

The Effect of Good Corporate Governance, Corporate Social Responsibility, Liquidity, and Leverage on Financial Performance through Earnings Management Mediation

Ilham Jiensa Wijaya¹, Fatchan Achyani², Banu Witono³

^{1,2,3}Magister Akuntansi, Universitas Muhammadiyah Surakarta, Indonesia

Email: ilhamjiensa11@gmail.com

Keywords:

Good Corporate Governance, Corporate Social Responsibility, Liquidity, Leverage, Earnings Management

Abstract

This study aims to examine the effects of Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), Liquidity, and Leverage on financial performance, with Earnings Management acting as a mediating variable. The research is based on data from publicly listed non-financial State-Owned Enterprises (SOEs) in Indonesia from 2020 to 2022. The hypotheses proposed include the direct effects of GCG, CSR, Liquidity, and Leverage on financial performance, as well as their influence through Earnings Management. Data were collected from annual financial reports available on the Indonesia Stock Exchange (IDX) website, and the analysis was conducted using the Partial Least Squares (PLS) method. The results show that Liquidity has a significant positive effect on financial performance, while GCG, CSR, and Leverage do not show significant direct or indirect effects. Earnings Management was found not to mediate the relationship between the variables and financial performance. These findings imply that while Liquidity plays a critical role in enhancing financial performance, the influence of GCG, CSR, and Leverage, as well as the role of Earnings Management, remains limited in the context of Indonesian SOEs. Future research could explore other mediating variables or focus on different industries or regions to further investigate these relationships.

INTRODUCTION

The increasing number of companies in Indonesia each year has contributed to a more competitive business environment, both domestically and internationally. As the market grows, companies need to measure their success through financial performance. Financial performance is a critical indicator of how well a company has adhered to financial regulations and whether it has achieved its goals. According to Sari Mujiani (2024), financial performance evaluates the effectiveness of a company in implementing proper financial rules. Investors use financial performance metrics to gauge a company's achievements over a specific period. Financial statements serve as the key tool to assess how well a company is performing, providing insight into its strengths and weaknesses (Cahya Ningsih & Retnaningdiah, 2021). Kurniati & Saifi (2018) suggest that financial performance significantly impacts a company's value, highlighting the importance of balancing profitability and risk. Moreover, the growing importance of corporate reputation, compliance with regulations, and environmental responsibility further links financial performance with organizational success (Barman & Mahakud, 2024).

Recent studies have shown that several factors influence financial performance, including Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), liquidity, and leverage. According to the Forum for Corporate Governance Indonesia (FCGI, 2006), GCG involves a set of regulations that govern the relationships between shareholders, management,

creditors, the government, and employees. Research such as that by Nurcahyani (2013) confirms that implementing GCG mechanisms has a significant positive impact on financial performance. However, studies such as those by Hardikasari (2011) and Kezia & Syahzuni (2023) reveal mixed results regarding GCG's effectiveness, with some studies suggesting that its impact on financial performance might be less significant if it only serves as a compliance measure rather than a fully integrated management tool. Similarly, CSR initiatives are associated with improved stakeholder relationships and employee retention (Turban & Greening, 1997), but some research, such as Primatama & Kawedar (2022), indicates no significant impact on financial performance, suggesting that CSR costs might outweigh the benefits. Liquidity and leverage have also been studied extensively in relation to financial performance. Liquidity affects a company's ability to meet its short-term financial obligations, with research by Rahmayanti (2024) and E. Masyitah & Harahap (2018) suggesting a positive impact on financial performance, while other studies like Harfani & Nurdiansyah (2021) show a negative relationship. Similarly, leverage, which measures the company's debt-to-equity ratio, has been found to have both positive (Muhtaseb, 2024) and negative (Chynthiawati & Jonnardi, 2022) effects on financial performance, depending on the level of risk taken.

Despite the rich body of research, there are still gaps in the understanding of how these factors interact to influence financial performance. While Good Corporate Governance, CSR, liquidity, and leverage have been separately studied, the interplay between these variables and their mediation by earnings management remains underexplored. The influence of earnings management on financial performance, as evidenced by Epi (2017) and Mahiswari & Nugroho (2016), is an area that warrants further investigation, especially in the context of corporate governance mechanisms and financial performance. The inconsistency in findings across studies calls for a more comprehensive exploration of how these factors collectively impact financial outcomes.

This study aims to fill this gap by investigating the effects of Good Corporate Governance, Corporate Social Responsibility, Liquidity, and Leverage on Financial Performance, with earnings management acting as a mediating variable. The research will focus on State-Owned Enterprises (BUMN) in the infrastructure, transportation, logistics, basic materials, health, and energy sectors listed on the Indonesia Stock Exchange from 2020 to 2022. The research questions include whether these factors affect financial performance, whether earnings management mediates the relationship between these factors and financial performance, and whether the influence of these factors varies across industries. The novelty of this study lies in its approach to examining the mediation effect of earnings management in the relationship between governance mechanisms and financial performance, an area that has not been sufficiently addressed in previous literature.

METHODS

This section describes how the study was conducted, addressing the study design, sample population, data collection techniques, instrument development, and data analysis methods.

Study Design

The research uses a quantitative approach, as the data collected consists of numerical values that can be analyzed statistically. This approach is well-suited to answer the research questions as it allows for the analysis of relationships between Good Corporate Governance (GCG), Corporate

Social Responsibility (CSR), Liquidity, Leverage, Earnings Management, and Financial Performance. The design is appropriate for identifying direct and indirect effects among the variables, using Partial Least Squares (PLS) for path analysis. This method is suitable for examining the relationships between multiple variables with more than one indicator for both dependent and independent variables.

Sample Population

The population in this study consists of the annual financial reports of non-financial State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. These companies operate in sectors such as Infrastructure, Transportation and Logistics, Basic Materials, Health, and Energy. This population is selected based on their availability of financial reports during the study period. The sample is drawn using purposive sampling to ensure it represents the relevant sectors and time frame for the research.

Data Collection Techniques and Instrument Development

The data collection technique used in this study is documentation. The researcher collects secondary data from annual financial reports and corporate sustainability reports available on the Indonesia Stock Exchange (IDX) website. The reports include key financial information, governance structures, and CSR activities that align with the study's variables. The instruments for data collection are the financial and sustainability reports of the selected companies, which provide the necessary data to measure GCG, CSR, Liquidity, Leverage, Earnings Management, and Financial Performance. These documents are reviewed and coded to extract relevant information for analysis.

Data Analysis Techniques

The data analysis technique used is quantitative analysis with Partial Least Squares (PLS) for path analysis. PLS is used to assess both direct and indirect relationships between variables, which is suitable for complex models with multiple indicators. The data is analyzed using panel data techniques, combining time-series and cross-sectional data. The following steps outline the data analysis process:

- 1) Descriptive Analysis: Descriptive statistics such as minimum, maximum, mean, and standard deviation are calculated to understand the distribution of each variable.
- 2) Convergent Validity: Tested by checking if the outer loading for each indicator is above 0.70. If exploratory research, values between 0.50 and 0.60 are acceptable. Average Variance Extracted (AVE) is also examined, with an acceptable threshold of above 0.50.
- 3) Discriminant Validity: Tested using the Fornell-Larcker criterion and Heterotrait-Monotrait Ratio (HTMT). A construct has good discriminant validity if the square root of

the AVE is greater than its correlation with other constructs and the HTMT ratio is less than 0.90.

- 4) Reliability: Assessed using Composite Reliability (CR) and Cronbach's Alpha (CA). A value above 0.70 indicates acceptable reliability for the constructs.
- 5) Regression Analysis: Used to examine the direct and indirect effects of independent variables on the dependent variable, with mediation by Earnings Management. The regression models are tested for multicollinearity, and R-squared values are assessed to understand the strength of the relationships.

Sampling Method

The sampling method used is purposive sampling, which involves selecting companies that meet specific criteria. The sample consists of 45 companies from five sectors (Infrastructure, Transportation and Logistics, Basic Materials, Health, and Energy) that published their financial reports during the period of 2020 to 2022. The sample is representative of the population, as it includes companies from various key sectors listed on the IDX. The criteria for inclusion in the sample are based on the availability of financial and sustainability reports for the specified years.

Equipment and Materials

The primary materials used in the research are the annual financial reports and sustainability reports available on the Indonesia Stock Exchange website. These documents are used as the primary data source to measure the variables involved in the study. The data analysis is performed using SmartPLS software, which is specifically designed for conducting PLS path modeling.

Type of Data Recorded

The data recorded in this study includes financial performance indicators (such as profitability ratios, return on assets), corporate governance indicators (such as board composition and audit quality), CSR disclosures (such as environmental and social initiatives), liquidity ratios (such as current ratio and quick ratio), and leverage ratios (such as debt-to-equity ratio). Additionally, data related to earnings management practices, as reflected in financial reports, is also collected.

Data Precision

The data is precise, with specific indicators selected for each variable based on their relevance to the research questions. The measurements of financial performance, corporate governance, CSR, liquidity, leverage, and earnings management are carefully extracted from the financial and sustainability reports to ensure consistency and accuracy in the data. The use of well-defined indicators ensures that the data is reliable for analysis.

RESULTS AND DISCUSSION

Data Description and Analysis

This section aims to describe and analyze the relationships between the research variables based on the estimation of path coefficients, which were obtained using SmartPLS software. The indicators used for analyzing these relationships include Original Sample (O), Sample Mean (M), Standard Deviation (STDEV), T-statistics, and P-values. The results of the data analysis are presented in Table 1.1 below:

Table 1 Path Coefficients Results from SmartPLS

No.	Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics	P-value
1	CSR → Financial Performance	0.038	0.016	0.054	0.708	0.479
2	CSR → Earnings Management	0.341	0.152	0.329	1.038	0.299
3	GCG → Financial Performance	-0.071	-0.043	0.055	1.293	0.196
4	GCG → Earnings Management	0.118	0.067	0.157	0.754	0.451
5	Leverage → Financial Performance	0.077	0.092	0.160	0.477	0.633
6	Leverage → Earnings Management	-0.020	-0.024	0.113	0.177	0.859
7	Liquidity → Financial Performance	0.876	0.835	0.182	4.808	0.000
8	Liquidity → Earnings Management	0.026	0.023	0.115	0.228	0.820
9	Earnings Management → Financial Performance	-0.008	0.006	0.042	0.187	0.852

Source: Data Processed (2025)

Based on Table 1, it can be explained that the Original Sample (O) shows the estimated path coefficients between variables in the structural model, while the Sample Mean (M) represents the average of the bootstrapping results. The Standard Deviation (STDEV) reflects the level of dispersion in the estimated data. The T-statistics and P-value provide initial information regarding the strength and stability of the estimates, although hypothesis testing is not yet performed in this section.

The highest path coefficient is shown by the relationship between Liquidity and Financial Performance, with an Original Sample (O) value of 0.876, Sample Mean (M) of 0.835, and T-statistic of 4.808. This indicates that Liquidity has the strongest and most stable relationship with Financial Performance compared to the other variables in the model. On the other hand, the relationship between Corporate Social Responsibility (CSR) and Earnings Management shows an Original Sample (O) of 0.341 with a Standard Deviation (STDEV) of 0.329, indicating a high spread in bootstrapping results (Mean = 0.152), reflecting inconsistency in this estimate.

The relationship between Good Corporate Governance (GCG) and Financial Performance has a negative path coefficient of -0.071, with a Sample Mean (M) of -0.043 and Standard Deviation (STDEV) of 0.055, showing a weak and relatively stable relationship. Other path coefficients, such as those for Leverage to Financial Performance ($O = 0.077$) and Earnings Management to Financial Performance ($O = -0.008$), show generally small values, indicating weak relationships between these variables based on descriptive data.

Research Findings

Convergent Validity Test

The convergent validity test was conducted to measure how well the indicators represent their respective constructs. Convergent validity is considered achieved when the outer loading of each indicator is ≥ 0.70 and the Average Variance Extracted (AVE) for each construct is ≥ 0.50 (Hair et al., 2021). The results of the convergent validity test are presented in Table 4.2, showing that all indicators are valid.

Table 4.2 Convergent Validity Test Results

<i>Variable</i>	<i>Indicator</i>	<i>Outer Loadings</i>	<i>AVE</i>	<i>Conclusion</i>
<i>Good Corporate Governance</i>	<i>X1.1</i>	<i>0.812</i>	<i>0.688</i>	<i>Valid</i>
	<i>X1.2</i>	<i>0.892</i>		<i>Valid</i>
	<i>X1.3</i>	<i>0.823</i>		<i>Valid</i>
<i>Corporate Social Responsibility</i>	<i>X2</i>	<i>0.910</i>	<i>0.828</i>	<i>Valid</i>
<i>Liquidity</i>	<i>X3.1</i>	<i>0.925</i>	<i>0.762</i>	<i>Valid</i>
	<i>X3.2</i>	<i>0.884</i>		<i>Valid</i>
<i>Leverage</i>	<i>X4</i>	<i>0.907</i>	<i>0.823</i>	<i>Valid</i>
<i>Earnings Management</i>	<i>Z.1</i>	<i>0.801</i>	<i>0.691</i>	<i>Valid</i>
	<i>Z.2</i>	<i>0.874</i>		<i>Valid</i>
	<i>Z.3</i>	<i>0.827</i>		<i>Valid</i>
<i>Financial Performance</i>	<i>Y.1</i>	<i>0.899</i>	<i>0.745</i>	<i>Valid</i>
	<i>Y.2</i>	<i>0.902</i>		<i>Valid</i>

Source: Data Processed (2025)

Based on Table 4.2, all indicators for each variable show outer loadings above 0.70, indicating that each indicator reflects its respective construct. Additionally, the AVE for all constructs exceeds the minimum threshold of 0.50, confirming good convergent validity. Thus, all variables in the model are suitable for further structural analysis.

Discriminant Validity

The discriminant validity test ensures that each construct in the model is conceptually distinct from the others. One method used to test discriminant validity is the Heterotrait-Monotrait Ratio (HTMT). According to Henseler et al. (2015), the HTMT value is considered valid when it is below 0.90. All HTMT values are below the 0.90 threshold, indicating that the constructs in the model are conceptually distinct and do not overlap too much. Therefore, discriminant validity is adequately achieved, confirming the clarity of the conceptual framework for the model.

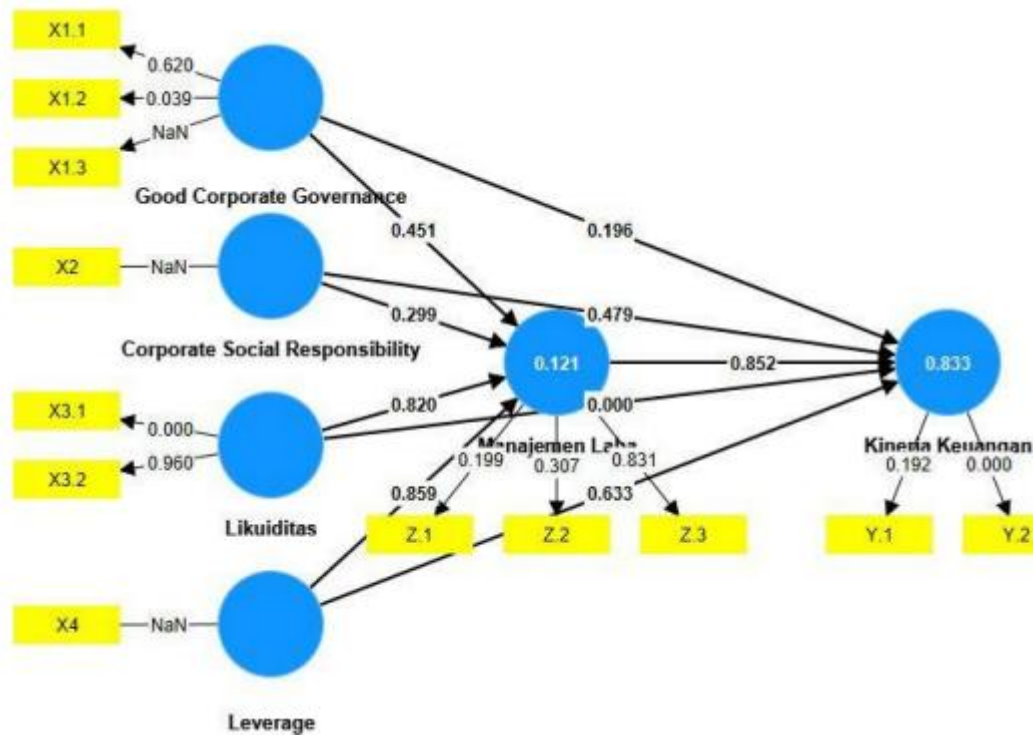


Figure 1. Hypothesis Testing

Source: Data Processed (2025)

DISCUSSION

The Effect of Good Corporate Governance on Financial Performance

The statistical test results indicate that Good Corporate Governance (GCG) does not have a significant effect on financial performance (T-statistic = 1.293; p-value = 0.196 > 0.05). This contradicts agency theory, which suggests that oversight structures such as independent boards and audit committees should reduce information asymmetry and enhance decision-making efficiency (Jensen & Meckling, 1976). According to this theory, GCG should mitigate conflicts between managers (agents) and owners (principals), ultimately improving financial performance. However, these results align with the findings of Mardiyah and Dwi (2019), who found that GCG did not significantly affect Return on Assets (ROA) or Return on Equity (ROE). Similarly, Saputra, Rita, and Sakti (2022) reported that GCG had no significant effect on financial performance, despite having a negative impact on earnings management. These results highlight that GCG in many Indonesian companies remains more of a formal requirement than a substantive oversight mechanism. Factors such as low board independence and ineffective audit committees are barriers to GCG's effectiveness in enhancing financial performance.

The Effect of Corporate Social Responsibility on Financial Performance

The test results show that Corporate Social Responsibility (CSR) does not have a significant effect on financial performance ($T\text{-statistic} = 0.708$; $p\text{-value} = 0.479 > 0.05$). Theoretically, stakeholder theory (Freeman, 1984) and legitimacy theory (Waddock & Graves, 1997) suggest that CSR can improve reputation, consumer loyalty, and investor trust, which should enhance financial performance. However, the findings suggest that CSR activities are often symbolic and not integrated into the core strategy of companies.

This finding is consistent with the research by Fitriani and Putra (2020) and Dewi and Jati (2024), who found that CSR disclosures do not always directly impact financial performance because stakeholders do not consider CSR as a key factor in their investment or consumption decisions. This result contrasts with Ferrel Aristo Putro and Imam Ghozali (2021), who found a positive impact of CSR on financial performance, highlighting that the quality and consistency of CSR implementation significantly influence its impact.

The Effect of Liquidity on Financial Performance

Unlike the previous two variables, the results of this study show that liquidity has a significant effect on financial performance ($T\text{-statistic} = 4.808$; $p\text{-value} = 0.000 < 0.05$). Classical finance theory (Brigham & Houston, 2010) asserts that companies with high liquidity are better able to meet short-term obligations, maintain operational continuity, and reduce financial risks due to delayed payments.

This finding is consistent with the research by Uli et al. (2020), which found that the current ratio significantly affects ROA, reflecting efficient working capital management. Octaviana et al. (2022) also showed that effective cash management can increase a company's profit margin. The study by Fajaryani and Suryani (2018) also found that liquidity (current ratio) significantly impacts financial performance (ROE), albeit in a negative direction. The difference in the direction of the effect can be explained by industry conditions and the working capital management strategies applied by individual companies.

The Effect of Leverage on Financial Performance

The hypothesis testing shows that leverage does not significantly affect financial performance ($T\text{-statistic} = 0.477$; $p\text{-value} = 0.633 > 0.05$). According to Modigliani and Miller (1958), in a perfect market condition, leverage should not affect a company's value. However, in practice, leverage can have both positive and negative effects, depending on its effective use. This finding aligns with Wardhani (2020), who found that leverage did not significantly affect profitability. This is due to the fact that high debt does not necessarily lead to returns that exceed the cost of debt. In emerging markets like Indonesia, companies tend to adopt a conservative debt structure to avoid the risk of default. However, this finding contrasts with Fajaryani and Suryani (2018), who found a significant positive relationship between leverage and financial performance (ROE). This discrepancy suggests that the effect of leverage on financial performance is context-dependent and depends on risk management and debt usage strategies.

The Effect of Good Corporate Governance on Earnings Management

The results show that Good Corporate Governance (GCG) does not significantly affect earnings management ($T\text{-statistic} = 0.754$; $p\text{-value} = 0.451 > 0.05$). This contradicts agency theory, which posits that GCG should act as a control mechanism to reduce opportunistic behaviors like earnings management (Jensen & Meckling, 1976). However, the ineffectiveness of GCG in Indonesia, such as low board independence and weak audit committee capacity, allows earnings management to persist despite the existence of formal governance structures. These findings are consistent with Saputra et al. (2022), who reported that GCG had a negative

effect on earnings management. However, the degree of the effect is context-dependent and varies by company governance structures.

The Effect of Corporate Social Responsibility on Earnings Management

The results indicate that CSR does not significantly affect earnings management (T -statistic = 1.038; p -value = 0.299 > 0.05). CSR is theoretically believed to improve transparency and reduce earnings manipulation (Carroll, 1979). However, CSR programs in many companies are symbolic and do not integrate into internal governance, which limits their impact on earnings management. This finding aligns with Primatama and Kawedar (2022), who found no significant effect of CSR on earnings management. However, it contrasts with Ferrel Aristo Putro and Imam Ghozali (2021), who found that CSR had a positive effect on earnings management, as CSR could be used as a cover for opportunistic behavior. These discrepancies underscore that the impact of CSR on earnings management depends on the quality and implementation of CSR.

The Effect of Liquidity on Earnings Management

The hypothesis test shows that liquidity does not significantly affect earnings management (T -statistic = 0.228; p -value = 0.820 > 0.05). This contradicts theories suggesting that low liquidity pressures managers to engage in earnings management to maintain a favorable financial image (Anam, 2018). The companies in this sample typically had stable liquidity, reducing the need to manipulate earnings. This finding suggests that liquidity stability reduces the pressure to manage earnings, supporting the conclusion that liquidity does not have a significant effect on earnings management in this study.

The Effect of Leverage on Earnings Management

The results show that leverage does not significantly affect earnings management (T -statistic = 0.177; p -value = 0.859 > 0.05). According to the debt covenant hypothesis (Firth & Smith, 1992; Lobo et al., 2012), high leverage should encourage earnings management to meet debt covenants. However, in this study, the leverage levels in the sampled companies were not high enough to induce such behavior. This finding is consistent with Rossidi and Lisa (2018), who found that leverage did not significantly affect earnings management. The lack of significant pressure from leverage in this study suggests that leverage does not sufficiently induce earnings management.

The Mediating Effect of Earnings Management on the Relationship Between GCG and Financial Performance

The test results show that earnings management does not mediate the relationship between GCG and financial performance (T -statistic = 0.129; p -value = 0.897 > 0.05). Despite the theoretical expectation that GCG should reduce earnings management and subsequently improve financial performance, the weak implementation of GCG in Indonesia limits its effectiveness. This finding is consistent with Saputra et al. (2022), who found that earnings management did not contribute to creating company value. Similarly, Primatama and Kawedar (2022) also found that earnings management did not mediate the relationship between GCG and financial performance.

The Mediating Effect of Earnings Management on the Relationship Between CSR and Financial Performance

The analysis shows that earnings management does not mediate the relationship between CSR and financial performance (T -statistic = 0.189; p -value = 0.850 > 0.05). CSR does not significantly influence earnings management or financial performance, suggesting that CSR activities in the sampled companies are still symbolic rather than substantive. These findings support the research by Saputra et al. (2022), who found that earnings management did not mediate the relationship

between CSR and financial performance, indicating that CSR lacks a significant impact on financial performance.

The Mediating Effect of Earnings Management on the Relationship Between Liquidity and Financial Performance

The results show that earnings management does not mediate the relationship between liquidity and financial performance ($T\text{-statistic} = 0.035$; $p\text{-value} = 0.972 > 0.05$). This indicates that liquidity directly impacts financial performance, not through earnings management. Companies with high liquidity can meet their financial obligations without engaging in earnings manipulation. This finding highlights that liquidity's direct effect on financial performance is more significant than its indirect effect through earnings management.

The Mediating Effect of Earnings Management on the Relationship Between Leverage and Financial Performance

The results show that earnings management does not mediate the relationship between leverage and financial performance ($T\text{-statistic} = 0.028$; $p\text{-value} = 0.977 > 0.05$). Leverage affects financial performance directly through interest expenses and capital structure, not through earnings management. This finding supports the conclusion that leverage does not influence financial performance through earnings management.

The Effect of Earnings Management on Financial Performance

The test results show that earnings management does not significantly affect financial performance ($T\text{-statistic} = 0.187$; $p\text{-value} = 0.852 > 0.05$). This is inconsistent with agency theory (Jensen, 1976), which suggests that earnings management reduces the quality of financial information and negatively impacts financial performance. However, this study found that earnings management in the sampled companies was moderate and did not materially affect financial performance, supporting the idea that minor manipulations may not significantly impact financial results.

CONCLUSION

This part consists of two (2) sub-parts: the conclusion of the article and suggestions or recommendations from the research. Conclude the article critically and logically based on the research findings. Please be careful in generalizing the results. The authors should also state the research limitation in these parts. Generally, the conclusion should explain how the research has moved the body of scientific knowledge forward. In suggestion, please describe the author's recommendations for further studies regarding the author's research implication.

Conclusion

This study aimed to examine the impact of Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), Liquidity, Leverage, and Earnings Management on the Financial Performance of Indonesian non-financial State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX). The findings indicate that Good Corporate Governance (GCG) does not significantly affect financial performance, as evidenced by a $T\text{-statistic}$ of 1.293 and a $p\text{-value}$ of 0.196, which exceeds the 0.05 significance threshold. This suggests that while GCG structures are in place, their effectiveness in improving financial performance is limited, likely due to the formalistic nature of their implementation in many Indonesian companies. Similarly, Corporate Social Responsibility (CSR) also did not show a significant effect on financial performance, with a $T\text{-statistic}$ of 0.708 and a $p\text{-value}$ of 0.479, indicating that CSR efforts are often symbolic and not yet strategically integrated into business operations to drive financial

success. In contrast, Liquidity was found to have a significant positive impact on financial performance, with a T-statistic of 4.808 and a p-value of 0.000, supporting classical finance theory that suggests companies with high liquidity are better able to meet short-term obligations, thus ensuring operational stability and reducing financial risks. Leverage, however, did not show a significant effect on financial performance, with a T-statistic of 0.477 and a p-value of 0.633, suggesting that the debt structure in Indonesian companies may not be sufficient to significantly impact their financial outcomes. Additionally, Earnings Management was not found to mediate the relationship between any of the independent variables (GCG, CSR, Liquidity, or Leverage) and financial performance, indicating that earnings manipulation does not play a central role in influencing the financial results of the sampled companies. In conclusion, while liquidity is an essential factor influencing financial performance, other variables like GCG, CSR, and leverage did not show a significant effect. These results suggest that the implementation of GCG and CSR in Indonesian state-owned enterprises is still largely formal and does not significantly contribute to improving financial performance. The study advances the body of scientific knowledge by highlighting the importance of liquidity in financial performance and calling attention to the inefficacy of traditional governance mechanisms in the Indonesian context.

Suggestions and Recommendations

Given the findings of this research, several recommendations can be made for both future studies and practical applications. Future research could expand the scope to include private sector companies or firms in other countries to assess the broader applicability of these findings. It would be valuable to examine the role of institutional investors and their influence on governance practices, as well as explore how CSR initiatives impact long-term sustainability and not just short-term financial outcomes. Additionally, understanding the contextual factors influencing the implementation of GCG and CSR in Indonesia, such as sector-specific challenges or regional variations, could provide further insights. For practitioners, especially in state-owned enterprises, strengthening the effectiveness of GCG frameworks and integrating CSR strategies into the core business strategy are crucial. Rather than merely fulfilling regulatory requirements, companies should make CSR a part of their operational strategy to realize tangible financial benefits. Furthermore, a focus on liquidity management is essential, as companies with high liquidity can more efficiently meet short-term obligations, thus enhancing financial performance. Policymakers should consider strengthening institutional frameworks that promote more effective GCG and CSR implementation. This could include enhancing oversight, improving transparency in CSR reporting, and ensuring these practices are not just symbolic but strategically aligned with the company's objectives.

REFERENCE

- Achmad Uzaimi. (2017). Teori Keagenan Dalam Perspektif Islam. *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia*, 1(1), 71–78. <https://doi.org/10.31629/jiafi.v1i1.1240>
- Achyani, F., & Lestari, S. (2019). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia)

- Tahun 2015-2017). *Riset Akuntansi Dan Keuangan Indonesia*, 4(1), 77–88.
<https://doi.org/10.23917/reaksi.v4i1.8063>
- Ahmed, E., & Hamdan, A. (2015). The Impact of Corporate Governance on Firm Performance: Evidence from Bahrain Stock Exchange. *European Journal of Business and Innovation Research*, 3(5), 25–48. <http://www.eajournals.org/wp-content/uploads/The-Impact-of-Corporate-Governance-on-Firm-Performance-Evidence-from-Bahrain-Stock-Exchange.pdf>
- Cahya Ningsih, R., & Retnaningdiah, D. (2021). Pengaruh Good Corporate Governance Dan Corporate Social Responsibility Terhadap Kinerja Keuangan Pada Perusahaan Keuangan Di Bursa Efek Indonesia. *Kajian Ekonomi Dan Bisnis*, 16(1), 87–100.
<https://doi.org/10.51277/keb.v16i1.85>
- Haposan Banjarnahor, A. D. Y. (2018). Mekanisme Good Corporate Governance Terhadap Manajemen Laba Dengan Kinerja Keuangan Sebagai Variabel Moderasi. *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia*, 2(1), 29–40.
<https://doi.org/10.31629/jiafi.v2i1.1275>
- Mahrani, M., & Soewarno, N. (2018). The Effect of Good Corporate Governance Mechanism and Corporate Social Responsibility on Financial Performance with Earnings Management as Mediating Variable. *Asian Journal of Accounting Research*, 3(1), 41–60. <https://doi.org/10.1108/AJAR-06-2018-0008>
- Masyitah, E., & Harahap, K. K. S. (2018). Analisis Kinerja Keuangan Menggunakan Metode Rasio Likuiditas Dan Profitabilitas. *Jurnal Akuntansi Dan Keuangan Kontemporer (JAKK)*, 1(1), 33–46.
- Sari, N. R., & Wahidahwati. (2018). Pengaruh Keputusan Investasi, Keputusan Pendanaan, Kebijakan Dividen Terhadap Nilai Perusahaan Dengan GCG Sebagai Variabel Moderating. *Jurnal Ilmu Dan Riset Akuntansi*, 7(6), 2–25.
<http://jurnal.kwikkiangie.ac.id/index.php/JA/article/view/912>
- Saputra, V. E., Rita, M. R., & Sakti, I. M. (2022). Efek Mekanisme Good Corporate Governance Terhadap Kinerja Keuangan Melalui Mediasi Manajemen Laba. *Modus*, 34(1), 1–23.
<https://doi.org/10.24002/modus.v34i1.5000>
- Tjahjadi, B., Soewarno, N., & Mustikaningtiyas, F. (2021). Good Corporate Governance and Corporate Sustainability Performance in Indonesia: A Triple Bottom Line Approach. *Heliyon*, 7(3), e06453. <https://doi.org/10.1016/j.heliyon.2021.e06453>
- Windia, S., & Kawedar, W. (2022). Pengaruh Mekanisme Good Corporate Governance Dan Corporate Social Responsibility Terhadap Kinerja Keuangan Perusahaan Dengan

Manajemen Laba Sebagai Variabel Mediasi (Studi Empiris Pada Perusahaan Non Keuangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2019-2022). *Diponegoro Journal of Accounting*, 11(4), 1–15.