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STAKEHOLDER RESPONSE TO INFORMATION ON SOCIAL RESPONSIBILITY AND INCOME SMOOTHING

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Abstract

Financial statements are a collection of information that the company conveys to stakeholders. Relevant information can change the actions of users of information. This study analyzes the responses of shareholders and the public to social responsibility information and artificial accounting actions of companies. The data used represents manufacturing companies in Indonesia that are listed on the Indonesian Stock Exchange for the 2018-2021 period. The study tested 64 firm panel data using Smart PLS software. Of the five hypothetical suggestions, two suggestions were rejected, and three were accepted. Corporate social responsibilities is considered as information that contains a positive value. It is different from income smoothing management actions that are not responded to by stakeholders. Firm value also has a positive influence on company growth. These results have implications for strengthening the theory of CSR benefits and encouraging companies to present broader information.

Keywords: CSR, income smoothing, company growth, firm value

1. Introduction

Companies cannot be separated from efforts to meet stakeholder interests [1]. Stakeholder are the company's environment that is interested in and is related to the company, individuals, communities, governments, shareholder, customers, and others. Companies and stakeholder are two parties that can influence each other. Each stakeholder has different interests. The company seeks to satisfy the interests of these stakeholder in various ways. These activities include paying taxes, social action, paying dividends, quality costs, and good employee welfare. The company's goal is to obtain an environment that supports its existence so it can continue to exist.

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Behavioral accounting can be used to discuss stakeholder responses to companies. Discussion of behavioral accounting literacy studies and analysis of human behavior with accounting both organizational design, accountability, system costing, management control, and reporting. Humans react to corporate stimuli and become traits, directions, and motivations [2], [2]–[5].

Stakeholder responses to the company can be studied using behavioral theory. Stakeholder are groups of people who have behaviors whose actions are triggered by specific stimuli. Reaction or response due to a stimulant or stimulation to humans. Acceptance of the stimulus directs the individual to take action. Financial statement information is information that can be a stimulus. For investors, financial reports are an investment stimulus. For creditors, information is important for lending decisions. For the government and the public, it can be responded to with certain actions. Political, social, and agency costs are responses to company activities. Every policy and management action are a stimulus that can respond to stakeholder' behavior [6].

The company's goal is to be a going concern and grow bigger. In a highly competitive and agile situation, companies must maintain consistent growth to meet the public's interest. The company's environment influences the power to grow. Stakeholder support is the dominant determinant to maintaining the company growth,

The company can obtain adequate support if it can meet stakeholder' interests. The company's contribution to the environment and investors is good news for stakeholder. Stakeholder trust companies that have a positive response from the market.

Literature of previous accounting research shows that there is a market reaction to company signals. Some management signals tested in accounting research are Corporate social responsibility (CSR), investment policy, dividend policy, funding policy, earnings management, stock split, and others. CSR is considered a signal of corporate responsibility in minimizing social inequality and environmental damage

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caused by the company's operational activities [7]–[13].

CSR disclosure will be able to give a positive signal to investors. The more CSR disclosures, the better the company's image. Investors reinforce the form of increasing market value. Some CSR research shows that the information is not always responded to positively by the market.

Income smoothing is an earnings management action aimed at smoothing reported earnings. The market reacts to management actions [14]–[20].

Management assumes that investors prefer stable earnings because it provides the ability to predict future earnings. Income smoothing is a positive signal for the market. Several previous studies have shown this. Several other studies argue that income smoothing is a negative manipulation act. The market penalizes firms that do so [14], [15], [19].

A positive firm value is a good news for stakeholder from investors [21]–[23]. Following the behavioral theory, stakeholder provide rewards by providing a healthy environment. The firm value is a reflection of the company's responsibility to the environment. Several previous studies have proven that stakeholder reactions are in line with the signals conveyed by the company. Several other studies failed to show this effect.

The empirical findings in the previous description show the consistency of the influence of stakeholder responses on the signals given by the company and the market. In addition to the empirical gap, there is also a theoretical gap in explaining the reaction because it is still rare to discuss investor signals conveyed to stakeholder. This research is motivated to prove the positive reaction of shareholder and stakeholder to the signals.

2. Theoretical Framework and Hypothesis

2.1 Theoretical Framework

The concept of a rational individual in decision-making theory means that in making a decision, the chosen action is the action that will produce the highest expected utility. Rational investors will analyze the investment decision-making process.

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The analysis is carried out, among others, by studying the company's financial statements, as well as evaluating the company's business performance. The goal is that the investment decisions taken will provide optimal satisfaction.

Stakeholder are groups or individuals who can have an impact or are affected by the results of the company's goals. Stakeholder include shareholder, creditors, employees, customers, suppliers, and government bodies [24], [25]. As individuals or groups of individuals, the considerations in making decisions follow their respective utility considerations. The company must provide benefits to all stakeholder.

Corporate responsibility not only maximizes profits earned and the interests of shareholder but also needs to pay attention to the company external parties, such as the community, customers, suppliers, and the government [26]–[28]. The greater the influence of stakeholder, the greater the company's effort to adapt. Criteria for interests and decisions as well as stakeholder satisfaction with the company's existence.

The annual report is used as a management tool to manage the information needs needed by various stakeholder groups. Companies use this information need in managing stakeholder to get support from stakeholder that affect the company's survival. Companies must show accountability and responsibility more broadly and not limited to only one party with interest.

According to signaling theory, management acts as the owner's mandate holder. In addition to financial reports, management can convey signals of success or failure related to company operations [9], [29]–[31]

This signal can be positive or negative depending on the content of the information submitted by the company. The company always tries to provide information that signals the market positively. Submission of this information can be in the form of dividend policies, share repurchases, and

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increased investments that require the company to issue cash. The use of artificial earnings report signals as markers is a cost-effective option.

In signaling theory, company information that is conveyed to third parties outside the company has a significant meaning. Submission of information from company management to investors, creditors, or business people must be able to provide good descriptions, records, and information related to the continuity and viability of the company. Relevance, accuracy, completeness, and timeliness of information when submitted greatly impact outsiders' decisions. Information submitted to the public will signal interested parties [32]–[35]. If the information contains a positive value, the company hopes the market reaction will also be positive when the market receives the information. The market will then capture and analyze the information received by market participants, whether the information is a positive or negative signal. Figure 1 shows the flow of signaling.

According to signal theory, high-quality companies will tend to signal their superiority to the market. Positive signals make investors or external parties increase the firm value, so that it will benefit the company [36].

Stock prices are a manifestation of an investor's decision to invest. The decision-making is based on the knowledge and confidence of investors in the company's potential. Investors involve their desires, hopes, goals, and interests that are directed at the goals to be achieved. The decision as a synthesis of active interactions with the environment includes searching for information and other knowledge.

In the context of company activities, shareholder and stakeholder are faced with good news and insufficient news information. Disclosure of company information can give a good signal or a bad signal. Information is considered good news if it meets the expectations of shareholder.

Stakeholder consider information from company activities and stakeholder

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activities as good news if it gives more value to their interests. When the market gives more value to the company, stakeholder assume that the market has selected and provided good value to the company. Stakeholder believe companies that have a high corporate value a guarantee for the fulfillment of the criteria for stakeholder interests.

Shareholder react positively to the company's good news and vice versa. The reaction is in a form of stock price appreciation[37]. Likewise with stakeholder. Stakeholder who receive the company's good news react positively by providing reinforcement, and vice versa. The strengthening can be decreased litigation, increased sales, repeat purchases, infrastructure development, employee loyalty, and others. Researchers call the excellent news hypothesis the situation of acceptance and reaction of shareholder and stakeholder. Figure 2 draw the framework of research.

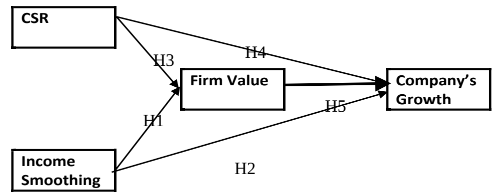

Figure 1. The framework of research

2.2 Hypothesis Development

The company growth is the impact of the company's flow of funds from operational changes caused by growth or decrease in business volume. The company growth can reflect its ability to increase its assets. Companies with fast growth will have a positive impact. In other words, they can put themselves in a mature position in the world of business competition and can increase sales results significantly and increase market share.

Income smoothing is one of management's actions to even out the level of earnings to make it easier to get creditor loans and attract investors. Income smoothing is earnings normalization done intentionally to achieve the desired trend or level. The purpose of income smoothing is that the company wants various economic and psychological benefits. Management

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lowers or increases reported earnings, thereby reducing its fluctuation. Income smoothing is the process of manipulating the timing of profits so that reported earnings look stable [38].

Income smoothing is a positive effort from management to ensure that the company can generate constant earnings. Companies with high earnings volatility are indicated to be vulnerable to bankruptcy.

The practice of income smoothing is efficient. Investors prefer the stability of the company's earnings. Stable periodic earnings can support a higher level of dividends obtained by investors than the pattern of fluctuating periodic earnings. Investor confidence in the company's performance in generating earnings affects the value given by the market to the company.

Stakeholder, including shareholder, should respond to income smoothing measures [39], [40]. The market gives more value as an appreciation of management actions with stock appreciation. Firm value increases in line with income smoothing practices. The increase in the firm value is a positive response to the positive signaling conveyed by the management.

The government responds to management actions by providing support in the form of infrastructure and regulations [41], [42]. Other users of financial statements also responded positively, so the company received many responses that could impact sales and company growth.

H$_1$: Firm value increases in line with income smoothing practices

H$_2$: Firm growth increases in line with income smoothing practices.

Corporate Social Responsibility is a concept developed by the company by prioritizing the company's concern and contribution to the community environment as an effort of social responsibility. The demand for corporate responsibility does not only focus on the financial aspect, but it is also hoped that the company will be able to make a real contribution to which it is located. CSR activities carried out by the company are still voluntary, and their activities are

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only motivated to improve the image and selling firm value because they have complied with and implemented regulations related to the CSR program.

CSR disclosure is expected to increase with the demand for reducing the impact caused by the company's operational activities on the community environment [43]. It is influenced by the mutual need and reciprocity between the company and the community. Because of this close relationship, any particular element that is not balanced will be able to have an impact on the company or the community. CSR, in this case, is one way for companies to strengthen and maintain harmonious relations with the community.

Companies that are consistent in carrying out CSR activities will be considered as companies operating for the community's welfare. By disclosing CSR activities, companies seek to demonstrate that they have an essential contribution to society. CSR is a process of communicating the environmental and social impacts of a company's economic activities to interested parties and community as a whole. Disclosure of CSR reflects that the company has a good management structure and provides confidence that the company is no longer just pursuing earnings but also cares about social and environmental issues.

Disclosure of CSR is part of building, maintaining, and legitimizing contribution from the economic, social, and political sides. Several motives for disclosing CSR information, among others, are to comply with existing regulations, gain a competitive advantage, fulfill loan contract terms and meet community expectations, legitimize company actions, and attract investors.

CSR disclosure by companies is expected to be able to give a signal to investors. The company can increase its positive value through its reporting by sending signals through its annual report. Therefore, investors are expected to consider CSR information disclosed in the company's annual report [44], [45]. If investors consider CSR information in making decisions accompanied by an increase in the purchase of company shares, there will be an increase.

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H₃: Firm value increases in line with CSR disclosure

H₄: Firm growth increases in line with CSR disclosure

In the long term, the company's goal is to increase the value by increasing the prosperity of shareholder. Company value is a condition that the company has achieved at a certain point and illustrates public trust in the company. A high company value will create a high share price due to increased share demand. The increasing demand for shares will be in great demand by investors. A high company value will make the market more confident in the company's performance in managing the company as well as the promising prospects of the company's ability in the future to improve the welfare of investors.

One of the company's valuation benchmarks is the stock market price. A high stock price indicates a high company value. The higher a company's stock price, the higher the firm value. This value suggests market confidence in the company's intrinsic value. If the market provides more value, the market considers the company to have good prospects., and vice versa.

Stakeholder make decisions based on accepted [24], [30], [46], [47]. The firm value is a signal of the quality of the company. A high firm value indicates investor confidence in the company's performance. Stakeholder give a positive response to the company so that it can encourage company growth. The company's sales increase which is in line with earnings growth, shows that stakeholder provide good value for the company.

H₅: The company growth increases in line with the increase in the firm value.

The figure shows the research framework. CSR, income, and firm value are news for shareholder. The relationship between these variables is positive. Shareholder responded positively to positive changes in CSR and income smoothing so that the firm value increased. Changes in company value are responded to in the same direction by stakeholder. A positive response is indicated by support for the company. Sales increased and had an impact on the company growth.

3. Research Methods

It is explanatory research explains the causal relationship between variables through hypothesis testing formulated previously. The data used are the annual reports of manufacturing companies listed on the IDX from 2015-to 2021.

The population of the study is manufacturing companies listed on the BEI, because manufacturing companies have more influence or impact on the surrounding environment due to the activities carried out by the company. The sampling method used was purposive sampling, namely the selection of samples based on the criteria determined by the researcher. These criteria:

1. Manufacturing companies listed on the Indonesia Stock Exchange during 2015-to 2021
2. The company publishes an annual and audited report with a financial year ending on December 31 between the period 2015-to 2021.
3. Manufacturing companies present financial statements in rupiah.
4. The data have completed the variables used in the research.
5. Companies that publish 2018-to 2021sustainability reports.

3.1 Research Variables

The variables used consisted of exogenous and endogenous variables. Exogenous variables are variables that explain or affect endogenous variables. This study uses Corporate Social Responsibility and income smoothing variables as exogenous variables.

Social responsibility disclosure is measured by the Corporate Social Responsibility Index (CSRI) proxy based on the Global Reporting Initiative (GRI) indicator [48]. The GRI standard was chosen because it focuses more on disclosure standards as a company's economic, social and environmental performance to improve the quality and utilization of sustainability reporting. GRI-G4 provides a globally relevant framework to support a standardized approach to reporting that promotes the level of transparency and consistency required to make the information conveyed valuable and trustworthy to markets and the public. The features in

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GRI-G4 make this guide easier to use for experienced reporters and those new to sustainability reporting in any sector and are supported by other GRI materials and services. The number of CSR disclosure items according to GRI is 79, which consists of economics (9 items), environment (30 items), labor practices (14 items), human rights (9 items), society (8 items), and product responsibility (9 items). CSR measurement uses content analysis to measure CSR index. This approach uses a dichotomous approach where each CSR item in the research instrument is given a value of 1 if it is disclosed and a value of 0 if it is not disclosed.

$$CSR = \frac{\sum Xit}{ni}$$

CSR: Corporate Social Responsibility Disclosure Index of companies *i*

n_i : Number of items for the company *i*

X*it* : Total score each company, 1 = if item i is disclosed; 0 = if item i is not disclosed

The variable trend of income smoothing practices as the dependent variable is determined and measured using the Kustono Index [49]. The Kustono index proposes the improvement of the imperfection of the Eckel index used by other researchers. Kustono's research (2011) suggests that the Eckel index has problems when it is used to measure the number of different years (n) periods. Kustono (2011) proposes a new formulation as follows:

$$IFP_{it} = \left| \frac{\dfrac{L_{it} - L_{it-1}}{L_{it-1}}}{\dfrac{P_{it} - P_{it-1}}{P_{it-1}}} \right|$$

$$PP_{it} = Avg\ (IFP_{it}, IFP_{it-1}, IFP_{it-2})$$

With the following information:

PP = income smoothing index

IFP = income fluctuation index

L = profit

P = sales

i = company i

t = year t

Earnings used is net income before tax. Earnings before tax (EBT) was chosen to refer to the reason that tax

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payments follow the reported earnings amount so that management cannot manage it. The income smoothing index is calculated using data for four consecutive years. The 2017 PP index is obtained by calculating the average FP index in 2015, 2016, and 2017. The FP index uses t and t-1 data so that the 2017 IFP is obtained from 2014 earnings and sales data., companies tend to practice income smoothing.

Endogenous variables are variables that are influenced by exogenous variables. The endogenous variables are firm value and firm growth. Firm value with market value compared to book value [50]. An increase in the firm value in the market is a sign that shareholder trust it. This value is formed based on the interaction of sellers and buyers when buying and selling securities. If the company is sold, the firm value will be reflected in the share price. This value is an indication of the shareholder's perception of the company's prospects, the firm value is measured using Price to book value (PBV).

BV_{it} = total equity / outstanding share

PBV_{it} = Market Value/ Book Value

Company growth is a classification scale that shows changes in company size. Changes in size indicate that the company is experiencing growth or decline. Positive changes indicate that the company is trusted by stakeholder so that it is committed to providing support to the company [51]. The high stakeholder interest is in the company because they believe it has financial performance, fulfillment of obligations to employees, customer satisfaction, credit worthiness, concern for the environment and society, and compliance with the law. The company growth is measured by the natural logarithm of changes in the total assets. The company growth in 2018 is calculated using the company's 2019 asset data minus 2018.

$$Growth = \frac{TA_{t+1} - TA_t}{TA_t}$$

3.2 Data Analysis Method

Statistical descriptive analysis describes a summary of research data such as mean, standard deviation, variance, mode, etc. The data will be processed using the PLS (Partial Least Square) analysis technique. PLS allows researchers to estimate complex models with multiple constructs, indicator variables, and structural paths without imposing distribution assumptions on the data (Hair, 2018).

The outer model analysis is carried out to ensure that the measurement used is feasible to be used as a measurement (valid and reliable). This model got by running the PLS Algorithm on SmartPLS. The inner model analysis is used to test the relationship between constructs that have been hypothesized previously.

Path Coefficients are used to see the relationship's significance and strength and test hypotheses. The Path Coefficients value is between -1 to +1. The closer to +1, the relationship between the two constructs gets stronger. A relationship that is closer to -1 indicates that the relationship is negative.

Hypothesis testing through Bootstrapping Technique. In the hypothesis, it can be from the value of t-statistics. To test the hypothesis using statistical values, for alpha 5%, the t-statistic value used is 1.96 (t-table). The criteria for accepting/rejecting the hypothesis are that Ha is accepted and H_0 is rejected when the t-statistic > 1.96 (t-table).

The coefficient of determination is data to determine how big the percentage of direct influence of exogenous variables. A value can be obtained from the coefficient of determination (R^2) to measure the magnitude of the exogenous contribution to the variation of endogenous variables.

4. Results and Discussions

4.1 Results

The sample selection procedure can be seen in Table 2

Table 2. Sample Criteria

No	Criteria	Amount
1	The total number of manufacturing companies in the multi-industrial sector that listed on the IDX in 2015-2021.	45
2	Companies for which financial statements have not been found publicly complete 2015-2021	(16)

3	Companies that suffered losses during 2015-2021	(13)
Number of sample companies		16
Total sample for 2015-2018 (4 firm-years observation)		64

Source: www.idx.co.id

Table 2 shows the total number of manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange for the 2015-2021 consecutive period, as many as 45 companies. Twenty-nine companies do not meet the criteria. The sample was obtained from sixteen companies with four years of observations, so a total of 64 firm-years observation data.

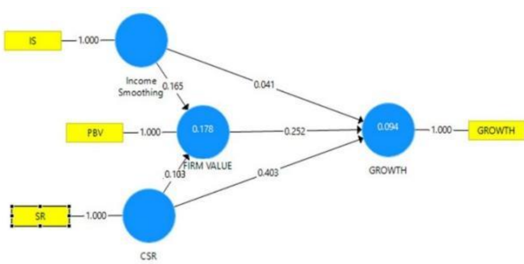

Figure 2. The test result of structural equation modelling

Figure 2 show the significance of the PLS model for each variable using the t-test. The relationship between the inner and outer models is indicated by the arrows.

Table 3. Path Coefficients

	Original Sample	SD	T	P-Values
IS → FV	0.165	0.067	2.461	0.014*
IS → GR	0.041	0.067	0.612	0.541
CSR → FV	0.103	0.105	0.981	0.327
CSR → GR	0.403	0.144	2.794	0.005**
FV →GR	0.252	0.098	2.582	0.010*
R Square	0.178	0.161		
R Square Adjusted	0.094	0.066		

** Sig. 0.01
* Sig, 0.05
Source: Processed Data, 2022

The test results in table 3 show that the effect of income smoothing on firm value has an original sample coefficient of 0.165 with a p-value of 0.014. Hypothesis 1 which states that firm value increases in line with income smoothing practices is accepted. Income smoothing is information that is considered good news for shareholder so that it is treated positively with a value above book value.

The income smoothing test on growth has an original sample of 0.41 with a p-value of 0.541. Hypothesis 2, which states that company growth increases in line with income smoothing practices, is rejected. Income smoothing is not a concern of stakeholder.

Income smoothing has no impact on company growth. Income smoothing is not information that is considered by stakeholder other than investors.

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Corporate social responsibility disclosure has a coefficient of 0.103 with a p-value of 0.327. These data indicate that CSR does not affect investors' assessment of the company. Hypothesis 3, which states that firm value increases with CSR disclosure, is rejected.

CSR has a test coefficient of 0.403 with a p-value of 0.005. It shows that CSR has a positive effect on company growth. Stakeholder give good value to companies that disclose CSR to increase company growth.

Table 3 shows that firm value positively affects firm growth with a coefficient of 0.252 and a p-value of 0.010. Hypothesis 5 is accepted. The firm value given by investors impacts company growth.

4.2 Discussion

Decision-making theory implies that a person in making a decision considers the information received. The information is an aggregation of knowledge obtained from interactions with the company and the environment. Inefficient conditions, the market gets the same information. The response to the information depends on the individual's wishes, interests, and interests.

In line with this concept, signaling theory explains that managers can use specific acceptable signals to investors due to the limitations of information delivery instruments. Announcement of dividends, stock split, or change of directors is often seen as a signal to investors about the company's situation.

Companies must position themselves from a stakeholder perspective to ensure stakeholder interests are met. Stakeholder who are satisfied with the company's performance provide a healthy environment for the company to operate. Environmental costs are reduced, litigation is minimal, employee demands are reduced, and sales are increased. The impact is that the company can grow and be a going concern.

The results of hypothesis testing provide evidence that for investors, income smoothing is a signal about the company's performance. Companies are considered to provide information related to the ability to generate earnings in the future. Shareholder also see that the company can maintain earnings stability by reporting earnings that do not fluctuate. These results are following previous research [38], [40], [42]

Investors can detect this behavior as an efficient signal. Income smoothing is not considered an opportunist behavior and is good news for shareholder. Investors and the market respond to give the company value above book value. The company has information about promising future conditions. Strong company management will be encouraged to signal the information it has to outsiders so that its share price can be corrected to its actual value. As a signal, income smoothing allows investors to predict next year's earnings.

The company smooths reported earnings to increase shareholder satisfaction by increasing earnings growth and stability. The smoothing level will result in a higher average dividend and, of course, a higher stock price. Owners will feel more comfortable with companies that have more stable earnings. The lower the earnings volatility, the lower the possibility of the company going bankrupt and borrowing costs. The consistency of the reported profit level is a signal of the quality of the company. They developed a model showing that earnings-leveling firms signal firm value to investors. Consistent reported earnings levels are a way to signal a company's future ability to generate earnings for investors. Acceptance of this signal affects the welfare of shareholder and at the same time reduces the risk of the company. As a result, the firm value increases.

Testing of hypotheses one and two shows that the signal through income smoothing can be captured by shareholder but fails to be understood by stakeholder. It is related to the impact and analysis carried out by each party. Shareholder as shareholder certainly have an interest in increasing their welfare. One form of welfare is yield. Yield can be obtained by increasing

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capital gains and dividing dividends. The distribution of dividends and capital gains on long-term investors depends on the company's reported earnings. Earnings provide information directly related to it. Investors pay close attention to information related to earnings while making investment decisions. This makes shareholder more responsive to earnings-related management actions.

Stakeholder experience different things. As parties not directly related to the company's earnings interests, stakeholder cannot analyze and have a direct interest in reported profits. The income statement will only be read as the company's financial performance, but stakeholder cannot understand the signal through income smoothing. Stakeholder failed to respond to the signals sent by the company, so they did not react.

The opposite condition when the signal given by the company is CSR disclosure. CSR does not have a direct impact on reported earnings. The effects of CSR on reported earnings relate only to social costs. Some argue that social costs increase the company's sales. Different parties assume that environmental costs do not directly impact company profits.

The hypothesis testing results support that CSR is not a major concern for shareholder. For investors, this disclosure has an impact that does not directly improve their welfare at that time. Social costs are costs that have been budgeted and do not interfere with earnings predictions. Investors' lack of awareness of CSR information signals causes their disclosure to have no impact on firm value.

The response given by stakeholder is even more straightforward. It may be related to the fact that CSR directly impacts its interests. Employees get job satisfaction, adequate salary, and positive supervision. Consumers get good service and prices. The supplier feels the transaction is satisfactory. The government sees companies as law-abiding entities.

Companies use their annual reports to illustrate the impression of environmental responsibility so that society accepts them. The acceptance of the community is expected to increase the firm value to increase company profits. Companies can adopt these changes both to products, methods, and objectives. The existence of a company that does not interfere with society's existing system and the environment. When there is a shift towards nonconformity, CSR disclosure has succeeded in obtaining positive values from the community. These results align with studies that prove the public's response to CSR [52], [53].

Stakeholder place the CSR disclosure signal as a positive signal. The company is not only concerned with profitability but also the environment in which the company is located. Social disclosure is considered as part of the communication between the company and its stakeholder. Stakeholder have the power to control or influence the use of the company's economic resources. Good communication through good news in the form of CSR disclosure makes stakeholder support the company's survival. Companies can grow, develop and be free from litigation demands.

When investors value the company, it is considered a signal by stakeholder. Good company value indicates good company performance as well. Stakeholder can use the assessment as part of the considerations in estimating the company's performance. The stakeholder response to the firm value is in line with the value of the shareholder. It shows that stakeholder follow the shareholder assessment.

4.3 Mediating Function Test

The structural equation modeling model raises the possibility of a variable acting as a mediating relationship between exogenous and endogenous variables. The firm value variable has the potential of being an intervening variable.

The second testing stage is carried out by regressing the income smoothing variable on the company growth. Intervening variables are understood as changing a direct relationship into an indirect one. Table 2 shows this possibility in the relationship between income smoothing and company growth. Testing the direct relationship of exogenous variables to company growth shows the results in Table 4.

Table 4 shows that income smoothing does not affect company growth. The P-value shows a score of 0.994, well above 0.05. These results prove that firm value is not the intervening variable in the relationship between income smoothing and firm growth.

Table 4. Direct Relationship CSR and Income Smoothing to Growth

	Original Sample	SD	T-	P-Values
CSR → GROWTH	0.205	0.093	2.195	0.029*
IS → GROWTH	0.000	0.055	0.007	0.994

** Sig. 0.01
* Sig, 0.05
Source: Processed Data, 2022

Income smoothing affects firm value and then firm value affects growth. Income smoothing does not have a direct relationship, so this eliminates the possibility of firm value as an intervening variable.

5. Conclusions

Decision-making theory views that each decision is influenced by information obtained. The company has interactions with interested parties, namely shareholder and stakeholder. Submission of good news should be responded to positively by third parties. Five hypotheses were tested using PLS. There are three accepted hypotheses and two rejected. This study proves that income smoothing is a signal for shareholder but is not responded to by stakeholder. CSR is good news for stakeholder, but stakeholder do not respond to it. The firm value provided by the market directs the response of stakeholder. Good corporate deal triggers company growth.

5.1 Limitations

Income smoothing is earnings management whose detection requires four years of the financial reporting period. Smoothing practice has been identified if it indicates this for four consecutive years. It causes the audited company's financial statement data to determine one period of income smoothing. Future research needs to consider a more extended data period so that the conclusions can be more comprehensive.

Research that analyzes stakeholder responses to firm value is still rare. Accounting research often places firm value as the ultimate goal of study. The firm value given by the investor is undoubtedly a signal for stakeholder. Developing syllogisms and scientific logic is needed to build new propositions and theories in this regard.

5.2 Research Implication

This research can provide implications in the development of knowledge science, research results can be used to develop accounting theory. Evidence of stakeholder reactions to signals given by shareholder and management can be directed to the process of generalizing and falsifying theories to strengthen financial accounting theories.

In the development of stock exchange development, the discovery of the influence of information provides a discourse on the importance of the company to fulfill its obligations to get a good response. Companies that get a good response can maintain to grow and be a going concern.

Provide new perspectives for investors, potential investors, creditors, potential creditors, governments, and other users of financial statements in company signals as a basis for decision making.

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