

ABSTRACT

This study aims to examine the effect of good corporate governance (GCG) mechanisms and corporate social responsibility (CSR) on the company's financial performance with earnings management as a mediating variable. The independent variable in this study is the mechanism of good corporate governance (GCG) which is proxied through audit quality, institutional ownership, independent board of commissioners, board of directors, and audit committee and corporate social responsibility (CSR). The dependent variable in this study is the company's financial performance. Meanwhile, earnings management is a mediating variable in this study.

This study uses non-financial companies that publish their annual reports and are listed on the Indonesia Stock Exchange in 2017-2019 with a total sample of 138 samples. The sampling method in this study used a purposive sampling method that followed certain criteria. The analytical method used in this study is the method of multiple regression analysis and path analysis using SPSS software.

The results showed that audit quality, institutional ownership, and independent commissioners each had a positive effect on the company's financial performance. Meanwhile, the board of directors, audit committee, corporate social responsibility, and earnings management have no effect on the company's financial performance. Furthermore, audit quality, institutional ownership, independent board of commissioners, board of directors, audit committee, and corporate social responsibility have no effect on earnings management. The results of the path analysis show that earnings management does not have a mediating effect on the relationship between the five proxies of good corporate governance and corporate social responsibility mechanisms with the company's financial performance.

Keywords: Good corporate governance mechanism, audit quality, institutional ownership, independent board of commissioners, board of directors, audit committee, corporate social responsibility, company financial performance, earnings management.