CHAPTER V

CONCLUSION

5.1 Conclusions

This study aims to provide empirical evidence of the role of earnings management as a mediator on the effect of CSR disclosure on financial performance. Based on the research results, it can be concluded as follows:

1. The results of this study found that CSR disclosure has a positive and significant effect on financial performance with mixed results. For example, CSR disclosure has a positive and significant effect on financial performance proxied by ROE. On the other hand, CSR disclosure does not affect financial performance when financial performance is proxied by ROA and Tobin's Q.
2. The results of this study found that CSR disclosure has no effect on earnings management.
3. The results of this study found that earnings management has a positive and significant effect on financial performance with mixed results. For example, earnings management has a positive and significant effect on financial performance proxied by ROA and Tobin's Q. But on the contrary, earnings management has a negative effect on financial performance, when financial performance is proxied by ROE.
4. The results of this study found that earnings management mediates the effect of CSR disclosure on financial performance with mixed results. When tested with VAF testing, financial performance proxied by ROA and Tobin's Q

results are supported. However, when financial performance is proxied by ROE the results are not supported. However, when additional testing is done with the Hayes test, this study finds evidence that the results of hypothesis H4 testing are not supported.

5.2 Research Limitations, Suggestions, and Research Implications

The results of this study have limitations that cannot be avoided. Researchers realized that there are limitations in conducting the research, including:

1. This research uses a Wayback machine to trace the company's past information. Wayback machine is a tool that also has limitations in collecting information. In addition, there is subjectivity from researchers in collecting information. In the future, future researchers can consider other measurement tools such as GRI as a measure of CSR disclosure.
2. This study does not differentiate sample companies based on industry type. Thus, future research can focus research on certain industries.
3. This study examines CSR disclosure using the ESG score, Future research can use a checklist belonging to Branco & Rodrigues, (2006).
4. This study has not controlled for financial performance. So that further research can consider company size, leverage, etc. as control variables.
5. This study does not differentiate samples based on the legal system. So, further research can distinguish legal systems based on Civil Law and Common Law.

The results of this study imply that CSR disclosure encourages information transparency, which is a signal related to the company's financial performance. Companies can optimize CSR disclosure in delivering messages to be more strategic and effective, especially in meeting stakeholder demands.