholders are more likely to provide transparent and reliable earnings information. The quality of earnings reported in the financial statement is vital as it will be the key characteristic to improve capital market efficiency. Prior researchers indicate that the Earnings Quality was affected by several factors such as analysts' forecasts, leverage requirements, and management opportunities. EM is legally accepted as it is within the General Accepted Accounting Procedures (GAAP). It comprises two elements, namely, Accrual Earnings Management (AEM) and Real Earnings Management (REM) (Suffian et al., 2018). If the earnings quality is low, the agency contract is ineffective and inefficient, the impact of high agency costs (Amin et al., 2018) . Low-quality earnings could also cause misallocation of capital or financial resources and thus seem undesirable or inefficient from the viewpoint of investors (Salehi et al., 2018). Prior research shows that poor earnings quality is associated with higher information asymmetry and higher systematic risk (Bhattacharya et al., 2012).

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is referred to by various names such as Sustainability; Corporate Citizenship; Corporate Responsibility; Environment, Social and Governance, and Triple Bottom Line. Despite this, there are common themes to the definition. Corporate Social Responsibility (CSR) considers; the current and future impact of business operations, purchasing, and the sale of products and services on; the environment, employees, local community, and society in general. CSR has become a necessary aspect of business in relation to all companies' commitments to society and the community, banks are redirecting their activities towards socially responsible behavior in order to satisfy (García-Sánchez & García-Meca, 2017). CSR is a set of voluntary actions a business takes over and above compliance with the law. It includes, but is not limited to corporate governance and philanthropy. The Malaysian Government sees strong corporate governance, transparency, and responsible business practices as a means of differentiating the business investment climate in Malaysia and positioning it as a leader in the region. The Government actively supports CSR and this is reflected in policy and regulation, tax incentives, reporting, and voluntary standards, as well as their endorsement of CSR through awards. In light of the support for corporate responsibility practices in Malaysia, UNICEF Malaysia sees the opportunity to have a stronger impact on the lives of children through deeper engagement in the corporate sector, and more specifically through its CSR practices. The Government of Malaysia has contributed to a positive CSR environment, which has made an impact under the Ninth and Tenth Malaysia Plan.

The Tenth Malaysia Plan (2011 – 2015) recognizes the importance of public and private partnership (PPP) and how it can contribute to the achievement of development goals. It urges GLCs to integrate and implement CSR policies. The Companies Commission of Malaysia (SSM) has set initiatives that will raise the visibility of CSR for a large number of businesses, especially small and medium enterprises (SMEs), through developing reporting requirements and capacity building. Bursa Malaysia requires all public-listed companies (PLCs) (and their subsidiaries) to disclose their CSR activities or practices and if there are none, to provide a statement to that effect. CSR firms operate

toward profitable activities, conduct these activities within the legal framework and ethical principles, and aim to be good corporate citizens (Alsaadi et al., 2017). Y. Kim et al., (2012) find that firms with a high CSR score are less likely to use discretionary accruals or manipulate real activities in order to manage earnings. Using CSR firms appear to reduce or avoid earnings manipulations through discretionary accruals, as compared to non-CSR firms (Y. Kim et al., 2012). Managers are motivated to be involved in CSR practices as it may promote a company' reputation and thereby increase its share price (Ju Ahmad et al., 2017).

Since 2007 Bursa Malaysia has made CSR reporting mandatory for public listed companies. Companies are required to report on four areas: Community, Environment, Workplace, and Product, however, the details of the report depend very much on management discretion (Ju Ahmad et al., 2017). Firms implementing corporate social responsibility (CSR) attempt to meet the expectations of stakeholders and implement the social contract (M. Muttakin et al., 2015). Managers of such firms may report more CSR activities so that their opportunistic behavior is overshadowed by CSR disclosures. In other words, it is possible that firms with more CSR disclosures will manipulate information and report poor-quality earnings, thereby resulting in less transparent information. Therefore, the relationship between CSR disclosures and the transparency of financial reporting, i.e. earnings quality, becomes an empirical issue (M. Muttakin et al., 2015).

Ownership Concentration

Ownership structure influences the monitoring mechanism a company uses, including the monitoring of earnings-management activity (Siregar & Utama, 2008). Meanwhile, Kazemian & Sanusi, (2015) suggest that ownership structure has an impact on earnings management and quality. Previous researchers also suggest that the controlling shareholders would have incentives to monitor managers and make sure that company earnings management is within proper bounds to preserve their share in the firm (Lai et al., 2012). Thus, the ownership structure is essential to shape the corporate governance of the firm. In Malaysia, the firm is usually concentrated by the ownership of the family and non-family (Amran & Che Ahmad, 2013).

Family firms and non-family firms are not the same in terms of leverage, capital, and size. Family firms are less leveraged, have lower capital intensity (PPE), and are smaller than non-family firms. However, they are the same in the presence of net operating loss or intangible assets for non-family firms (Chen et al., 2010). The motivation to manage their earnings may occur from different types of ownership structure, from the previous research most listed companies in Malaysia are concentrated by the family, individual, government, or institutional (Amran & Che Ahmad, 2013). This can give rise to principal–agent conflict since family owners with unique opportunities may use their concentrated ownership to expropriate the earnings of minority shareholders. There are also differences in company performance because of the motivation of managers to work hard for companies. They will ensure the companies increase their income. Thus, from their hard work managers will hope to receive remuneration or incentive from the companies as a reward for the work done (Amran & Che Ahmad, 2013). The level and types of management ownership can limit earnings management motivation (Mohd Ali et al., 2008).

Meanwhile, previous researchers have defined Related Party Transactions (RPTs) as transactions between a company and related entities; for instance, affiliates, subsidiaries, directors, officers, and principal owners. Firms are required to make an immediate announcement about the exchange of Related Party Transactions (RPTs) and need to provide relevant information as prescribed by Section 10.08, Part E in Chapter 10 of Bursa Malaysia Listing Requirement (BMLR). Para 2 of Section 10.08 also mentioned that the shareholders need to give their approval at the extraordinary general meeting through a circular if the firm exceeds 5% of any of the percentage ratios (Suffian et al., 2018). The relationship between corporate governance and earnings management translates into a divergence between managers' interests and owners' interests, generated by the separation of ownership and control (Lassoued et al., 2017). For a family business to be considered, ownership of at least 20 percent of the company's stock is necessary (Salehi et al., 2017).

Agency Theory

Two types of agency conflicts are types I and II. Type I agency conflict focuses mainly on agency conflicts between managers and shareholders, while Type II agency conflict compares and contrasts

agency conflicts between large controlling shareholders and minority shareholders (Lei et al., 2013). Agency theory exists when there is a relationship between agent and principal which involves a contract to perform some service or delegating some decision making. Jensen & Meckling, (1976) developed the agency theory to explain the problems that may occur between both parties because of unaligned goals or different aversion levels to risk. An agent that has small ownership in the company would have less incentive to maximize company value but have greater motivation to increase their interest and benefit. Lower agent shareholding is associated with lower incentives and effort in utilizing their obligations to seek profitable decisions and investments (Mustapha & Ahmad, 2011).

From the separation of ownership and control, the agent will influence to act opportunistically. Mohd Ali et al., (2008) stated that a decrease in agent ownership would increase the accountability for monitoring, while the incentive for agents is decreased. Moreover, when share ownership in the company is high, managers contribute to increased firm value and reduce incentives to manipulate earnings. When managers hold significant ownership in the firm, the managers' and shareholders' objective and interest starts to gather. Managers may want to increase their wealth, but at the same time expand the wealth of the shareholder (Mohd Ali et al., 2008).

The separation of ownership and control in a business causes a possible issue of interests between company directors and shareholders (El-Kassar et al., 2018). The principal would enhance the manager's incentives, to make sure that the manager would select and apply accounting assumptions and techniques that can increase their own wealth and interest. This issue has become more essential in recent years, as more firms are listed on stock exchanges as public firms (Kazemian & Sanusi, 2015). The issue of interests between shareholders and directors gives rise to the 'principal-agent problem' which is a key area of corporate governance focus.

The principals need to find an approach to ensuring that their agents act in their interests. In Malaysia, the committee released the Malaysian Code on Corporate Governance (MCCG) in March 2000 which was applied in 2001. The code introduces the best practices and principles of corporate governance to instill and provide good corporate governance among Malaysian public listed companies (PLCs). The code also features directorship, and internal and external auditing as the important monitoring mechanisms. Thus, the total of these costs is used as a measurement for agency costs in this study (Mustapha & Ahmad, 2011).

Jensen & Meckling, (1976) stated that agency costs are the sum of bonding expenditures by the principal to ensure that the agent would not do or take action that would harm the principal. Besides that, the agency cost can also be defined as any residual loss that occurs in excess of bonding expenses by the agent in order to have positive monitoring which affects from reduction of welfare by the principal. Another definition of agency cost that can be used is the monitoring cost that the principal paid to the agent as compensation.

Stakeholder Theory

In accordance with the stakeholder perspective, a company not only serves its traditional role which is meeting shareholders' expectations but also meets multiple expectations of its various stakeholder groups (Atikah et al., 2018). CSR is a voluntary effort to act responsibly toward all stakeholders and influences corporate policies and practices (Garas & ElMassah, 2018). Consider CSR engagement as a tool to reduce conflicts of interest among various stakeholders through recursive communication (Cui et al., 2018). Previous researchers argued that CSR intensifies agency problems, which gives managers more impetus to use earnings management with the aim of hiding their rent-seeking activities from outsiders (Amar & Chakroun, 2017). According to stakeholder theory, managers will pay more attention to the long-term oriented institutional investors' preferences than individual investors especially, when they hold a large proportion of a company's shares.

RESEARCH FRAMEWORK

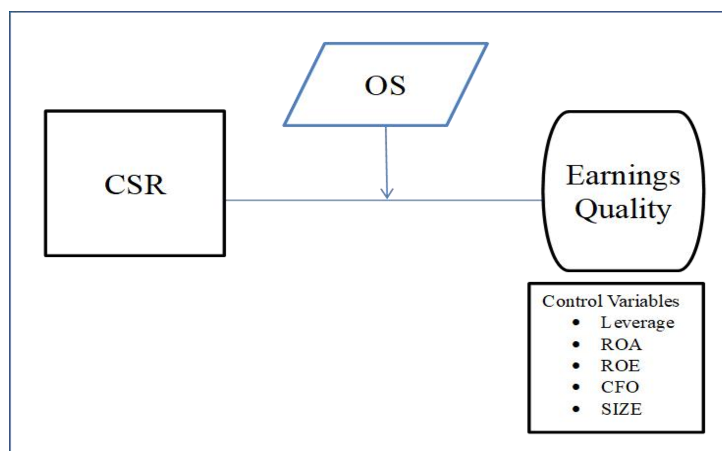

Figure 1: Research Framework

METHODOLOGY

The final samples consist of 100 firms and these companies range from consumer products, industrial products, trading and services, construction, technology, properties, hotel, and plantation industry. All the financial accounting data used in this study are obtained from the Data stream database. Data for corporate social responsibility, accrual types of ownership, and percentages of ownership were manually collected from the notes to the financial statement in the annual reports.

For these studies, the new regression model was developed to analyze and indicate the relationship between all variables. The dependent variable for this was earnings management which used total accrual as a proxy and used the ownership structure, executive remuneration, and leverage as independent variables. Total accruals are calculated by using a regression formula to estimate normal accruals where total accruals are net income minus free cash flow from operations (TAC=NI−CFO) (Mansor et al., 2013). The ownership structure was categorized into family and non-family firms (family firms = 1 and non-family firms=0). In this model, the leverage ratio (LEV) was measured by total long-term liabilities divided by total equity, while ROA is measured as operating profits after being divided by TA. ROE is measured as operating profits after being divided by equity. At the same time, Cash flow from operations (CFO) is calculated by dividing cash flow from operating activities by total assets. Total asset is a proxy to a firm's size (SIZE).

Model 1

$$DCA = \alpha + \beta_1 CSR + \beta 2LEV + \beta 3ROA + \beta 4ROE + \beta 5CFO + \beta 6SIZE + \varepsilon$$

Model 2

$$DCA = \alpha + \beta_1 CSR + \beta 2OS + \beta 3CSR*OS + \beta 4LEV + \beta 5ROA + \beta 6ROE + \beta 7CFO + \beta 8SIZE + \varepsilon$$

where;

DCA =Discretionary Accrual
CSR =Corporate Social responsibility
OS =The ownership structures of the firms, represented by family and non-family
LEV = Leverage ratio represented by total long-term liabilities divided by total equity
ROA = Operating profits after divided by TA
ROE = Operating profits after divided by equity
CFO = Cash flow from operations (CFO) is calculated by dividing cash flow from operating activities to total assets
SIZE = Natural logarithm of total assets
ε = Error term in regression

Table 1 and Table 2 presented regression analysis for this research. Table 1 shows the result from Model 1 while Table 2 presents the results from Model 2. Table 1, shows the relationship between earnings quality and corporate social responsibility, respectively, control variables, leverage, ROA, ROE, cash flow from operation, and size (natural log of total assets). The result reveals a positive effect of leverage and size with ($p<0.05$), in large firms, the propensity of managers to manipulate earnings is high for their complexity of operations; while total accruals lead to higher manipulation of earnings, investment opportunity appears to restrain it. The unstandardized coefficient indicates how much the dependent variable varies with an independent variable when all other independent variables are held constant. For β leverage is equal to 0.267, this means for each increase in leverage, there is an increase in earnings management. For model 1, the R square value of 0.392 the independent variables explain 39.2% of the variability of the dependent variable. Durbin Watson for this model 2.364 explains the presence of serial correlation among residuals which from the statistic range are from 0-4. The residuals are not correlated if 2 or between the acceptable range of 1.50-2.50.

Table 1 : Regression Analysis

	MODEL 1			
MODEL VARIABLES				
	β	t	Sig.	VIF
CSR	.273	1.598	.113	1.083
LEV	.267	2.523	.013	1.455
ROA	.164	.080	.936	7.867
ROE	.164	.236	.814	6.068
CFO	1.110	1.122	.265	1.911
LGSIZE	.611	4.882	.000	1.509
OS				
CSROS				
R square	0.392			
Adjusted R square	0.352			
Durbin Watson	2.364			

Table 2, represents an analysis of model 2, which includes the moderating factor of ownership structure, which can strengthen or weaken the association between corporate social responsibility and earnings quality. As shown in Table 2, the variance inflation factors (VIF) test indicates the absence of a multicollinearity problem. The problem occurs when two independent variables are highly correlated or because of the very strong relationship between independent variables that may lead to incorrect interpretation. If VIF is between 1-10, it can be concluded that there is no multicollinearity. The results show that only leverage and LGSIZE are significant ($p<0.05$) which shows the association towards the earnings quality of the companies. Durbin Watson for this model falls within the acceptable range that is 2.329 and the residuals are not correlated. For model 2, the R square value of 0.396 the independent variables explain 39.6% of the variability of the dependent variable. For β, all the variables show a positive value except for CSR and OS with β negative which indicates an inverse relationship between the dependent variable.

Table 2 : Regression Analysis

	MODEL 2				**MODEL 2**			
MODEL VARIABLES								
	β	t	Sig.	VIF	β	t	Sig.	VIF
CSR	.267	1.555	.123	1.088	-.078	-.134	.893	12.467
LEV	.265	2.495	.014	1.457	.276	2.554	.012	1.495
ROA	.262	.127	.900	7.936	.247	.119	.905	7.937
ROE	.157	.225	.822	6.070	.152	.217	.829	6.071
CFO	1.160	1.162	.248	1.929	1.118	1.114	.268	1.937
LGSIZE	.624	4.867	.000	1.572	.612	4.714	.000	1.604
OS	-.261	-.509	.612	1.177	-.825	-.789	.432	4.860
CSROS					.744	.620	.537	14.456
R square	0.393				0.396			
Adjusted R square	0.347				0.343			
Durbin Watson	2.344				2.329			

CONCLUSIONS

From the first objective of the study, we can conclude that corporate social responsibility does not affect earnings quality and has no significant association. The result is consistent with Muttakin et al., (2015) managers in an emerging economy manage earnings when they provide more corporate social responsibility disclosures thus earnings quality is lower and investors should not take for granted that firms engage in corporate social responsibility activities, behave ethically and provide transparent financial reports. However, García-Sánchez & García-Meca, (2017) found that corporate social responsibility engagement is positively associated with earnings quality.

The second objective of this study is to measure the relationship between corporate social responsibility and earnings quality affected by ownership structure is not significant with the result. Align with previous researcher firms used CSR disclosures by firms are based on actual plans and not intended to deceive stakeholders, especially when the firms are not actively monitored by external shareholders. Contrast with a prior study from Jaggi et al., (2009) that controlling shareholders might have a motivation to expropriate minority shareholders' interest, and thus they will have an incentive to limit monitoring power. Thus, different types of ownership are not significantly related to management decisions to manage the earnings and affect the quality of earnings. Consistent with Hashmi et al., (2018) that stated the alignment of private interests with firms' interests would discourage the family management from manipulating reported earnings. However, the result is not significant enough to support the findings.

The result of this study may also provide valuable findings to regulators (standard setters) such as the Security Commission and Bursa Malaysia. In ensuring high quality of reported earnings, regulators and professional bodies may highlight some of the important findings to improve and take appropriate actions. Additionally, the findings will create public awareness of the extent of the earnings quality issue in Malaysia. Through corporate governance compliance and practice by standard setters, it would reduce the ability to manage the earnings and increase the transparency of the reported earnings. Hence, the corporate governance also would reduce the monitoring cost (Mulyadi & Anwar, 2015).

The findings of this study shed light on the issue of corporate governance, corporate social responsibility, and earnings quality by using Malaysian companies' data. However, more studies on this topic are expected to be conducted in the future, as most of the studies are still using the same primary method of earnings management analysis and there is a lot of earnings quality measurement

that future research is expected to develop. To date, Malaysian study has yet to combine the effect of ownership structure, corporate social responsibility, leverages, and earnings quality.

Future research should consider a larger sample of companies so that the results can be generalized and the explanatory power of the results may be improved. Besides, a longer period should be used, as studies with longer horizons may report different findings. Moreover, further research should extend the sample period inclusive of different economic growth.

AUTHOR CONTRIBUTIONS

F.S.M.Z.: Conceptualization, methodology, software, validation, formal analysis, investigation, resources, data curation, writing—original draft preparation, writing—review and editing, visualization, supervision, project administration and funding acquisition. M.M.E. and N.H.M. : Conceptualization, methodology, software, validation, formal analysis, investigation, resources, data curation, writing—original draft preparation, writing—review and editing and visualization. S.A. and N.A.M.K.: Conceptualization, methodology, validation, resources, data curation, writing—review and editing and visualization. All authors have read and agreed to the published version of the manuscript.

CONFLICTS OF INTEREST

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission, and declare no conflict of interest on the manuscript.

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