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Good Corporate Governance and Corporate Social Responsibility on Financial Performance Through Earning Management

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Abstrak

Tujuan *- Penelitian ini bertujuan untuk mengetahui pengaruh GCG dan CSR terhadap Kinerja Keuangan Melalui Manajemen Laba pada masa pandemi Covid-19 untuk melihat apakah perusahaan dapat berkelanjutan.*
Desain/Metodologi/Pendekatan *- Penelitian menggunakan metodologi kuantitatif dan memanfaatkan perusahaan LQ45, salah satu dari 45 perusahaan yang terdaftar di BEI untuk jangka waktu 2018–2022. Berdasarkan EPS dan TBQ sebagai proksi.*
Temuan *- temuan penelitian menunjukkan dampak besar CSR terhadap Kinerja Keuangan. Kinerja keuangan dipengaruhi secara signifikan oleh faktor GCG dengan proksi kepemilikan institusional, proksi ROA, EPS, dan TBQ, serta indikator kualitas audit. Variabel Kind terhadap kinerja keuangan yang dimediasi oleh total akrual, sedangkan variabel CSR berupa TBQ dan EPS tidak dapat dimediasi oleh Total Akrual. Hal ini menunjukkan bahwa variabel independen tidak mempunyai pengaruh negatif yang nyata terhadap kinerja keuangan. Total akrual memediasi pengaruh positif besar variabel independen terhadap kinerja keuangan. Dengan demikian jelas bahwa manajemen laba dapat berpengaruh antara variabel GCG dan CSR terhadap kinerja keuangan.*
Manajemen dapat memilih untuk memaksimalkan atau meminimalkan pendapatan melalui kebijakan akuntansi, yang dapat membuat investor khawatir. Oleh karena itu, meningkatkan kegiatan lingkungan dan sosial melalui CSR dapat berdampak pada manajemen laba.
Keterbatasan/Implikasi Penelitian *– Penerapan CSR dalam bisnis dapat menjaga lingkungan sekaligus meningkatkan kesuksesan finansial, terutama mengingat investor awam peduli terhadap lingkungan dan keberlanjutan perusahaan.*

Kata Kunci: ***Good Corporate Governance, Corporate Social Responsibility, Earning Management, Financial Performance, dan Audit Quality***

Abstract

Purpose - This study aims to determine the effect of GCG and CSR on Financial Performance Through Earning Management during Covid-19 pandemic to see whether the company can be sustainable.

Design/methodology/approach - Study employs a quantitative methodology and utilizes the firm LQ45, one of 45 companies listed on the IDX for the 2018–2022 time frame. Based on EPS and TBQ as proxies.

Findings - The research findings demonstrate a substantial impact of CSR on FP. Financial performance is significantly impacted by GCG factors with institutional ownership proxies, ROA, EPS, and TBQ proxies, as well as audit quality indicators. The Kind variable on financial performance, which is mediated by the total accrual of the CSR variable in the form of TBQ and EPS, can't be mediated by Total Accrual. This indicates that the independent variable has no discernible negative impact on financial performance. Total accruals mediate between the independent variable's large positive impact on financial performance. Thus, it is clear that whereas earnings management can do so between GCG and CSR variables to financial performance. Management can choose to either maximize or minimize income through accounting policies, which can worry investors. Hence, enhancing environmental and social activities through CSR can impact earnings management.

Research limitations/implications – Implementing CSR in businesses can safeguard the environment while also improving financial success, Especially given that the ordinary investor is concerned with the environment and the company's sustainability.

Keywords: Good Corporate Governance, Corporate Social Responsibility, Earning Management, Financial Performance, and Audit Quality

Introduction

During the Covid-19 pandemic, the government implemented a lockdown, which caused the economy of all companies to decline drastically so that the average company experienced large losses (Harahap et al., 2021). So analyzing a company's financial reports helps assess performance and holds managers accountable. Managers, aware of company information and long-term objectives, often distribute inaccurate reports to shareholders, enabling profit management to improve performance (Parinduri et al., 2019). Corporate governance, originating from agency theory, identifies potential conflicts between owners and management, enhancing performance and strengthening shareholder ties. Experienced managers must implement this strategy to hold businesses accountable (Grougiou et al., 2019). Accountability is the most crucial component of corporate governance; public financial reports must be published and accounted for by shareholders to feel confident that their rights will be protected (Rashid, 2018). Increased financial report oversight is crucial for long-term success, making audit quality essential for businesses, especially open ones, to ensure accurate financial reporting.

One of the criteria by which shareholders invest capital is audit quality, as the findings of audits conducted by internal and external auditors can inspire confidence in shareholders (Rachael & Bonaventure, 2019). Audit quality is determined by the caliber of four major auditors, highlighting the importance of effective corporate governance and corporate social responsibility for societal responsibilities beyond profit (Hoque et al., 2018). Incorporating corporate social responsibility in financial reports can positively impact investors' perception of a company's long-term viability, as they may be more hesitant to invest in a company with strong profits.

Businesses with sustainability reports enhance investors' trust in their financial performance, as audit quality is crucial for earnings management and attracting financing (Hoque et al., 2018). This research aims to see whether GCG and CSR can maintain company performance during the pandemic and by mediating Earning Management.

Literature Review and Hypothesis

Good Corporate Governance

Good Corporate Governance safeguards a company by supervising operations, achieving profits, and providing advice to management to ensure the company aligns with its vision and mission (Handoyo & Putri, 2019). Corporate governance mechanisms are divided into internal and external mechanisms. Internal mechanisms control management through internal processes, while external mechanisms involve supervisory control from external sources like market mechanisms and ownership structure (Napitupulu et al., 2020). According to Handoyo, (2019) By implementing Good Corporate Governance mechanisms that are operated according to company standards, earnings management actions can be minimized and are expected to encourage company management to behave professionally and transparently and optimize the functions of the company structure and shareholders.

Audit Quality

According to Kusumawati (2018), Audit quality involves an auditor achieving quality by adhering to auditing standards and activity standards. Research focuses on Big 4 and Non Big 4 auditors, as larger KAPs have better skills in detecting and disclosing errors in reporting and management. Meanwhile, according to Su (2021), Audit quality involves auditors adhering to predetermined standards and disclosing results based on valid evidence, influenced by factors like independence, professional judgment, and auditor competence.

Corporate Social Responsibility

Corporate social responsibility is a company's actions to help the world contribute to economic and community development by improving the standard of living for its workers and the surrounding social environment (Grougiou et al., 2019). Companies prioritize both internal profits and the social environment, shifting from a cost center approach to a long-term focus on corporate social responsibility (Chatzoglou et al., 2017). Therefore, companies need to express corporate social responsibility by reporting that the company has practiced social responsibility to society.

Financial Performance

Financial performance is generally understood as an item of the company that is measured and estimated using the information provided in corporate reports (Iqbal et al., 2019). Financial report disclosure helps potential investors assess a company's growth potential. It aligns with internal vision and mission, and financial performance evaluates a firm's achievement of goals, objectives, vision, and mission from both financial and non-financial perspectives (Abualoush et al., 2018). Financial features are evident through accounting standards' reports and disclosures, while non-financial operations like employee and customer satisfaction and business development are visible externally.

Earning Management

According to Obigbemi (2016), to mislead internal interests that desire to know the real state and performance of the company, company managers may manipulate or interfere with information in financial reports. This practice is known as earnings management. Meanwhile, according to

Callao (2021), to report to external parties for specific purposes, management involved in the financial report preparation process is known as earnings management. Because management has falsified the financial reports, earnings management cannot accurately represent the state of the business.

The Effect of Corporate Social Responsibility on Financial Performance

Businesses require support from various stakeholders, including investors, agents, employees, governments, clients, and people. Stakeholders' involvement in decision-making and approval is crucial for business success. Disclosure of CSR leads to increased interest management support and improved performance. According to Han (2016), shows that CSR has a positive influence on financial performance, the same as research Nollet (2016), found that CSR has a positive influence on financial performance.

H1: the influence of corporate social responsibility has a significant positive impact on financial performance

The Effect of Good Corporate Governance on Financial Performance

According to Kurniati (2019), the board of commissioners, institutional ownership, and public ownership serve as the equipment, mechanisms, and structures that make up the agency costs, which are the owner's overall monitoring budget. These structures are used to assess managerial attitudes that are individualistic, constrictive, and careerist. It is vital to control management behavior, improve the caliber of corporate information, and control interactions between all parties to satisfy all parties' needs. Based on research Mispa (2021), states that good corporate governance has a significant positive effect on financial performance.

H2: the influence of good corporate governance has a significant positive impact on financial performance

The Influence of Audit Quality on Financial Performance

Businesses require support from various stakeholders, including investors, agents, employees, governments, clients, and people. Stakeholders' involvement in decision-making and approval is crucial for business success. Disclosure of CSR leads to increased interest management support and improved performance. According to HAZAEA (2020), Audit quality positively influences the company's financial performance. However, several studies state that audit quality does not influence financial performance. According to Isna Inayatai (2021), audit quality negatively influences the company's financial performance.

H3: the influence of audit quality has a significant positive impact on financial performance

The Influence of Corporate Social Responsibility on Earnings Management

Almahrog et al. (2018), found a positive relationship between corporate social responsibility and earnings management. Instead, research Liu (2019), stated that CSR reduces profit management activities, promoting long-term relationships with investors and stakeholders. Companies avoid earnings management to maintain high standards of conduct.

H4: the influence of corporate social responsibility has a positive significance on earnings management

The Influence Of Good Corporate Governance On Earnings Management

According to the findings of Abedalqader et al. (2016), good corporate governance mechanisms negatively influence earnings management. On the other hand, the study conducted by Luthan (2016), stated that effective corporate governance practices, while not directly impacting earnings management, serve as a means of discipline, but are ineffective in monitoring management performance.

H5: the influence of good corporate governance has a negative significance on earnings management

The Influence of Earnings Management on Financial Performance

Earnings management can reduce the quality of financial report information related to company profits. According to research by Ningsih (2017), earnings management actions can potentially reduce financial performance. Mahrani (2018), found a negative relationship between earnings management and financial performance.

H6: the influence of earnings management has a negative significance on financial performance

The Influence of Audit Quality on Earnings Management

Audit quality is determined by the auditor's skill in finding and disclosing substantial inaccuracies in samples investigated during the audit process (AL-Qatamin & Salleh, 2020). A financial statement audit aims to enhance financial statement data by impartially analyzing and identifying material errors in the statement's scope, organization, appearance, and disclosure, enhancing the audit process's effectiveness and quality. According to Imen (2021), audit quality does not influence earnings management.

H7: the influence of audit quality has a negative significance on earnings management

The Influence of Good Corporate Governance on Financial Performance Through Financial Management

Good corporate governance practices significantly impact a company's financial performance, potentially boosting profit management, reducing board risks, and boosting investor confidence in capital investments (Faisal & Syafruddin, 2020). Supervisory management, including a reliable external auditor and a large independent board, can prevent financial reporting fraud, enhance supervisory functions, and improve earnings management, ultimately boosting financial performance (Mardianto & Feeny, 2019). According to research by Faisal (2020), the influence of GCG on financial performance can be mediated by earnings management.

H8: the influence of good corporate governance and financial performance through profit management is significantly negative

The Effect of Corporate Social Responsibility on Financial Performance Through Profit Management

Businesses can enhance their financial performance by revealing their CSR initiatives, promoting transparency in financial reporting, and encouraging managers to reduce earnings management techniques (Sial et al., 2018). CSR fosters strong investor relationships, boosts staff morale, and enhances financial performance by enhancing trust in companies through effective earnings management strategies. According to Kusumawati (2022), CSR on financial performance cannot be moderated by earnings management.

H9: the effect of corporate social responsibility and financial performance through profit management

Research Method

Research Design

The research design is an overall strategy, including a list of tasks that the researcher will carry out, starting from making hypotheses and operational implications through analyzing information and making suggestions. This activity includes various things. The method used in this research is quantitative. Quantitative research methods use lots of numbers and data that are used in research. This study was carried out through secondary data and purposive sampling with the following conditions: 1) Companies listed on the Indonesia Stock Exchange (BEI), 2) Companies that disclose CSR from 2018 to 2022, 3) Companies that have been audited by the Big Four and Non Big Four, 4) Companies that disclose annual reports from 2018 to 2022.

Definition of Operational Variables

Dependent Variable

A dependent variable is a variable that is influenced by the independent variable. The formula used in this dependent variable is:

Return On Equity (ROA)

Return on assets is also known as economic profitability, the percentage of operating profit obtained from using own capital and foreign capital (Ivone & Alvina, 2023; Mahrani & Soewarno, 2018). ROA can be formulated as follows:

$$ROA = \frac{Net\ Income}{Total\ Asset}$$

Earning Per Share (EPS)

Profitability/earnings per share measures a company's performance in generating profits. Profit per share is a comparison of net profit after tax with the number of shares traded publicly

$$EPS = \frac{Net\ Income}{Number\ of\ Outstanding}$$

Tobin's Q

Tobin's Q is a ratio tool used to measure a company's value, assessing its effectiveness and ability to utilize all resources (Mahrani & Soewarno, 2018)

$$C - PQ = \frac{(MV(CS) + BV(PS) + BC(INV) + BV(CL) - BV(CA))}{BV(TA)}$$

Independent Variable

Independent variables are variables that influence the dependent variable. The formula used in this variable includes

Number of Independent Commissioners

The composition of the Board of Independent Commissioners is the proportion of independent commissioners to the number of commissioners in the Board of Commissioners (Peny & Meiliana, 2021).

$$KIND = \frac{Number\ of\ Independent\ Commissioners}{Total\ Board\ \ of\ Commissioners}$$

Institutional Ownership

Institutional ownership refers to a corporation's financial shares held by an institution, affecting a company's debt load. Significant institutional ownership, exceeding 20%, indicates managerial control (Mahrani & Soewarno, 2018).

Corporate Social Responsibility (CSR)

This study defines CSR as business activities for social reasons, using 91 GRI indicators. Companies with one score demonstrate social responsibility, while those without score 0 (Mahrani & Soewarno, 2018). Next are the methods used in this research:

$$CSR = \frac{Total\ Value\ of\ "1"}{Number\ of\ Item\ GRI - G4\ 2013}$$

Control Variables

All things regarded as fixed or restricted in a study are known as control variables. These are unrelated factors that don't affect the goals of the research, but they are nonetheless under control as they could affect the outcome. The formula used for this mediating variable is:

Audit Quality
Dummy variables test audit quality, with Big Four community accounting firms receiving 1 and non Big Four firms receiving 0. Big Four firms are deemed superior in capabilities and reputations (Peny & Meiliana, 2021).

Mediating Variables
Mediating variables are variables that influence the relationship between the dependent variable and the independent variable. The formula used for this mediating variable is:

Earning Management
Earnings management refers to management's efforts to use its discretion when preparing financial reports to influence decision makers' perceptions of company performance or to influence revenue contracts based on financial report data (Mahrani & Soewarno, 2018). To get the accrual value, there are several steps below:

Measures The Total Value Of Accruals

$$TA_{it} = NI_{it} - CFO_{it}$$

Determine the values of parameters 1, 2 and 3

$$TA_{it} =_1 +_2 \Delta REV_{it} +_3 PPE_{it} +_{it}$$

By using parameter values 1, 2 and 3, the non discretionary accrual value can be calculated using the following formula:

$$TA_{it} \div A_{it-1} =_1 (1 \div A_{it-1}) +_2 (\Delta REV_{it} \div A_{it-1}) +_3 (PPE_{it} \div A_{it-1}) +_{it}$$

Total accruals are the sum of discretionary accruals and non discretionary accruals. The value of discretionary accruals, which is an indicator of accrual earnings management, is calculated by subtracting total accruals from non discretionary accruals:

$$DA_{it} = TA_{it} - NDA_{it}$$

This section outlines the study methodology, including design, population, and sample, instrument development, data collection, and analysis methods. It emphasizes recording material and tool specifications, researcher presence, subjects, informants, study location, duration, and validity check for qualitative research like classroom action research, ethnography, phenomenology, and case studies.

Results and Discussion

Descriptive Statistics Results
Secondary data types from Annual Reports and Sustainability Reports listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022 are used in this research. The companies that are the research sample have met the research criteria of 45 companies. The following are the results of processed descriptive data:

Table 1
Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
ROA	225	0	57	1	5
EPS	225	0	409703	12740	49815
TBQ	225	-344	135356	1536	12201
KIND	225	0	3	1	1
IO	225	0	0	0	0
AQ	225	0	1	1	0
CSR	225	0	43	1	3
EM	225	0	21	0	1

Selection of the Best Model
The best model test is a model that has normal data. Therefore, it is necessary to carry out a normality test because it is part of the classical assumption test. The normality test can measure the model from the data that has been collected. The following are the results of the normality test after eliminating outlier data for each variable.

Regression 1, Independent Variable and Control Variable to Dependent Variable

Table 2
T-Test

Model	ROA	EPS	TBQ
	Value	Value	Value
KIND	0.066	0.131	0
IO	0.018	0.014	0.003
AQ	0	0.832	0
CSR	0.03	0.044	0.001

Based on Table 2, Sig., the KIND variable has sig 0.066 > 0.05, indicating that it has no discernible impact on ROA. The IO, AQ, and CSR factors significantly impact the ROA. The results of the IO variable are 0.018, the AQ variable is 0.00, and the CSR variable is 0.30 < 0.05. The IO and CSR variables exhibit Sig. < 0.05 based on Sig. Data indicate a significant impact of these variables on EPS. On the other hand, sig > 0.05 for both the KIND and AQ variables suggests that they have no discernible impact on EPS. The IO variable is 0.003, and the KIND variable is 0.00 based on Sig. Data. Next, the CSR variable displays a result of 0.01, and the AQ variable displays a result of 0.00.

Regression 2, Independent Variable and Control Variable to Mediating Variable

Table 3
T-test

Model	EM		
	Value	Criteria	Explanation
KIND	0.425	0.05	No Sig
IO	0.001	0.05	Sig
AQ	0.019	0.05	Sig
CSR	0	0.05	Sig

Based on Table 3, Sig. Data, the KIND variable shows sig. 0.425 > 0.05 means the KIND variable has no significant effect on EM. Meanwhile, based on Sig. data, the IO variable is 0.001, the AC variable is 0.019, and the CSR variable shows sig. 0.000 < 0.05 means that the variables IO, AQ, and CSR significantly affect EM.

Regression 3, Mediating Variable to Dependent Variable

Table 4
T-test

	Model	
	EM	
	Value	Explanation
ROA	0.444	No Significant
EPS	0	Significant
TBQ	0	Significant

Based on Table 4, data sig. EM variable shows Sig results. > 0.05, which means ROA has no significant effect on EM. Meanwhile, the EM variable on EPS is 0.000, and the TBQ variable is 0.000, meaning that the EM variable can significantly affect EPS and TBQ because the value is <0.05.

Regression 4, Independent Variable, Mediating Variable to Dependent Variable

Table 5
SOBEL TEST

Test Statistic	
Variable	**Sobel Test Statistic**
KIND > EM > ROA	0.91914503
KIND > EM > TBQ	-0.8165775
KIND > EM > EPS	-0.9730104
CSR > EM > ROA	-2.01571485
CSR > EM > TBQ	3.09602372
CSR > EM > EPS	4.60830621

Earning Management Mediates Between GCG and Financial Performance

The Sobel test statistic is 0.91914503, which indicates that the Total Accrual variable cannot mediate Kind on ROA due to the statistical value being less than 1.96. The Sobel test statistic, which is -0.81657750, indicates that the Total Accrual variable cannot mediate Kind against TBQ because the statistical value is less than 1.96. Since the statistical value is less than 1.96, the Sobel test statistic of -0.97301040 indicates that the Total Accrual variable cannot mediate Kind on EPS.

Earning Management Mediates Between CSR and Financial Performance

Because the statistical value is less than 1.96, the Sobel test statistic of 0.91914503 suggests that the Total Accrual variable cannot mediate Kind on ROA. Because the statistical value is less than 1.96, the Sobel test statistic, -0.81657750, suggests that the Total Accrual variable cannot mediate Kind against TBQ. The Sobel test statistic of -0.97301040 suggests that the Total Accrual variable cannot mediate Kind on EPS because the statistical value is less than 1.96.

H1: The Influence Of Corporate Social Responsibility Has A Significant Positive Impact On Financial Performance

The research results show that CSR has a significant influence on Tobin's Q and EPS, while CSR has no significant influence on ROA. Where the test results in table 2 show that the CSR variable against Tobin's Q is 0.001 and CSR against EPS is 0.004. This means that the CSR variable significantly affects Tobin's Q and EPS, while the CSR variable on ROA is 0.30, meaning that the CSR variable has no significant effect on ROA. From the results of previous research Han (2016), states that CSR has a positive influence on company performance. Hypothesis 1 is accepted because the test results significantly influence CSR and financial performance. Where, according to Maharani (2018), this shows how improving environmental performance through corporate social responsibility (CSR) can improve a company's image. Apart from that, environmental improvement initiatives will also be beneficial for investors and have an impact on improving the company's reputation. In research Saeed (2023), stated that CSR has a significant positive influence on financial performance, where increasing the CSR implemented by a company can improve its financial performance.

H2: The Influence Of Good Corporate Governance Has A Significant Positive Impact On Financial Performance

The research results show that KIND has a significant influence on TBQ, while KIND has no significant influence on ROA and EPS. Where the test results in table 2 show that the KIND variable against Tobin's Q is 0.000. However, the KIND variable on ROA is 0.066, and the KIND variable on EPS is 0.131, meaning that the KIND variable has no significant effect on ROA and EPS. Institutional Ownership significantly influences Tobin's Q, ROA, and EPS. The test results in table 2 show the Institutional Ownership variable for Tobin's Q of 0.003. Then, IO to ROA is 0.018, and IO to EPS is 0.014. The IO variable significantly affects the ROA, EPS, and Tobin's Q variables. From the results of previous research Mispa (2021), stated that GCG has a significant positive effect on financial performance. Hypothesis 2 is accepted because the test results show a significant positive influence between GCG and Financial Performance. In research Abedin (2022), found that institutional ownership significantly affects ROA's financial performance, where with active monitoring, management skills and financial resources institutional ownership mechanisms for corporate governance can improve financial performance.

H3: Audit Quality Has A Negative Significant Impact On Financial Performance

The research results show that audit quality has a significant influence on ROA and Tobin's Q. Where the test results in table 2 show that the audit quality variable on ROA is 0.000 and the AQ variable on TBQ is 0.000. This means that the AQ variable significantly affects the ROA and Tobin's Q variables. Meanwhile, the AQ variable on EPS is 0.832. This means that the audit quality variable significantly negatively affects EPS. From the results of previous research Meidona (2018), found that audit quality has a significant effect on financial performance and research findings Roberto Hendratno (2021), shows that audit quality has a significant positive effect on Tobin's Q which is also a ratio of financial performance. Improving audit quality and consistency in audit implementation can improve company performance because investors will invest more money because these factors are crucial in helping investors decide whether the company is safe. An independent audit's goal is to instill confidence in the quality of financial reports.

H4: The Influence Of CSR Has A Significant Positive Impact On Earnings Management

Based on the research results, it shows that CSR has a significant influence on Profit Management. The test results in Table 3 show that the CSR variable on Profit Management is 0.000. This means that the CSR variable has a significant impact on earnings management. From the results of previous research Almahrog (2018), states that there is a positive significance between CSR and earnings management from research Uyagu (2017), shows that CSR has a significant positive effect on financial performance. Because audit quality has an important role in reducing the manipulation of financial reports or actual events. According to Grougiou (2019), Companies that implement CSR can help limit earnings management and achieve a good corporate image and establish good relationships with stakeholders.

H5: The Influence Of Good Corporate Governance Has A Negative Significance On Profit Management

The research results show that KIND significantly negatively affects EM. Table 3 displays the test findings, which indicate that the KIND variable on EM is 0.425. This indicates a negative significance of the KIND variable on EM. EM is significantly impacted by IO. The IO variable on earnings management is 0.001, according to Table 3's test results. This indicates that the IO variable has a noteworthy influence on earnings management. From the results of previous research Abedalqader (2016), stated that GCG has a negative influence on EM. Hypothesis 5 is not accepted because of the research Nuryana (2019), found that the KIND & IO variables did not have a significant effect on the EM variable.

H6: The Influence Of Earnings Management Has A Significant Negative Impact On Financial Performance

Based on the research results show that TBQ and EPS have a significant influence on EM. The test results in Table 4 show the EPS and TBQ variables on EM of -0.000. This means that the EPS and TBQ variables provide significance to EM. However, the ROA variable does not significantly influence EM because it is > 0.05. Based on research Tricahya Avilya (2022), shows that EM has a significant effect on financial performance (ROA). Where when calculating the profitability of a company, many people use financial reports as a description of the company in measuring its level of success. Therefore, managers will carry out earnings management actions to assess the company regarding increasing profits for company owners. On research Juwita (2021), also found that EM variables have a significant influence on financial performance with the ROA proxy, while EM variables on the EPS and TBQ proxies do not have a significant influence.

H7: The Influence Of Audit Quality Has A Significant Impact On Earnings Management

The research findings show that AQ greatly impacts earnings management. The test results for EM in Table 3 indicate that the AQ variable is 0.019. This indicates that the AQ variable significantly impacts EM. Study of Mustapha (2019), found that audit quality has a significant effect on EM. On research Abu Afifa (2023), also found that EM is significantly impacted by AQ. Since auditors may be able to impose far more effective controls over the company and stand to lose financially in the event of an audit failure, auditors of large corporations may be more driven to find management misconduct, which may be responsible for this result.

H8: The Influence Of Good Corporate Governance And Financial Performance Through Earnings Management Does Not Have A Significant Negative Effect

Based on the Sobel test table 4, it shows that the Sobel test statistic Kind for ROA mediated by Total Accrual is 0.91914503. Kind to TBQ mediated by Total Accrual shows that the Sobel test statistic is -0.81657750 and Kind to EPS mediated by Total Accrual is -0.97301040. This means that H9 can be accepted because the Kind variable on financial performance cannot be mediated by TA, which means that the independent variable has no significant negative effect on financial performance which is mediated by total accrual according to the Sobel test statistic value which is smaller than 1.96. Based on research Andreas (2020), based on the sobel test table 4, it shows that the sobel test statistic Kind for ROA mediated by Total Accrual is 0.91914503. Kind to TBQ mediated by TA shows that the Sobel test statistic is -0.81657750 and Kind to EPS mediated by TA is -0.97301040. Based on research Rizani (2022), also found that the GCG variable with IO as a proxy did not have a significant effect on financial performance and this research found that by reducing EM, the effect of GCG on financial performance would be greater.

H9: The Influence Of CSR And Financial Performance Through Earnings Management Has A Positive Significance

According to Sobel test table 4, the CSR variable on ROA mediated by TA has a Sobel test statistic of -2.0157148, the CSR variable on TBQ mediated by TA has a Sobel test statistic of 3.09602372, and the CSR variable on EPS mediated by TA has a statue of 4.6083062. The Sobel test statistic value > 1.96 indicates that the independent variable has a significant positive effect on financial performance, which is mediated by total accrual. This means that H9 can be accepted because the CSR variable on financial performance in the form of TBQ and EPS can be mediated by Total Accrual. Based on research Faisal (2020), found that CSR variables can have a significant effect on financial performance which is mediated by EM Management. The research of Mahrani (2018), also found that with earnings management acting as a mediator, CSR has a major impact on financial performance. This indicates that stepping up environmental and social performance initiatives will help management manage earnings better.

Conclusion And Recommendation

Conclusion

The purpose of this study is to determine whether earnings management, a medium through which corporate governance and corporate social responsibility might affect financial performance. With 45 firms listed on the IDX for the 2018–2022 period, the company employed in this research is LQ45, and the research methodology is quantitative. According to Mahrani (2018), the research shows that Corporate Social Responsibility (CSR) significantly impacts financial performance through EPS and Tobin's Q proxies, enhancing a company's reputation and investment benefits. Institutional ownership mechanisms can also enhance financial performance through active monitoring and management skills. Audit quality, and total accrual of CSR and Kind variables can all positively affect financial performance. However, the study has limitations due to the limited data set and the absence of institutional variables and financial performance variables mediated by earnings management. Future research should include more sectors to compare these effects.

Recommendation

The present study is subject to certain limitations regarding data collection. Specifically, the data set comprises only 45 companies that are listed on the Indonesian Stock Exchange and have demonstrated corporate social responsibility. Additionally, the absence of institutional variables and financial performance variables that are mediated by earnings management precludes the testing of the data value. This could be because not all of the data is being processed. In order to compare whether earnings management can act as a mediator between different industries, the author hopes that future research will include more sectors.

The author's advice for future research is to collect more data on mining businesses, because one of their operational tasks is to use the earth's ecosystem, which has a direct impact on the environment. So the author expects that further research will allow him to assess if implementing CSR in businesses can safeguard the environment while also improving financial success, Especially given that the ordinary investor is concerned with the environment and the company's sustainability.

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