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Earning Management of Corporate Social Responsibility Mediation and Corporate Governance on Financial Performance (An Empirical Study on Idx Mining Corporates 2016-2020)

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ABSTRACT: This study aims to examine and analyze corporate social responsibility and corporate governance on financial performance and, through earning management as a mediating variable. Financial performance is the dependent variable which is proxied by ROA and MVA. The independent variables in this study were corporate social responsibility as proxied by 91 GRI 4.0 indicators and corporate governance as proxied by independent commissioners and institutional ownership. Earning management as a mediating variable proxied by discretionary accruals. This study uses a sample of 35 mining companies listed on the Indonesia Stock Exchange from 2016 to 2020. The data used in this study is secondary data analyzed using a multiple linear regression analysis path models with the help of SPSS 25 software, and corporate governance has a positive and significant effect on financial performance. Meanwhile, earning management has a negative and significant effect on financial performance. Corporate social responsibility has a positive and significant effect on earning management, while corporate governance has a negative and significant effect on earning management. Earning management mediates full corporate social responsibility on financial performance, while the board of commissioners partially mediates on financial performance.

KEYWORDS: Earning Management, Corporate Social Responsibility, Corporate Governance, Financial Performance

1. INTRODUCTION

The corporate is considered successful in improving its financial performance if it can increase investor confidence to invest in the corporate (Ayu & Omika, 2019; Setyarini et al., 2021). Financial performance reflects the success the corporate has achieved in its operations (Matar & Eneizan, 2018). An increase in a corporation's financial performance can be seen in the corporate's high profitability (Bag & Omrane, 2020). Higher profitability will bring success to the corporate, which leads to higher stock prices and makes the corporate grow (Homaidi et al., 2019). This profitability growth reflects confidence to increase because of its ability to increase corporate profits. So that investor confidence can increase, making it easier for management to increase capital by attracting interest (Wahyu & Widiatmi, 2019).

Earning management also plays a role in strengthening financial performance. This is because earning management is close to the level of profit earned (Wahyu & Widiatmi, 2019). Earning management is a step taken by management to increase or decrease corporate profits in financial statements (Mahrani & Soewarno, 2018). Earning management measures can reduce profit-related information presented in financial statements. The low level of information contained in the financial statements will have a negative impact on the corporate's financial performance (Abduh & Rusliati, 2018; Braune et al., 2019; Dao & Ngo, 2020; Maharjan, 2019; Mangkusuryo & Jati, 2017; Rahmawardani, 2020).

The earning management phenomenon found in Indonesia in 2016 occurred in a mining sector corporate, PT Timah Tbk. PT Timah Tbk was suspected of providing false financial reports in 2015 to cover up the corporate's financial performance, which was weakening from year to year, and to make public lies in the media that the corporate's strategy and efficiency had led good performance. In fact, the corporate's revenue fell to a loss of Rp. 59 billion. PT. Timah Tbk recorded a debt increase of almost 100%, namely Rp. 2.3 billion compared to 2013, which only reached Rp. 263 billion. Because of the Directors of PT. Timah Tbk could not get out of the loss trap, so PT. Timah Tbk has given 80% of mining space to business partners with negative consequences for the future of PT. Timah Tbk specifically for 7,000 employees in State-Owned Enterprises (tambang.co.id, 2016).

Corporate social responsibility is also a variable that is closely related to financial performance. Corporate social responsibility is an action based on the corporate's ethical considerations directed at improving the economy. The corporate tries to build a good image in society by paying attention to the environment or social responsibility (Ikhsan et al., 2021). Corporate social responsibility is no longer a voluntary activity but has been regulated in the Acts of the Republic of Indonesia. The importance of implementing corporate social responsibility is based on the view that each corporate's existence and business continuity cannot be separated from the role of stakeholders. Therefore, with demands from various parties, the corporate began to realize that corporate sustainability is not only from Profit Maximization but also from the implementation of social and environmental responsibilities (Wijaya & Trisnawati, 2021).

Corporate governance is also closely related to financial performance. Good corporate governance is a system (inputs, processes, outputs) and a set of rules that regulate the relationship between various parties who have interests (stakeholders), especially in the narrow sense of the relationship between shareholders, audit committee, and the board of directors to achieve goals. corporate (Latifah et al., 2019). Governance includes managing this relationship and preventing mistakes from happening, playing an important role in business strategy, and ensuring that what mistakes do occur can be corrected immediately(Mangkusuryo & Jati, 2017).

Inconsistencies from previous studies motivate researchers to conduct further research by adding earning management as a mediating variable. Earning management is a mediating variable because users of financial statements often use profit as an indicator of the corporate's success (Sehrawat et al., 2019). That is why every entity wants to report a higher level of profit (Mahrani & Soewar, 2018). The reason the researchers took mining companies as objects of research is that mining companies are one of the prospective industries which will increase their contribution to export value and economic growth (Kinasih et al., 2018).

2. LITERATURE REVIEW

Agency Theory

(Jensen & Meckling, 1976) describes the agency relationship as the relationship between the corporate's owner (principal) and the agent, with the delegation of decision-making authority to the agent. There may be a conflict of interest between the principal and the agent in an agency relationship. Shareholders demand an increase in corporate profitability and dividends, while managers are agents who are motivated to maximize the fulfillment of economic and psychological needs. Based on the agency and principal relationship, management is encouraged to perform earning management in presenting financial statements. For this reason, one way that can be used to monitor contractual issues between management and investors and limit management's opportunistic behavior is through the implementation of Good Corporate Governance (Messier & William, 2014).

Stakeholder Theory

The purpose of stakeholder theory states that the corporate has an effort to operate in various interests within the corporate it self but tends to have a beneficial impact on its stakeholders (which means shareholders, suppliers, consumers, employees, government, and other parties) (Partalidou et al., 2020). What is meant by the interests of the corporate's stakeholders is to increase added value by prioritizing products and services for stakeholders and upholding the sustainability of added value as a business priority in the corporate (Deegan & Unerman, 2011).

Financial performance

According to the Indonesian Institute of Accountants (2007), financial performance is the corporate's ability to manage and control its resources. Financial performance can be measured internally and externally. Internal such as profitability ratios. Profitability is the corporate's ability to generate profits from sales and investment (Wang et al., 2020). Externally, such as market value added (MVA), is a measure of the corporate's external performance obtained from the difference in the corporate's current market value and capital obtained from shareholders (Makhija & Trivedi, 2019).

Corporate social responsibility

ISO 26000 defines corporate social responsibility as an entity's obligation due to the entity's decisions and activities on society and the environment, manifested in the form of transparent and ethical behavior following applicable regulations. Meanwhile, according to Buertey et al. (2020), corporate social responsibility is a firm grip of the business world for its obligation to pay attention to the environment.

Corporate governance

The Cadbury Committee suggested that corporate governance is a set of rules that regulate the relationship between shareholders, corporate managers, creditors, and the interests of other internal and external holders related to their rights and obligations. Corporate governance in this study is proxied by an independent board of commissioners and institutional ownership. According to the National Committee on Governance Policy (2011), an independent board of commissioners is a member of the board of commissioners who is not affiliated with management, shareholders, and other members of the board of commissioners who can later affect their ability to act independently or act solely in the interests of the corporate. According to Mulyadi (2021), institutional ownership is shares owned by the government and other institutions that can monitor management in corporate management. The presence of institutional ownership can encourage a higher level of supervision which will ensure the prosperity of shareholders.

Earning management

According to Fischer and Rosenzweig (1995) in Mahrani & Soewar (2018), profit management is the management's action that seeks directly to regulate the number of profit figures for personal and corporate interests. Scott (2015) states earning management is the result of decisions from managers to choose certain accounting method policies that are considered to be able to achieve the desired goals, both increasing profits and reducing the level of reported losses.

The influence of corporate social responsibility on financial performance

Like the stakeholder theory described previously, corporates must be responsible to various groups in society that affect the corporate because their decisions and behaviors will affect the community's welfare Mahrani & Soewar (2018). A good relationship between the community and the corporate will create a good relationship between the community and the corporate to improve the corporate's performance (Luffarelli & Gonçalves, 2019).

Several previous studies reveal that Corporate Social Responsibility (CSR) affects financial performance as research conducted by (Mahrani & Soewar, 2018) proves that CSR positively affects financial performance. Corporates that always report their social activities will improve their corporate image and attract investors' attention. It will provide benefits for the corporate in improving financial performance. In contrast to several other studies which reveal that CSR does not affect financial performance. As research conducted by (Dewi, 2016; Mwangi & Jerotich, 2013; Rahmawati, 2017), the possibility of CSR does not affect financial performance because the corporate has not disclosed social responsibility and considers only limited to fulfilling obligations under government regulations.

H1: Social responsibility affects financial performance

The influence of corporate governance on financial performance

The existence of a large independent commissioner and the corporate's decision to choose an external auditor with a good reputation can provide proper supervision to management so as not to commit fraud in the financial statements. In addition, the existence of institutional ownership can also increase the role of supervisors as institutional investors who try to protect the rights of shareholders (Laksmi & Kamila, 2018).

Research conducted (Al-ahdal et al., 2020; Bustaram & Risal, 2020; Dao & Ngo, 2020; Dwi Wahyuni et al., 2019; Mahrani & Soewar, 2018) showed that independent commissioners and institutional ownership have a positive effect on performance In contrast to the results of research conducted (Abdul & Makki, 2013; Gulzar & Haque, 2020; Peters, 2014; Siregar, 2017; Situmorang & Simanjuntak, 2019) which suggested that independent commissioners and institutional ownership do not affect financial performance.

H2: Corporate governance affects financial performance

Effect of earning management on financial performance

Earning management is closely related to the level of profit earned. This is because the profit earned by an entity is often used as a benchmark for users of financial statements in assessing the level of success of an entity. Therefore, there is an initiative from management to carry out earning management. This earning management action can reduce the quality of profit-related information presented in the financial statements. The low quality of the information contained in the financial statements will have a negative impact on corporate financial performance (Mahrani & Soewar, 2018).

The research conducted by (Awais et al., 2016; Ding et al., 2018; Holly & Lukman, 2021; Mahrani & Soewar, 2018) revealed that earning management has a negative and significant effect on financial performance. Furthermore, managing profit is a high-cost strategy because the increase in earning manipulation must be balanced with large cash flows. Therefore, in the long term, earning management practices can decrease profits due to increased costs, such as the cost of increasing capital.

In contrast, research conducted by (Adryanti, 2019; Ding et al., 2018; Thanh & Ngo, 2020) revealed that earning management positively affects financial performance. The corporate's performance also increases when the corporate can regulate profit reporting by selecting accounting methods using accrual earning management. The motivation of managers to manipulate accrual activities through discretionary accruals is to avoid losses or achieve certain profit targets in the period concerned, and if the profit is high, then the stock price or the corporate's financial performance will tend to increase.

H3: Earning management affects financial performance

The effect of corporate social responsibility on earning management

This corporate social responsibility will increase employee morale and maintain good relations with investors. In addition, the low practice of earning management in the corporate will create investor confidence to improve the corporate's financial performance (Kinasih et al., 2018).

Research conducted by Buertey et al. (2020); Choi et al. (2018); Kumala & Siregar (2019); Matar & Eneizan (2018); Siregar (2017) reveals that corporate social responsibility has a positive and significant effect on earning management. This is due to the high costs incurred by the corporate for corporate social responsibility activities, which resulted in a decrease in corporate profits. The decline in corporate profits then encourages management to take earning management actions.

In contrast to the results of research conducted by Akram et al. (2015); Gras-gil et al. (2016); Kalbuana et al. (2020); Kinasih et al. (2018) revealed that corporate social responsibility has a negative and significant effect on earning management. The negative relationship is because companies that carry out corporate social responsibility activities maintain long-term relationships with investors, so corporates will try not to do earning management to maintain long-term relationships with investors.

H4: Corporate social responsibility affects earning management

The influence of corporate governance on earning management

The effectiveness of the supervisory function by an independent board of commissioners and institutional ownership requires a high degree of independence. According to agency theory, management considers independent commissioners warier of agency problems because commissioners are fully dedicated to overseeing management performance and behavior (Mahrani & Soewar, 2018). The existence of institutional ownership can also add to the supervisor's role as an institution that seeks to protect the rights of shareholders.

Research conducted Abedalqader et al. (2016); Mahrani & Soewar (2018); Mangkusuryo & Jati (2017); Siregar (2017) reveals that independent commissioners and institutional ownership have a negative and significant effect on earning management. In contrast to the research results conducted by Mersni & Ben Othman (2016); Muda et al. (2018); Rading Outa et al. (2017); Sehrawat et al. (2019), revealed that the board of commissioners and institutional ownership have a positive effect on earning management. This is because the independent board of commissioners only functions as a form of corporate compliance with government laws and regulations. Hence, implementing tasks becomes ineffective and not optimal in controlling management actions.

H5: Corporate governance affects earning management

The effect of corporate social responsibility on financial performance through earning management

Corporate acts as a business institution as well as a social institution. Corporates are required to generate maximum profit as a business institution. Meanwhile, as a social institution, the corporate is expected to make a positive contribution to not only the surrounding community but also stakeholders as a whole (Lin et al., 2020). One way to increase corporate profits is to suppress expenditure items considered less efficient. Expenditure designated for corporate social responsibility programs is one of the expenditures that is considered less efficient (Rahmawardani, 2020).

Research results by Bustaram & Risal (2020); Cherian et al. (2019) show that social responsibility has a significant effect on financial performance mediated by earning management.

H6: Corporate social responsibility affects financial performance through earning management

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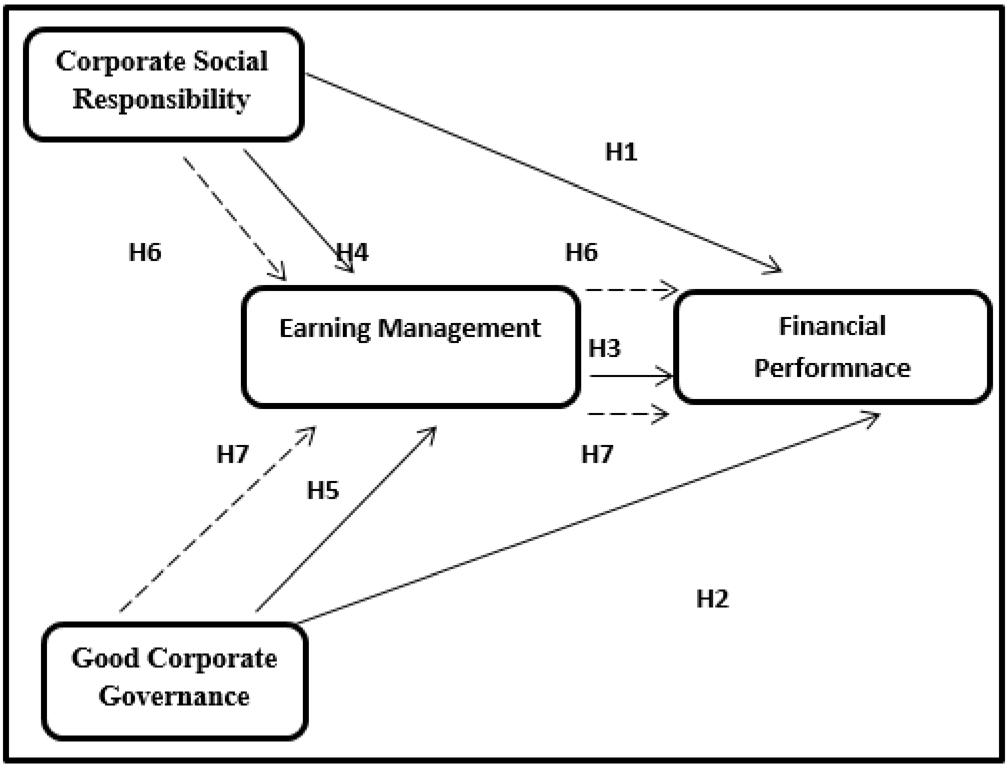
The effect of corporate governance on financial performance through earning management

The existence of a large independent commissioner can provide greater oversight to management so as not to commit fraud in the financial statements. Good supervision from independent commissioners in the financial sector can minimize the possibility of companies' fraudulent actions, such as earning management actions. As a result of the decline in earning management carried out by the management, the management's efforts to increase profits are carried out by increasing the corporate's operational activities. Increasing the corporate's operational activities is an effort that management will make for their gain to obtain incentives that are greater than the profits generated by the corporate so that the increase in the corporate's operational activities will encourage the corporate to improve its corporate performance.

Research results by Bustaram & Risal (2020); Cherian et al. (2019) show that institutional ownership has a significant effect on financial performance mediated by earning management for the independent board of commissioners. In contrast, the results of this study are in line with research conducted Alviansyah & Adiputra (2021); Mangkusuryo & Jati (2017); Setiawan (2015) which revealed that there was no influence of independent commissioners on financial performance. Then there is no mediation of the influence of institutional ownership on financial performance.

H7: Corporate governance affects financial performance through earning management



3. METHODS

Population and Research Sample

The population of this research is mining companies listed on the Indonesia Stock Exchange from 2016 to 2020, as many as 42 corporates. The sampling technique in this study used a purposive sampling technique based on the characteristics of the sample. The following are some of the sample selection criteria in this study.

1. Mining corporates in Indonesia listed on the Indonesia Stock Exchange from 2016 to 2020.
2. Mining corporates that do not publish annual reports on www.idx.co.id for the period 2016 to 2020.
3. Mining corporates that do not publish www.idx.co.id sustainability reports for the period from 2016 to 2020.

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Table 3.1. Determination of Research Sample

No.	Description	Total
1.	Mining corporates in Indonesia listed on the Indonesia Stock Exchange from 2016 to 2020.	42
2.	Mining corporates that do not publish annual reports on www.idx.co.id for the period 2016 to 2020..	(3)
3.	Mining corporates that do not publish a sustainability report www.idx.co.id for the period from 2016 to 2020.	(32)
4.	Mining corporates selected as samples in this study.	7
5.	Number of Observations (7 x 5 years)	35

Source: Processed data (2021)

Variable Measurement

Financial performance

ROA = Net Profit After Tax : Total Assets x 100%................ (1)

Description:
ROA = *Return On Assets*

MVA = Market Value of Equity – Total Equity
= (Shares Outstanding x Share Price) – Total Equity.......... (2)

Description:
MVA = *Market Value Added*

Corporate social responsibility

$$CSDI_j = \frac{\Sigma xij}{nj} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Where:
CSDIt : Corporate Social Responsibility Disclosure Index of corporate j
nj : number of CSR items of the corporate j
Xij : 1 = if item i is disclosed; 0 = if item i is not disclosed.
Therefore, 0 < CSDIt < 1.

Corporate governance

$$PDKI = \frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Members\ of\ the\ Board\ of\ Commissioners} \times 100\% \ldots. (4)$$

Desription:
PDKI = Proportion of Independent Commissioners

Institutional Ownership

$$IST = \frac{Number\ of\ Institutional\ Shares}{Total\ Shares\ Outstanding} \times 100\% \ldots\ldots\ldots\ldots (5)$$

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Desription:
IST = Institutional Ownership

Earning management

$$DAC_{it} = (TAC / A_{it-1}) - NDAC_{i,t} \text{ ....} (6)$$

Desription :
DACit = Discretionary accruals of corporate i in year t
TACit = Total accruals of corporate i in year t
Ait – 1 = Total assets of corporate i at t-i
NDACit = Non-discretionary accruals of corporate i in period t

4. RESULTS

Table 4.1. Descriptive Statistics of Research Variables

Variable	Minimum	Maximum	Mean	SD
Return On Asset (Y1)	-5,72	24,43	7,56	7,17
Market Value Added (Y2)	27,31	32,33	30,30	1,17
Corporate Social Responsibility (X1)	25	75	51,00	10,91
Independent Board of Commissioners (X2)	16,70	40,00	31,73	9,01
Institutional Ownership (X3)	6,28	93,26	61,31	23,82
Earning Management (Z)	-165,34	20,11	-5,30	28,38

Source: Processed data (2022)

The average return on assets is 7.56, which means that the companies studied have an average return on assets of 7.56% to generate profitability. The minimum value was -5.72, while the maximum value was 24.43. The standard deviation was 7.17, with several observations (n) of 35. The average value of Return On Assets is close to the standard deviation of 7.17; thus, the data deviation is Low Return On Assets.

The average Market Value Added was 30.30, which means that the corporate understudy has the ability of 30.30% to maximize the market value of shares for shareholders' welfare. The minimum value was 27.31, while the maximum value is 32.33. The standard deviation was 1.17, with the number of observations (n) being 35. The average value of the Market Value Added is quite far from the standard deviation of 1.17; thus, the deviation of the Market Value Added data is quite high.

The average Corporate Social Responsibility was 51.00. The companies studied report only 51% of corporate social responsibility, and the remaining 49% still have not disclosed reporting based on the GRI 4.0 indicator. The minimum value was 25, while the maximum is 75. The standard deviation was 10.91, with several observations (n) of 35. The average value of Corporate Social Responsibility was quite close to the standard deviation of 10.91; thus, the deviation of the Corporate Social Responsibility data is quite low.

The average independent board of commissioners was 31.73, meaning that the companies studied on average have the proportion of the board of commissioners at 31.73%. The minimum value of the corporate under study is at least 16.70% of the total board of commissioners. The maximum value of the corporate studied has the highest board of commissioners at 40%. The standard deviation of 9.01 with several observations (n) of 35. The average value of the Independent Board of Commissioners is quite close to the standard deviation of 9.01; thus, the deviation of the data of the Independent Board of Commissioners was quite low.

The average institutional ownership was 61.31, meaning that the average institutional share ownership in public corporates was 61.31% of the total corporate shares. The minimum value is 6.28%, while the maximum value is 93.26%. The standard deviation was 23.82, with the number of observations (n) being 35. The average value of Institutional Ownership is close to the standard deviation of 23.82; thus, the deviation of the Institutional Ownership data was low.

The average earning management was -5.30, meaning a 5.3% decrease in revenue in the companies studied. The minimum value was -165.34, while the maximum value was 20.11. The standard deviation of 28.38 with several observations (n) of 35. The average value of earning management is quite far from the standard deviation of 5.60; thus, the deviation of earning management data was quite high.

Table 4.2. Normality Test Results with Kolmogorov Smirnov Test

Variable	Sig.	Critical Value	Description
Earning management	0,120	0,05	Normality
Return On Asset	0,816	0,05	Normality
Market Value Added	0,504	0,05	Normality

Source: Processed data (2022)

Based on the results of the normality test in Table 4.2 with the Kolmogorov Smirnov Test, it can be seen that the probability value was > 0.05, then the regression model meets the assumption of normality.

Table 4.3. Multicollinearity Test Results with VIF Method

Model	Variable	VIF	Tolerance
I	Corporate Social Responsibility (X1)	6,127	0,163
	Board of Commissioners Independent (X2)	3,958	0,253
	Institutional Ownership (X3)	3,134	0,319
II	Corporate Social Responsibility (X1)	7,480	0,134
	Board of Commissioners Independent (X2)	4,820	0,207

Table 4.3 - Continued

	Institutional Ownership (X3)	3,282	0,305
	Profit Management (Z)	1,727	0,579
III	Corporate Social Responsibility (X1)	7,480	0,134
	Board of Commissioners Independent (X2)	4,820	0,207
	Institutional Ownership (X3)	3,282	0,305
	Earning Management (Z)	1,727	0,579

Sumber: Data diolah (2022)

Based on the results of the multicollinearity test using the VIF method, the VIF value was < 10, meaning that all independent variables do not occur multicollinearity.

Table 4.4. Autocorrelation Test Results with Durbin Watson

Model	Variable	Durbin Watson
I	Earning management	1,973
II	*Return On Asset*	1,952
III	*Market Value Added*	1,971

Source: Processed data (2022)

The D-W statistic values of 1.973, 1.952, 1.971 were not less than -2 and smaller than 2, meaning that the estimated model does not occur autocorrelation.

Table 4.5. Heteroscedasticity Test Results with *Glejser*

Model	Variable	Sig	Critical Value	Conclusions
I	Corporate Social Responsibility (X1)	0,670	0,05	Homoscedasticity
	Board of Commissioners Independent (X2)	0,295	0,05	Homoscedasticity

Table 4.5 - Continued

	Institutional Ownership (X3)	0,136	0,05	Homoscedasticity
II	Corporate Social Responsibility (X1)	0,952	0,05	Homoscedasticity
	Board of Commissioners Independent (X2)	0,459	0,05	Homoscedasticity
	Institutional Ownership (X3)	0,441	0,05	Homoscedasticity
	Profit Management (Z)	0,908	0,05	Homoscedasticity
III	Corporate Social Responsibility (X1)	0,378	0,05	Homoscedasticity
	Board of Commissioners Independent (X2)	0,239	0,05	Homoscedasticity
	Institutional Ownership (X3)	0,557	0,05	Homoscedasticity
	Earning Management (Z)	0,569	0,05	Homoscedasticity

Source: Processed data (2022)

Based on the results of the heteroscedasticity test using Glejser, it can be seen that the probability value was > 0.05. This means that the estimated model is free from heteroscedasticity.

Table 4.6. Results of Multiple Linear Regression Model 1

Model 1	Beta	Std. Error
Constant	20,056	48,081
Corporate Social Responsibility (X1)	2,303***	0,880
Board of Commissioners Independent (X2)	-2,227***	0,857
Institutional Ownership (X3)	-0,349***	0,288
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

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Mathematically the results of the multiple linear regression analysis of the path model can be written as follows:

Z = 20,056 + 2,303X1- 2,227X2 - 0,349X3...............................(7)

Table 4.7. Multiple Linear Regression Results from Model 2

Model 2	**Beta**	**Std. Error**
Constant	31,349	3,777
Corporate Social Responsibility (X1)	0,308***	0,076
Board of Commissioners Independent (X2)	0,331***	0,074
Institutional Ownership (X3)	0,040***	0,023
Earning Management (Z)	-0,660***	0,014
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

Mathematically the results of the multiple linear regression analysis of the path model can be written as follows:

Y = 31,349 + 0,308X1 + 0,331X2 + 0,040X3 - 0,660Z..........(8)

Table 4.8. Multiple Linear Regression Results from Model 3

Model 3	**Beta**	**Std. Error**
Constant	26,083	0,555
Corporate Social Responsibility (X1)	0,057***	0,011
Board of Commissioners Independent (X2)	0,051***	0,011
Institutional Ownership (X3)	0,005***	0,003
Earning Management (Z)	-0,002***	0,002
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

Mathematically the results of the multiple linear regression analysis of the path model can be written as follows:

Y = 26,083 + 0,057X1 + 0,051X2 + 0,005X3 - 0,002Z..............(9)

The basis for making decisions on the Sobel test is done by comparing the Sobel test statistic value with the Ztable value (1.96). If the Sobel test statistic Ztable, it can be concluded that there is a mediation effect. Sobel test statistic scores can be calculated on the website http://quantpsy.org/sobel/sobel.htm. The following is the mediation test with the Sobel test in this study.

Table 4.9. Sobel Test Results X->Z->Y1

Variable	a	b	Se_a	Se_b	Sobel Test Statistic
Social Responsibility (X1)	2,303	0.060	0,880	0,014	2.23354149
Board of Commissioners Independent (X2)	2,227	0.060	0,857	0,014	2.22204171
Institutional Ownership (X3)	0,349	0.060	0,288	0,014	1.16608734

Source: Processed data (2022)

Table 4.10. Sobel Test Results X->Z->Y2

Variable	a	b	Se_a	Se_b	Sobel Test Statistic
Social Responsibility (X1)	2,303	0,006	0,880	0,002	1.9721166
Board of Commissioners Independent (X2)	2,227	0,006	0,857	0,002	1.96418714
Institutional Ownership (X3)	0,349	0,006	0,288	0,002	1.12360207

Table 4.10 - Continued

Source: Processed data (2022)

In tables 4.9 and 4.10, it is found that the results of the Sobel test of the statistics of corporate social responsibility and independent commissioners are greater than the value of Ztable (1.96). This means that earning management mediates the relationship between corporate social responsibility and ROA and MVA. Then earning management also mediates the relationship between independent commissioners on ROA and MVA. Meanwhile, the Sobel test of institutional ownership statistics revealed that it was smaller than the Ztable value (1.96). It means that earning management is not able to mediate the relationship between institutional ownership on ROA and MVA.

Table 4.11. Coefficient of Determination Test Results

Model	**Rsquare Adjusted**
I Earning Management	0,365
II ROA	0,939
III MVA	0,951

Source: Processed data (2022)

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The results of the regression analysis obtained an R^2 (Coefficient of Determination) of 0.365, meaning that the dependent variable in the model, namely Earning Management (Z), is explained by the independent variable, namely Corporate Social Responsibility (X1), Independent Board of Commissioners (X2), and Institutional Ownership (X3) of 36.5%. Other factors outside the model explain the remaining 63.5%. Then R^2 (Coefficient of Determination) of 0.939 and 0.951, meaning that the dependent variable in the model, namely Return On Assets (Y1) and Market Value Added (Y2), is explained by the independent variables, namely Corporate Social Responsibility (X1), Independent Board of Commissioners (X2), Institutional Ownership (X3), and Earning Management (Z) are 93.9% and 95.1%, respectively, while the remaining 6.1% are 4.9% respectively and are explained by other factors outside the model.

Table 4.12. Simultaneous Test Results

Model	F count	Conclusions
I Earning Management	7,515***	Influential
II ROA	131,810***	Influential
III MVA	165,068***	Influential
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

Simultaneously, the independent variables affect earning management, ROA and MVA as evidenced by the value of Fcount > Ftable. The Ftable value was 2.534 and the significance was less than 5% or 0.05.

Table 4.13. Model 1 . Hypothesis t-Test Results

Model 1	T count	Conclusions
Corporate Social Responsibility (X1)	2,617***	Influential
Board of Commissioners Independent (X2)	-2,599***	Influential
Institutional Ownership (X3)	-3,194***	Influential
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

Table 4.13 reveals the value of corporate social responsibility sig < 0.005 meaning that there is a positive and significant effect on ROA. In contrast to the independent board of commissioners and institutional ownership, it is revealed that it has a negative and significant effect on ROA.

Table 4.14. Model 2 . Hypothesis t-Test Results

Model 2	Tcount	Conclusions
Corporate Social Responsibility (X1)	4,037***	Influential
Board of Commissioners Independent (X2)	4,466***	Influential
Institutional Ownership (X3)	2,340***	Influential
Earning Management (Z)	-6,196***	Influential
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Sumber: Data diolah (2022)

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Table 4.14 reveals the sig value of corporate social responsibility, independent board of commissioners and institutional ownership < 0.005 meaning that there is a positive and significant effect on ROA. In contrast to earning management, it is revealed that it has a negative and significant effect on ROA.

Table 4.15. T-Test Results of Model 3 Hypothesis

Model 3	**Tcount**	**Conclusions**
Corporate Social Responsibility (X1)	5,097***	Influential
Board of Commissioners Independent (X2)	4,722***	Influential
Institutional Ownership (X3)	3,730***	Influential
Earning Management (Z)	-2,299***	Influential
* : sig >5%		
** : sig 5%		
*** : sig <5%		

Source: Processed data (2022)

Table 4.15 reveals the sig value of corporate social responsibility, independent board of commissioners and institutional ownership < 0.005 meaning that there is a positive and significant effect on MVA. In contrast to earning management, it is revealed that it has a negative and significant effect on MVA.

5. DISCUSSION

Corporate social responsibility affects financial performance

The multiple linear regression analysis results of the path model show that corporate social responsibility has a positive and significant effect on Return on Assets and Market Value Added. This means if the resulting corporate social responsibility increases, the Return On Assets and Market Value Added received by the corporate will also increase. Increased corporate social responsibility reporting can show that the corporate is responsible for applicable regulations, the surrounding community, and even the natural environment. This increases the interest of potential investors to invest in the corporate. The more potential investors who invest will increase the corporate's share price and capital owned by the corporate.

The results of this study are following research results (Cherian et al., 2019; Gunawan & Riska, 2018; Kartika et al., 2021; Mahrani & Soewar, 2018; Maqbool & Zameer, 2018; Martin et al., 2018; Wijaya & Trisnawati, 2021) where the results of his research show that Social Responsibility has a positive effect on financial performance. Corporates that always report their social activities will improve their corporate image and attract the attention of investors. So that this will provide benefits for the corporate in improving financial performance

In contrast to several other studies which reveal that corporate social responsibility does not affect financial performance. As research conducted (Dewi, 2016; Mwangi & Jerotich, 2013; Partalidou et al., 2020) found that corporate social responsibility did not affect financial performance because the corporate had not disclosed its social responsibility and considered it only to fulfill obligations to government regulations.

Corporate governance affects financial performance

The multiple linear regression analysis results of the path model show that corporate governance as proxied by independent commissioners and institutional ownership has a positive and significant effect on Return on Assets and Market Value Added. This means that if the number of independent commissioners produced increases, the corporate's Return On Assets and Market Value Added will also increase. The existence of many independent commissioners in the corporate can provide strong supervision to management to advance the corporate. Institutional ownership also has a positive and significant effect on Return on Assets and Market Value Added. This means that if the number of institutional ownership produced increases, the Return On assets and Market Value Added to the corporate would also increase. The existence of ownership by institutional investors will encourage an increase in more optimal supervision of management performance, and this supervision will certainly ensure prosperity for shareholders.

The results of this study are in line with research conducted (Al-ahdal et al., 2019; Bustaram & Risal, 2020; Dao & Ngo, 2020; Dwi Wahyuni et al., 2019; Mahrani & Soewar, 2018) that the board of commissioners is independent and ownership institutional positive effect on financial performance. In contrast to the results of research conducted (Abdul & Makki, 2013; Gulzar & Haque, 2020; Peters, 2014; Siregar, 2017; Situmorang & Simanjuntak, 2019), which suggested that independent commissioners and institutional ownership did not affect financial performance.

Earning management affects financial performance

The regression analysis results show that earning management has a negative and significant effect on Return on Assets and Market Value Added. This means that if the earning management activities are increased, the corporate's Return On Assets and Market Value Added will also decrease. Users of financial statements view the profits generated by a corporate as a measuring tool for assessing its success. The higher the earning management actions taken by the corporate, the lower the quality of information related to corporate profits presented in the financial statements. The low quality of the information contained in the financial statements will have a negative impact on the corporate's financial performance.

The results of this study are in line with research conducted (Awais et al., 2016; Ding et al., 2018; Holly & Lukman, 2021; Mahrani & Soewar, 2018) which suggests that earning management has a negative and significant effect on financial performance. Furthermore, managing profit is a high-cost strategy because the increase in profit manipulation must be balanced with large cash flows. Therefore, in the long term, earning management practices can lead to a decrease in profits due to increased costs such as the cost of increasing capital.

In contrast, research conducted by (Adryanti, 2019; Ding et al., 2018; Thanh & Ngo, 2020) revealed that earning management positively affects financial performance. The corporate's performance also increases when the corporate can regulate profit reporting through the selection of accounting methods using accrual earning management. The motivation of managers to manipulate accrual activities through discretionary accruals is to avoid losses or achieve certain profit targets in the period concerned, and if the profit is high, then the stock price or the corporate's financial performance will tend to increase.

Social responsibility affects earning management

The regression analysis results show that Corporate Social Responsibility has a positive and significant effect on Earning Management. This means that if the Corporate Social Responsibility activities increase, the Earning Management activities will increase. On the other hand, corporate Social Responsibility activities can increase the corporate's operational costs and can reduce corporate profits. Moreover, users of financial statements view the profits generated by a corporate as a measuring tool for assessing the corporate's success. Reduced profits are bad news for the corporate, and it is a negative view for investors. Therefore, an effort is needed to increase corporate profits, namely through accounting policies by management.

The results of this study are in line with research conducted (Buertey et al., 2020; Choi et al., 2018; Jordaan et al., 2018; Kumala & Siregar, 2019; Mahrani & Soewar, 2018; Siregar, 2017) revealing that responsibility Corporate social responsibility has a positive and significant effect on earning management. This is due to the high costs incurred by the corporate for corporate social responsibility activities, which resulted in a decrease in corporate profits. The decline in corporate profits then encourages management to take profit management actions.

In contrast to the research results conducted by (Akram et al., 2015; Gras-gil et al., 2016; Kalbuana et al., 2020; Kinasih et al., 2018) revealed that corporate social responsibility has a negative and significant effect on earning management. The negative relationship is because companies that carry out corporate social responsibility activities maintain long-term relationships with investors so that corporate will try not to do profit management to maintain long-term relationships with investors.

Corporate governance affects earning management

The regression analysis results show that corporate governance as proxied by independent commissioners and institutional ownership has a negative and significant effect on earning management. This means that if the number of independent commissioners and institutional ownership increases, earning management activities will decrease. This is because many independent commissioners will provide more oversight to management to manage the corporate better. Then with a large number of institutional ownership, management can monitor the corporate management.

The results of this study are in line with research conducted (Abedalqader et al., 2016; Mahrani & Soewar, 2018; Mangkusuryo & Jati, 2017; Siregar, 2017) which revealed that independent commissioners and institutional ownership have a negative and significant effect on earning management. In contrast to the results of research conducted by (Abedalqader et al., 2016; Mersni & Ben Othman, 2016; Muda et al., 2018; Rading Outa et al., 2017; Sehrawat et al., 2019) revealed that the board of commissioners and ownership institutional positive effect on earning management.

Corporate social responsibility affects financial performance through earning management

The regression analysis and Sobel test show that corporate social responsibility has a positive and significant effect on Return on Assets and Market Value Added. Then there is the influence of full mediation of earning management on the effect of corporate social responsibility on Return on Assets and Market Value Added. Meanwhile, earning management on Return on Assets and Market Value Added has a negative and significant effect.

Efforts made by managers of corporate social responsibility activities whose funding is a profit were held last year. This shows that an increase in environmental and social performance activities will impact improving management with profit management actions. Earning management is done by allocating unrecognized profit to cover the previous year's profit. Profits that are not recognized in the end impact the decline in financial performance.

The results of this study are following research conducted (Mahrani & Soewar, 2018; Sitanggang & Ratmono, 2019; Wahyuningsih & Rasmini, 2020) which revealed that the mediation of earning management influences corporate social responsibility on financial performance.

Corporate governance affects financial performance through earning management

The regression analysis and mediation results show that corporate governance as proxied by independent commissioners and institutional ownership has a positive and significant effect on Return on Assets and Market Value Added. Then there is a partial earning management mediation on the influence of the independent board of commissioners on Return on Assets and Market Value Added. As for institutional ownership, there is no mediation of earning management on Return on Assets and Market Value Added. Then earning management on Return on Assets and Market Value Added has a negative and significant effect.

The study results indicate that the existence of a large independent commissioner can provide greater supervision to management so as not to commit fraud in the financial statements. Good supervision from independent commissioners in the financial sector can minimize the possibility of fraud by corporates, such as earning management actions. As a result of the decline in earning management carried out by the management, the management's efforts to increase profits are carried out by increasing corporate operational activities. Increasing the corporate's operational activities is an effort that management will make for their gain to obtain incentives that are greater than the profits generated by the corporate.

The higher institutional ownership will reduce the opportunistic behavior of managers, which can reduce agency costs which are expected to increase corporate value. The results of this study are in line with research conducted (Alviansyah & Adiputra, 2021; Mahrani & Soewar, 2018; Mangkusuryo & Jati, 2017; Setiawan, 2015) which revealed that there is a partial earning management influence of independent commissioners on financial performance. Then there is no mediation of the influence of institutional ownership on financial performance.

6. CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

Test results and analysts show that corporate social responsibility and corporate governance have a positive and significant effect on financial performance. Social responsibility has a positive and significant effect on earning management. Meanwhile, corporate governance has a negative and significant effect on earning management. Then earning management has a negative and significant effect on financial performance. Earning management can fully mediate the effect of corporate social responsibility on financial performance. Meanwhile, profit management partially mediates the influence of the independent board of commissioners on financial performance.

The limitation of this study is that this research only examines mining corporates as the object for further researchers, it is recommended to examine all GCG or LQ-45 corporates, thus allowing the corporate's profits to increase which can have more implications for increasing corporate profits. Suggestions for the corporate, continue to make positive issues and improve management that makes investors increase capital so as to increase corporate profits. Then for investors, research variables can be taken into consideration in measuring the corporate's ability to generate profits. Further researchers can develop this research by adding other variables and also expanding the research population.

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