THE ROLE OF EARNINGS MANAGEMENT CONTRIBUTION AS A MODERATION OF SOCIAL RESPONSIBILITY DISCLOSURE, INTELLECTUAL CAPITAL, AND RISK TOWARDS COST OF CAPITAL

Devina Gunawan[1]
Universitas Tarumanagara, Jakarta, Indonesia
caradevinagunawan@gmail.com

Estralita Trisnawati[2]
Universitas Tarumanagara, Jakarta, Indonesia
estralitat@fe.untar.ac.id

Sriwati[3]
Universitas Tarumanagara, Jakarta, Indonesia
sriwati@fe.untar.ac.id

Abstract

This study aims to examine the effect of corporate social responsibility (CSR), intellectual capital (ICD), and risk disclosure (RD) on the cost of capital (WACC), as well as the role of earnings management (TAC) as a moderating variable in financial sector companies listed on the Indonesia Stock Exchange. The research sample was obtained through a purposive sampling method based on the company's annual report. Testing was conducted using moderated regression analysis. The results show that CSR and RD have a significant positive effect on the cost of capital, while ICD has a positive but insignificant effect. Meanwhile, earnings management does not have a direct effect or act as a moderating variable in the relationship between the three types of disclosure and the cost of capital. These findings indicate that investors in the financial sector tend to respond to non-financial disclosures as additional risk signals if they are not supported by transparency and credible governance. Therefore, companies in the financial sector need to convey non-financial disclosures strategically and responsibly to manage market perceptions of risk and capital efficiency.

Keywords: Cost of Capital, CSR, Intellectual Capital, Risk Disclosure, Earnings Management, Financial Sector

INTRODUCTION

Increasingly fierce competition in the business world demands that every company improve its competitiveness. The financial sector plays a crucial role in the Indonesian economy (Naufal & Hersugondo, 2023). As explained by Bank Indonesia (2022), the financial sector functions both as an intermediary between surplus and deficit units and as a catalyst for economic development by providing flexibility and funding services.

Indonesia's financial sector is growing rapidly thanks to the support of investment from various investors, which continues to increase year after year. Second, this trend is also supported by data from the Financial Services Authority (OJK), which confirms that investment flows into the financial sector are increasing, providing opportunities for the growth of the capital market and other financial institutions (OJK, 2023). The cost of capital is one of the fundamental factors that influence stock price fluctuations over time. According to Brealey et al. (2018), the cost of capital is the minimum profit required by an investment company to be accepted. Investments that cannot generate returns greater than the cost of capital should not be undertaken.

Capital costs are something that cannot be avoided in a company's operations (Widyanata and Soekarno, 2023). Considering that capital costs cannot be avoided, this does not mean that companies cannot reduce capital costs, so management and investors must have a special strategy to reduce capital costs.(El Ghoul et al., 2011). When evaluating the cost of capital, it is important to consider how the voluntary release of non-financial information can help meet the expectations of different stakeholders.(Camilleri, 2018; Rezaee & Tuo, 2017)According to Freeman (1984), this theory focuses on how organizations should manage relationships with various groups or individuals who have a stake in the organization's sustainability. This theory states that the success or failure of an organization is determined not only by financial gain but also by satisfying the needs and expectations of stakeholders, namely employees, customers, investors, and the community. In this regard, organizations must commit to social and environmental responsibility and transparency in their business activities (Bouguerra et al., 2023; Camilleri, 2018; Demila & Sundari, 2023). This leads to better performance and reputation in the community. Well-managed organizations proactively involve stakeholders in corporate decision-making and strategy.

Disclosure of social responsibility is one of the non-financial information that influences capital market decisions, which aims to reduce the problem of information asymmetry between management and external investors.(Michaels and Grüning, 2017). Information asymmetry is likely to be more severe in companies with low levels of corporate social responsibility (CSR).(Nguyen, Agbola, and Choi, 2018; Vosooghidizaji, Taghipour, and Canel-Depitre, 2022). In businesses with low levels of corporate social responsibility, information asymmetry may be more acute.(Cui, Jo, and Na, 2012)Due to the potential benefits and drawbacks of a business's presence in society, corporate social responsibility disclosure has become a requirement for doing business in Indonesia. This is because CSR disclosure, previously optional, is now mandatory.(Evana et al., 2019; Machmuddah, Sari, and Utomo, 2020; Mirfazli, 2008).

Portfolios with high levels of CSR performance generally generate higher returns, compared to portfolios with low CSR performance.(Becchetti et al., 2008; Christian and Mollet, 2014). Corporate Social Responsibility can serve as an indicator that provides

valuable information for stakeholders to make the right decisions.(Zhao et al., 2012). The decision depends on their willingness to invest and the level of return they expect.(Chikkakuntappa, 2018).

Disclosure of Intellectual Capital is a company's primary asset, alongside physical and financial assets. Therefore, managing physical and financial assets requires reliable capabilities from the Intellectual Capital itself. In addition to producing a valuable product, it also requires employee skills and thinking skills, as well as how to manage the organization and build relationships with external parties (Kartika & Hartane, 2013:17). Disclosure of intellectual capital in annual reports is still voluntary, so reporting is only recommended (not mandatory) and is necessary to provide a fair and relevant presentation according to user needs (Barus & Siregar, 2014). Therefore, not all companies that publish financial statements and annual reports disclose information about their intellectual capital, so information asymmetry between users and producers will still occur. To meet user demand for information that is not often available within conventional reporting frameworks, organizations also disclose information about their intellectual capital through intellectual capital disclosures.(Giacosa, Ferraris, and Bresciani, 2017; Hupont et al., 2024; Vergauwen, 2007)Information about experience, customer contacts, organizational structure, and professional skills that offer long-term competitive advantages are all considered forms of intellectual capital. Knowledge, expertise, intellectual property, and information can be used to create value.

The next factor is Risk Disclosure, which is a series of internal and external factors that determine a company's wealth, challenges, opportunities and threats.(Kusumaningrum, 2014)Risk disclosure also refers to the potential loss or increase in a company's wealth arising from the interaction of these factors. Increased risk disclosure by companies helps reduce ambiguity, uncertainty, and information asymmetry between managers, lenders, and shareholders regarding risks that threaten the business, thereby reducing agency costs and, thus, the cost of capital.(Ibrahim and Aboud, 2023). Disclosure of risk information benefits companies through lower capital costs based on two aspects: (1) First, disclosure reduces transaction costs. (2) Second, increased risk disclosure helps potential investors overcome some detrimental bid-ask spread options and reduces the cost of equity capital (Cornelia & Syafruddin, 2019).

Disclosure of social responsibility, intellectual capital disclosure, and risk disclosure are closely related to earnings management. Earnings management is an attempt by company managers to intervene in or influence information in financial reports with the aim of misleading stakeholders who want to know the company's performance and condition. According to Wirakusuma (2016), earnings management is a deliberate process, limited by financial accounting standards that direct earnings reporting at a certain level.

This study aims to examine the impact of earnings management in moderating the relationship between social responsibility disclosure, intellectual capital disclosure, and risk disclosure on the Cost of Capital. The role of earnings management as a moderating variable is the first applied research on the impact of social responsibility disclosure, intellectual capital, and risk disclosure on the cost of capital. Using an agency theory perspective, it provides an explanation of how conflicts of interest between management and shareholders can be influenced by strategic disclosure and management manipulation practices. The interaction between transparent disclosure and earnings management to reduce agency costs

and the cost of capital by using company size, leverage, profitability and operating cash flow as control variables. Thus, this study is expected to contribute to the existing literature regarding the relationship between the influence of social responsibility disclosure, intellectual capital disclosure, and risk disclosure on the cost of capital.

REVIEW OF LITERATURE

Disclosure of Social Responsibility and Cost of Capital

Disclosure of social responsibility information is expected to reduce the cost of capital because it meets the requirements of stakeholders, especially those who have an impact on the company's resources (Nyahas, 2017). Study Marietza and Nadia, 2021; Hatane & Soewarno, 2024), CSR performance negatively impacts the cost of equity. Companies committed to CSR activities will achieve a better reputation. A good reputation will help lower the cost of capital and reduce information asymmetry, which in turn will lead to a lower cost of equity. According to Fauzi & Firmansyah (2023), CSR has a negative impact on the cost of capital. Based on previous research, the following hypothesis can be drawn:

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

Disclosure of Intellectual Capital and Cost of Capital

Research by Modal & Gosh (2020) states that low levels of IC information disclosure by companies in India and the Cost of Equity Capital are negatively related to the overall level of IC. Pradianingsih and Rahmawati (2021)stated that disclosure of Intellectual Capital, using human capital as a proxy, did not affect the cost of equity, while disclosure of Intellectual Capital, using structural capital and relational capital as proxies, significantly affected the Cost of Capital. Meanwhile, Prabowo's (2017) research stated that Intellectual Capital, consisting of Human Capital Efficiency and Capital Employed Efficiency, was insignificant on the Cost of Equity. Pakdelan et al. (2021) also stated that there was no relationship between Intellectual Capital disclosure and the Cost of Debt. Based on previous research, the following hypothesis can be drawn:

H2: Disclosure of Intellectual Capital has a negative effect on the Cost of Capital

Disclosure of Risk and Cost of Capital

Signaling theory argues that managers may intentionally provide additional voluntary disclosures to send certain signals to the market. In Risk Disclosure, managers may provide more risk information to signal that current and potential risks have been identified and assessed efficiently, thereby reducing agency costs and thus reducing the cost of capital (Abrahim & Aboud, 2023).

Increased risk disclosure by companies can reduce information asymmetry between suppliers and users of information and directly lead to increased stock liquidity and a decrease in the cost of equity.(Semper and Beltrán, 2014)Disclosure of risk information benefits companies by lowering the cost of capital, based on two aspects: first, disclosure reduces transaction costs. Risk disclosure negatively impacts the cost of equity capital.(Sri Sumardani and Sri Handayani, 2019)Increased risk disclosure helps potential investors overcome some adverse bid-ask spread options and reduces the cost of equity capital (Cornelia & Syafruddin, 2019). Based on previous research, the following hypothesis can be drawn:

H3: Disclosure Risk has a negative impact on the cost of capital

Social Responsibility Disclosure, Cost of Capital, and Earnings Management

Earnings management will weaken the relationship between CSR and financial performance because the positive influence of CSR on financial performance should be significantly reduced when companies disclose CSR as a result of earnings management. Managers can take opportunistic actions such as investing in unprofitable projects, manipulating financial reports to obtain bonuses, or avoiding taxes. Asymmetric information also affects corporate financing decisions.(Fauzi and Firmansyah, 2023)Based on agency theory, increased disclosure can contribute to reducing agency costs arising from information asymmetry between management and shareholders. Previous research shows that transparency in financial reports and more in-depth disclosure can strengthen shareholder trust, ultimately reducing conflicts of interest between the two parties (Bouguerra et al., 2023; Chaerunissa et al., 2021). Therefore, the following hypothesis can be formulated:

H4: Earnings Management weakens the negative influence of Social Responsibility disclosure on the cost of Capital

Disclosure of Intellectual Capital, Cost of Capital, and Earnings Management

Managers engage in earnings management for the benefit of the company and shareholders, not to maximize managerial wealth (Fauzi & Firmansyah, 2023). This test supports agency theory, which states that efficient earnings management indicates alignment of interests between managers and shareholders. The explanation is that managers who operate under a transparent and accountable umbrella are more likely to generate long-term shareholder value rather than pursue their own personal agendas (Healy & Wahlen, 1999). Furthermore, previous research has shown that effective earnings management activities can reduce agency costs and increase shareholder confidence in company performance (Klein, 2002; Watts & Zimmerman, 1986). Based on this, the following hypothesis can be stated:

H5: Earnings Management weakens the negative influence of Intellectual Capital disclosure on the cost of Capital

Disclosure of Risk, Cost of Capital, and Earnings Management

Higher levels of risk disclosure help reduce ambiguity, uncertainty, and information asymmetry between managers, lenders, and shareholders regarding risks threatening the business, thereby reducing agency costs and, thus, the cost of capital. Adequate risk disclosure will make investors and creditors more confident that the capital entrusted to the company is safer, preventing debt defaults or falling stock prices (Fauzi & Firmansyah, 2023). Research by Wang et al. (2017) found that risk disclosure reduces the accuracy of analyst forecasts, especially in companies with poorer earnings quality. Research by Fauzi & Firmansyah (2023) stated that earnings management weakens the effect of risk disclosure on the cost of capital. Based on previous research, the following hypothesis can be drawn:

H6: Earnings Management weakens the negative impact of risk disclosure on the cost of capital.

RESEARCH METHOD

This research adopts a quantitative method utilizing panel data that combines time-series and cross-sectional data elements. This is because the data for this study was collected through a single observation over the same time period as the data collected for a specific period. The population in this study is all banking subsector companies listed on the Indonesia Stock Exchange for the period 2019-2023. The sample determination in this study

uses a purposive sampling method, namely, a data collection technique with certain considerations. The criteria used in sample selection are as follows:

a) Financial sector companies listed on the Indonesia Stock Exchange and publishing annual reports for the 2019-2023 period
b) The company has complete data used to measure the variables in this study.

The data in this study are secondary data, consisting of annual reports and financial statements of financial sector companies listed on the Indonesia Stock Exchange (IDX) for the years 2019-2023. This data comes from the official websites of banking companies or the official IDX website, www.idx.co.id. The data were then analyzed using Moderated Regression Analysis (MRA) to examine whether earnings management strengthens or weakens the effects of CSR disclosure, intellectual capital, and risk on the cost of capital.

RESULTS AND DISCUSSION

Classical Assumption Test Results

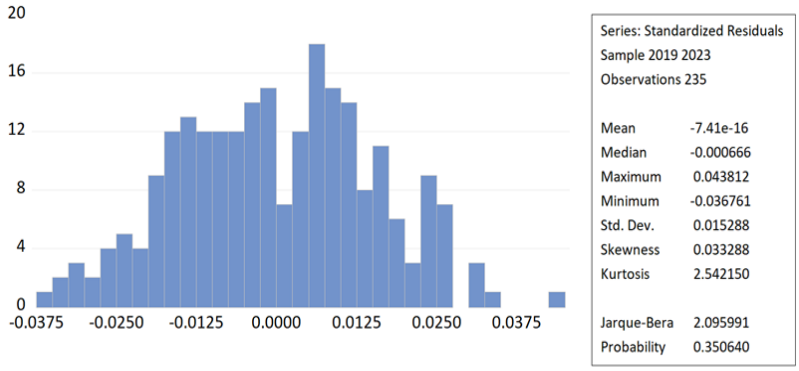

Figure 1.
Normality Test Results

Figure 1 shows that the residual distribution forms a bell-shaped curve, which is a common characteristic of a normal distribution. The mean residual value is very close to zero (–7.41e–16), and the median and skewness (0.0332) indicate that the residual distribution is nearly symmetric. The kurtosis value of 2.54 is also close to the ideal value of a normal distribution, which is 3. The Jarque-Bera test results show a statistical value of 2.095991 with a probability value of 0.350640 (> 0.05). This indicates that there is insufficient evidence to reject the null hypothesis, so it can be concluded that the residuals from the regression model are normally distributed.

Table 1.
Multicollinearity Test Results

Variables	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000280	263.7211	NA
CSR	2.87E-05	7.677225	1.232234
ICD	2.86E-05	8.422749	1.186748
RD	2.55E-05	6.805672	1.120156
TAC	0.001250	1.141230	1.140476

SIZE	1.25E-06	265.1369	1.285604
LEV	3.95E-05	10.45783	1.163617
ROA	0.003969	2.720767	1.306549
OCF	0.001698	2.925440	1.192105

Source: Processed Data (2025)

The results of the multicollinearity test based on the Variance Inflation Factor (VIF) value show that all independent variables have low VIF values, which are below 2. The highest VIF value is found in the Return on Assets (ROA) variable at 1.3065, while other variables such as CSR, ICD, RD, TAC, SIZE, LEV, and OCF each have VIF values ranging from 1.12 to 1.28. The VIF value, which is far below the general tolerance limit (10) and the sensitive limit (5), indicates that there are no symptoms of multicollinearity in the model. Thus, it can be concluded that the relationship between independent variables in the regression model does not significantly influence each other, so that the regression parameter estimates can be considered stable and can be used for further analysis.

Table 2.
Test Results of Heteroscedasticity

Variables	Coefficient	Std Error	t-Statistic	Prob
C	0.003676	0.009485	0.387579	0.6987
CSR	-0.001280	0.003041	-0.420781	0.6743
ICD	-0.002539	0.003032	-0.837351	0.4033
RD	-0.001611	0.002862	-0.562821	0.5741
TAC	-0.020941	0.020044	-1.044760	0.2972
SIZE	0.000701	0.000633	1.108530	0.2688
LEV	0.001195	0.003564	0.335220	0.7378
ROA	-0.009703	0.035720	-0.271634	0.7862
OCF	0.022527	0.023375	0.963731	0.3362

Source: Processed Data (2025)

The results of the heteroscedasticity test using the Glejser method indicate that all independent variables have probability values above the 0.05 significance level. This indicates that there is no significant relationship between the absolute value of the residual and each independent variable. Therefore, it can be concluded that the regression model does not experience heteroscedasticity symptoms, and the assumption of homoscedasticity has been met.

Table 3.
Autocorrelation Test Results

Weighted Statistics			
R-squared	0.023038	Mean dependent var	0.012601
Adjusted R-squared	-0.011544	SD dependent var	0.008617
SE of Regression	0.008667	Sum of squared residual	0.016976
F-statistics	0.666185	Durbin-Watson stat	1.998850
Prob (F-statistics)	0.721008		

Source: Processed Data (2025)

The autocorrelation test results based on the Durbin-Watson value of 1.998850 indicate that the regression model does not experience autocorrelation. This value is very

close to 2, which is the ideal value in the Durbin-Watson test based on the size of the dataset to indicate no correlation between residuals. Thus, the classical assumption of residuals being free from autocorrelation has been met in this model.

Regression Model Selection

Table 4.
Chow Test Results

Effects Test	Statistics	Df	Prob
Cross-section F	0.925803	(46,185)	0.6105
Cross-section Chi-square	48.686497	46	0.3654

Source: Processed Data (2025)

The Chow Test results, shown through the Cross-section F probability value of 0.6105 and the Cross-section Chi-square of 0.3654, both of which are greater than the 0.05 significance level, indicate that there is no significant difference between the Common Effect and Fixed Effect models. Thus, the more appropriate regression model to use in this study is the Common Effect model (CEM).

Table 5.
Hausman Test Results

Effects Test	Chi-Square Statistic	Chi-sq Df	Prob
Random cross-section	1.733020	3	0.6296

Source: Processed Data (2025)

The Hausman test results show that the probability value of 0.6296 exceeds the 0.05 significance level. This indicates that there is no significant difference between the estimates of the Fixed Effect and Random Effect models. Therefore, the null hypothesis is accepted, and the Random Effect model is declared the more appropriate model for use in this study.

Table 6.
Lagrange Multiple Test Results

	Hypothesis Test		
Effects Test	Cross-Section	Time	Both
Breusch-Pagan	0.151630 (0.6970)	0.599102 (0.4389)	0.750732 (0.3862)

Source: Processed Data (2025)

The results of the Lagrange Multiplier (LM) test show that the probability value for the cross-section test is 0.6970, the time test is 0.4389, and the combination of the two is 0.3862. All of these values are above 8, the significance level is 0.05. Thus, the null hypothesis stating no individual effect cannot be rejected. Therefore, the Common Effect model is more appropriate than the Random Effect model in this study.

Table 7.
Common Effect Model Regression Test Results

Dependent Variable: WACC				
Variable	Coefficient	Std Error	t-Statistic	Prob
C	0.176555	0.016809	10.50364	0.0000
CSR	0.010950	0.005473	2,00057	0.0467
ICD	0.010242	0.005501	1.86176957	0.0640
RD	0.023226	0.005079	4.5727748	0.0000

TAC	0.109987	0.124149	0.88593138	0.3766
CSR_TAC	0.354149	0.168968	0.320471	0.7489
ICD_TAC	0.182279	0.175745	1.037176	0.3008
RD_TAC	0.029968	0.164711	0.181943	0.8558
SIZE	-0.002756	0.001118	-2.465782	0.0144
LEV	-0.005395	0.006316	-0.854141	0.3939
ROA	0.105007	0.063048	1.6655	0.0972
OCF	-0.184369	0.041403	-4.453006	0.0000

Source: Processed Data (2025)

The results of the regression analysis show that the constant value (C) is 10.50364 and is significant at the 1% level (p = 0.0000), which indicates that when all independent variables are zero, the company's cost of capital remains positive and statistically significant.

The Corporate Social Responsibility (CSR) variable has a t-statistic of 2.00057 with a p-value of 0.0467. This value is significant at the 5% level, indicating that CSR disclosure has a positive and significant effect on the cost of capital. This can be interpreted as CSR being perceived by the market as a factor reflecting a company's commitment to sustainability, but it can also be interpreted as an additional burden that affects investors' return expectations.

The Intellectual Capital Disclosure (ICD) variable showed a t-statistic of 1.86177 and a p-value of 0.0640. Although not significant at the 5% level, this variable is still marginally significant at the 10% level. This indicates that intellectual capital disclosure has the potential to influence the cost of capital, but with a moderate impact.

The Risk Disclosure (RD) variable has a highly significant effect on the cost of capital, with a t-statistic of 4.57277 and a p-value of 0.0000. The direction of the effect is positive, indicating that the higher the level of risk disclosure, the higher the cost of capital borne by the company. This reflects that risk disclosure, while providing transparency, can actually increase investors' perceptions of risk towards the company.

The TAC (Tacit) variable, a proxy for earnings management practices, showed a t-statistic of 0.88593 and a p-value of 0.3766, indicating insignificance. Thus, earnings management has no direct effect on the cost of capital in this study.

The interaction between CSR and earnings management (CSR_TAC) yielded a t-statistic of 0.32047 and a p-value of 0.7489. This indicates that earnings management does not significantly moderate the relationship between CSR disclosure and the cost of capital. This means that whether a company engages in earnings management or not does not change the effect of CSR on the cost of capital.

Similarly, the interaction between intellectual capital disclosure and earnings management (ICD_TAC) shows a t-statistic of 1.03718 and a p-value of 0.3008. These results indicate that earnings management does not significantly strengthen or weaken the effect of intellectual capital disclosure on the cost of capital.

The interaction between risk disclosure and earnings management (RD_TAC) was also insignificant (t-statistic 0.18194, p-value 0.8558). This indicates that earnings management practices do not moderate the relationship between risk disclosure and the cost of capital.

The control variable SIZE (firm size) showed significant results with a t-statistic of -2.46578 and a p-value of 0.0144. The negative direction of the effect indicates that the larger

the firm size, the lower the cost of capital required. This reflects that larger firms are perceived by investors as more stable and less risky.

Leverage (LEV) shows insignificant results (t-statistic -0.85414; p-value 0.3939), which means that the company's debt level has no real influence on the cost of capital in this model.

Profitability (ROA) has a marginal effect (t-statistic 1.6655; p-value 0.0972), indicating that firms with high profitability tend to have a slightly higher cost of capital, although this relationship is statistically weak.

Finally, Operating Cash Flow (OCF) has a strong and significant negative effect (t-statistic -4.45301; p-value 0.0000). This indicates that the higher the operating cash flow, the lower the cost of capital required. Investors tend to have more confidence in companies with high cash generation capabilities from operating activities.

Disclosure of Social Responsibility and Cost of Capital

The analysis results show that the CSR variable has a positive and significant effect on the cost of capital at the 5% significance level. This finding supports the first hypothesis that corporate social responsibility disclosure impacts investor perceptions in assessing investment risk and returns. The positive direction of the effect indicates that higher levels of CSR disclosure are accompanied by an increase in the cost of capital. This could mean that although CSR is a form of corporate responsibility towards sustainability, in practice, it can also create additional burdens or is not yet fully trusted as an indicator of risk management by investors. This finding contradicts studies from Fauzi & Firmansyah (2023), which showed that CSR has a negative influence on the cost of capital.

Disclosure of Intellectual Capital and Cost of Capital

The results of the study indicate that the Intellectual Capital Disclosure (ICD) variable has a positive effect on the Weighted Average Cost of Capital (WACC), but is not statistically significant. This positive direction of the relationship indicates that higher intellectual capital disclosure is followed by an increase in the cost of capital, although statistically strong conclusions cannot be drawn. This insignificance may be due to the narrative and qualitative nature of ICD disclosure, which may lead investors to doubt its validity or impact on the company's economic value. This is in line with the viewOliveira et al. (2010) stated that intellectual capital disclosure is often poorly standardized and lacks clear quantitative indicators, making it likely to be ignored by investors when making investment decisions. Therefore, while there are indications that ICD can influence risk perception, empirical evidence remains weak in reducing a company's cost of capital. This finding aligns with research by Prabowo (2017), which states that intellectual capital has no significant effect on the cost of equity capital.

Disclosure of Risk and Cost of Capital

The research results show that risk disclosure has a significant and positive effect on the cost of capital. This means that the more information a company discloses about the risks it faces, the higher the cost of capital charged to investors. This can be explained by negative signaling theory, where extensive risk disclosure actually increases the market's perception of uncertainty and risk, thus encouraging investors to demand higher returns. This finding contradicts the results of studies from (Sri Sumardani and Sri Handayani, 2019), who found that Risk disclosure has a negative impact on the cost of equity capital.

Social Responsibility Disclosure, Cost of Capital, and Earnings Management

Based on the interaction test results, the moderating variable CSR_TAC is insignificant, indicating that earnings management is unable to moderate the relationship between CSR disclosure and the cost of capital. This means that the effect of CSR on the cost of capital remains consistent, whether the company engages in earnings management or not. Therefore, these results reject the fifth hypothesis and indicate that CSR credibility is not affected by the quality of earnings reporting. This finding contradicts the results of a study by Bouguerra et al. (2023) and Chaerunissa et al. (2021) revealed that disclosure of reports can reduce conflicts of interest between both parties.

Disclosure of Intellectual Capital, Cost of Capital, and Earnings Management

The results of the interaction test between ICD and TAC also showed insignificant results, thus rejecting the sixth hypothesis. This finding suggests that earnings management practices play no role in strengthening or weakening the effect of intellectual capital disclosure on the cost of capital. This could imply that investors assess intellectual capital information independently of the quality of a company's reported earnings. This finding contradicts findings from Fauzi & Firmansyah (2023) stated that earnings management can weaken the negative influence on the relationship between intellectual capital disclosure and capital costs.

Disclosure of Risk, Cost of Capital, and Earnings Management

The interaction between Risk Disclosure and earnings management (RD_TAC) also showed no significant effect, thus rejecting the seventh hypothesis. Therefore, it can be concluded that earnings management neither strengthens nor weakens the effect of risk disclosure on the cost of capital. Investors likely focus more on the content of the risk disclosure itself than on management's accounting manipulations. This finding contradicts the findings from Fauzi & Firmansyah (2023) stated that earnings management can weaken the negative influence on the relationship between risk disclosure and cost of capital.

CONCLUSION

This study aims to examine the effect of corporate social responsibility disclosure (CSR), intellectual capital disclosure (ICD), and risk disclosure (RD) on a company's cost of capital, and examine the role of earnings management as a moderating variable. The analysis found that CSR and RD have a positive and significant effect on the cost of capital, while ICD has a marginally significant effect. This indicates that the market or investors pay attention to non-financial information disclosed by companies in determining their expected returns.

The positive influence of CSR and RD on the cost of capital suggests that investors tend to interpret these disclosures as signals of risk or additional burdens that could potentially reduce profitability. Meanwhile, intellectual capital disclosure is considered to have the potential to increase transparency, but it is not statistically strong enough to influence investor perceptions.

Furthermore, the findings indicate that earnings management has no significant effect on the cost of capital, either directly or as a moderating variable. In other words, earnings management practices are not strong enough to alter the relationship between non-financial disclosure and the cost of capital. This indicates that the quality of earnings reporting does

not alter how investors assess a company's social responsibility, intellectual capital, or disclosed risks.

The implications of these findings suggest that companies need to be more cautious in developing non-financial disclosure strategies, particularly those related to CSR, intellectual capital, and risk. Disclosures that lack clarity about added value or risk mitigation can actually increase investor risk perceptions and the cost of capital. Therefore, companies should ensure that the information disclosed is not merely a formality but also reflects actual performance and governance to effectively build market trust.

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