THE ROLE OF DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY AND PROFIT MANAGEMENT DISCLOSURE AS MODERATION IN THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE ON THE PERFORMANCE OF CEMENT MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE FOR THE PERIOD 2014-2019

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Abstract

This research aims to test the influence of Corporate Governance practices on the performance of companies moderated by Corporate Social Responsibility (CSR) disclosure and profit management. The population of this research is all cement manufacturing companies listed on the Indonesia Stock Exchange which is there are 6 companies in total and all the companies were tested. Therefore, this research uses census method. Type of data used in this research is secondary data obtained from the Company's Annual Report on the company's website. To analyze the research data, this research uses moderated regression analysis. The results show that corporate governance practices positively affect the company's performance, corporate governance practices moderated by CSR disclosure negatively affect the company's performance and corporate governance practices moderated by profit management negatively affect the performance of Cement Manufacturing Companies listed on the Indonesia Stock Exchange during 2014-2019.

Keywords: corporate performance, good corporate governance, CSR disclosure, profit management.

JEL classification: G30, G380.

1. INTRODUCTION

The company management runs company operations with various of strategies to realize high company value. One of management's responsibilities in achieving this goal is to maintain and improving company performance. However, in its application, managers often tend to act opportunist for their own benefit. This can affect the company performance. Good corporate governance is a factor that can reduce that problem, so the managers can be monitored in achieving the company goals. The effective implementation of GCG will lead to important decisions be made appropriately and quickly, thus will lead to the improvement of the company performance (Chen, 2008). Nuswandari (2009) states that companies that implement good corporate governance practices tend to get higher return on equity and company value and also show better quality financial statements. Apart from the implementation of good corporate governance that can improve company performance, corporate governance can be influenced by external and internal factors (Nuryanah and Islam, 2011). Internal factors related to the corporate governance and operational issues such as board size, board capabilities, board compensation, company size, financial aspects, debt level, product excellence, and corporate ownership structure (Adams and Mehran, 2005; Gillan and Starks, 2003; Hermaline and Weisbach, 2001) and its disclosures of social and environmental activities (Julansa et al., 2020). However, the implementation of good corporate governance has not been fully beneficial for companies in Indonesia, particularly companies in the cement sector manufacturing industry. Company performance shown by cement companies in Indonesia over the last six years showed a relatively drastic decline as shown in table 1.

Table 1. *Cement Companies Performance Based on ROA for the 2014-2019 Period*

NO.	COMPANY'S NAME	YEAR					
		2014	**2015**	**2016**	**2017**	**2018**	**2019**
1	PT. Indocement Tunggal Prakasa, TBK.	18,6	15,1	13,40	6,30	4,00	6,60
2	PT. Semen Baturaja (Persero), Tbk.	11,22	10,66	12,00	3,00	1,00	1,00
3	PT. Semen Indonesia (Persero), Tbk.	16,2	11,9	10,22	4,11	6,10	3,00
4	PT. Solusi Bangun Indonesia, Tbk.	3,84	1,01	-1,44	-3,86	-4,44	2,55
5	PT. Wijaya Karya Beton, Tbk.	8,38	3,56	5,98	4,77	5,48	4,94
6	PT. Waskita Beton Precast, Tbk.	11,67	7,72	4,62	6,70	7,25	4,99
AVERAGE PERFORMANCE OF THE COMPANY		**11,65**	**8,32**	**7,46**	**3,50**	**3,23**	**3,85**

Source: Company's Financial Statements

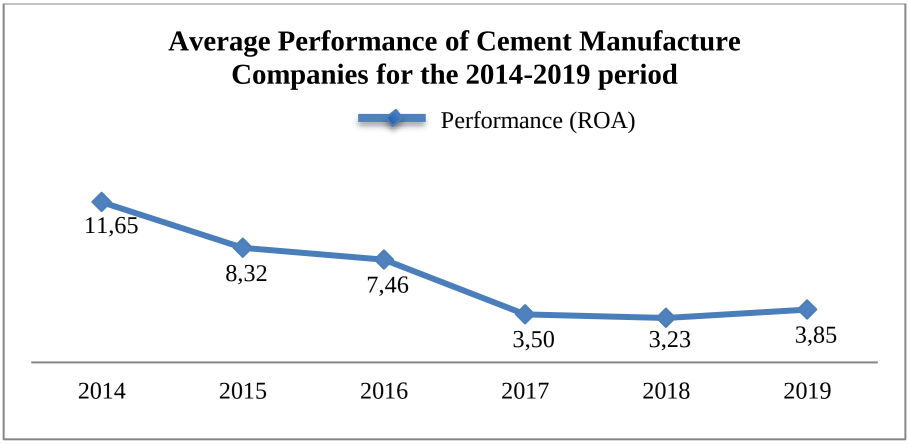

Figure 1. *Cement Manufacture Companies Return on Asset (ROA) Trend for the 2014-2019 Period*

Based on table 1 and picture 1 show that the company performance proxied by ROA in cement manufacturing for the 2014-2019 period, continues to decline consistently, even though the implementation of good corporate governance has been carried out gradually and continuously. Various ways have been implemented to strengthen corporate governance sector in the companies by both the government and the Indonesia Stock Exchange in their role as regulators. But according to Zhuang et al. (2001), Indonesia has an undeveloped capital market and weak laws and regulations.

Given the importance of corporate governance implementation, several studies were conducted to find the impact of corporate governance practices on the company's performance. The results of the study produced different findings, Nuryanah and Islam (2011) stated that the role of corporate governance in developing countries such as Indonesia is not seen in relation to the company's performance. In contrast, Al-Gamrh et al.(2020) and Ammann et al.(2011) found that the quality of corporate governance in companies had a positive influence on performance.

In addition, good corporate governance (GCG) practices strive to realize equality for stakeholders and shareholders of the companies. One of the prioritized aspects in the implementation of GCG is the transparency of financial information disclosed by managers as part of their responsibilities. The information disclosed is expected to assist stakeholders and owners of the companies to making decision. Therefore, the information disclosed must be relevant and trustworthy and must describe the actual state of the company. However, the information disclosed by management does not necessarily reflect the real condition of the company (Fitriyani et al., 2014), where one of the things that management does to influence the value of the company's profit is to conduct profit management activities. Eventually, profit management can destroy the company's performance in the long run (Nazir and Afza, 2018).

Profit management actions taken by opportunist managers can remove the value of reliability and trust from a disclosed accounting information (Nazir and Afza, 2018). In its application, there are various forms of profit management that can be done by the manager of the company. Some of these are done with motives to influence the capital market, such as influencing the share price, seasoned equity offering, initial public offering, stock-based acquisition (Kim et al., 2012); contract-based incentive motives, such as avoiding debt covenant violations, lowering bond costs (Lambert, 2001), and personal profit motives by increasing bonus payments, promotions, and other additional benefits, as well as stock options (Zhao et al., 2012).

Profit management activities conducted by managers can interfere with the good corporate governance (GCG) practices of the company. However, in increasingly complex business dynamics, this activity is inevitable. Kang and Kim (2011) stated that profit management activities have an impact on the relationship between corporate governance practices and the company's performance. Nazir and Afza's research (2018) found that long-term profit management activities can damage the company's value, and this activity weakens the relationship of corporate governance practices to the company's performance. In contrast, Kang and Kim (2011) found that profit management activities strengthen the relationship between corporate governance implementation and corporate performance.

GCG practices not only provide benefits for the company, but also for the community and the environment around which the company is domiciled. The implementation of corporate governance principles is closely related to the implementation of corporate social responsibility (CSR). CSR disclosure is closely related to the implementation of GCG in terms of transparency to improve the value of stakeholders. According to Harjoto and Jo (2011) CSR describes how companies manage businesses to create a positive impact in serving the community and the environment legally. Research related to corporate governance practices and their influence on the company's performance has been widely conducted in Indonesia, but this study is still relatively limited to cement companies listed on the Indonesia Stock Exchange. In fact, cement industry is one type of industry that is complex and sensitive to the environment. Therefore, this research was conducted on cement sub-sector companies listed on the Indonesia Stock Exchange.

From above phenomenon, also based on the results submitted by previous studies, this study aims to examine the relationship of corporate governance implementation to the company's performance moderated by the disclosure of corporate social responsibility and profit management activities at cement companies listed on the Indonesia Stock Exchange.

The next section of this research is going to discuss about hypothesis development, then briefly elaborated the method in this research, continued with findings and discussion by giving empirical result. The last section of this research is conclusion with limitations research and recommendation.

2. THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

2.1. COMPANY PERFORMANCE

Company performance is an achievement as a result of a company management activities in the form of business process series by utilize human resources and finance that the company has (Lestari *et al*., 2017). Company uses an indicator of company performance to describe the success rate of company thoroughly to achieve the target that has been set. Where the performance measurement is an evaluate based on systematic and integrated approach in attempt to improving company performance to achieve goals and realizing vision and mission (Pratiwi and Mildawati, 2014).

In the development of an increasingly complex business world today, performance enhancement become a responsibility that must be maintained by a company management. By maintaining a good performance, a company will continue to survive in an increasingly competitive business world. One of the factors that affect company performance is corporate governance practice as a long-term strategy that applied effectively (Prastusi dan Budiasih, 2015).

2.2. CORPORATE GOVERNANCE

Corporate Governance is a controlling system to regulate and manage company with intention of increasing prosperity and accountability of a company, so that will be materialize value for all stakeholder (Monks in Kaihatu, 2006). According to Forum for Governance in Indonesia (FCGI) describes corporate governance as a set of rules that regulate a relationship between shareholders, company management, creditors, government, employee, and stakeholders.

The application of corporate governance has main function which is to minimize potential interest in the company conflict, not only between management and the owner of a company, but also internal stakeholders and company external. Some of previous researches has proven empirically that corporate governance become a significant factor in creating prosperity for company stakeholder, increasing company value, along with minimize agency problem in the company (Jermias and Gani, 2014; Shamsudin *et al*., 2018)

Some of previous researchers empirically found a positive relationship between good corporate governance practice and company performance (Al-Gamrh et al., 2020; Ammann et al., 2011). This finding generally shows that good corporate governance practice that applied is very beneficial to the company in financial profit and market mechanism. Based on some previous researches that is already explained, then the first hypothesis (H_1) of this research as follows:

H_1: The application of corporate governance has positive effect on the cement manufactures company performance that registered in Indonesian stock exchange during 2014-2019.

2.3. DISCLOSURE OF CORPORATE SOCIAL RESPONSIBILITY

Good corporate governance practice is not only protecting the stakeholders and shareholders solely, but also imposes a responsibility for a company in giving protection for public and the surrounding environment where the company operates. One of the realizations corporate social responsibility is the application of Corporate Social Responsibility (CSR). Stakeholders' theory states that company existence in a long term is determined by the satisfaction of the stakeholders, and CSR has reached interest of stakeholders and public as a part of company's responsibility (Li *et al*., 2013).

CSR is a manifestation of a company social concern towards public the surrounding environment where the company operates (Prastusi dan Budiasih, 2015). Disclosure of CSR activities as an implementation of good corporate governance practices by the company is a key factor in increasing a reputation of a company (Yu *et al*., 2016). Previous research conducted by Ali *et al.* (2020) and Jo and Harjoto (2011) found that CSR disclosure can support effective corporate governance mechanisms in resolving conflicts among company stakeholders to improve company performance. Other research conducted by Prastuti and Budiasih (2015) found different results, where CSR disclosure could not strengthen the relationship between good corporate governance practices and company performance. So that the second hypothesis (H_2) for this study is:

H_2: The disclosure of corporate social responsibility has a positive effect on the relationship between the implementation of corporate governance and the performance of cement manufacturing companies listed on the Indonesia Stock Exchange during 2014-2019.

2.4. EARNINGS MANAGEMENT

In an increasingly complex business system, earnings management practices carried out by companies are increasing every year (Cornett *et al*., 2008). Roychowdhury (2006) uses the term earnings management to refer to the deviation of the actual value of the company's operating cash flow from its expected value. Earnings management arises when company managers make assessments in financial reporting and transaction adjustments to change financial statements to divert specific stakeholders about company performance or affect contract results that depend on the value in the company's financial statements (Xie *et al*., 2003). Today, company managers prefer to carry out actual earnings management activities because it is more difficult to detect than accrual earnings management, making it easier for market participants to detect and corporate governance mechanisms (Roychowdhury, 2006).

Many corporate governance practices that have developed in companies have generated skepticism among its stakeholders because disclosing company information, one of which is financial reports, does not reflect actual business performance (Greenwashing) (Sial *et al*., 2018). However, according to Johnson *et al*. (2011), under certain conditions, a positive suitable corporate governance mechanism can be achieved, perhaps not only because of greenwashing but also some types of voluntary disclosure might be done to divert attention from accounting manipulation practices such as earnings management (Gavana, 2017) which tends to provide opportunities for managers to weaken the implementation of corporate governance in the long term. The literature that discusses the effect of earnings management on company performance is still minimal (Nazir and Afza, 2018). However, an empirical study conducted by Nazir (2015) found that earnings management activities significantly negatively impact company performance. The findings of Nazir and Afza (2018) show that the opportunistic attitude of managers to carry out earnings management negatively moderates the relationship between corporate governance and company performance. Thus, it can be determined the third hypothesis (H_3) for this research is:

H_3: Earnings management has a negative effect on the relationship between the implementation of corporate governance and the performance of cement manufacturing companies listed on the Indonesia Stock Exchange during 2014-2019

3. RESEARCH METHODS

This study aims to examine the effect of independent variables (corporate governance practices) on the dependent variable (company performance), which is moderated by disclosure of corporate social responsibility (CSR) and earnings management, with a type of correlational research using a quantitative approach. This research is testing classical assumptions and hypothesis testing using panel data.

3.1. SAMPLE SELECTION AND DATA COLLECTION

This research is census research, where the population in this study are all cement companies listed on the Indonesia Stock Exchange during 2014-2019. Six cement companies became the population in this study, and the total observation data was 36. The list of names of the companies that were the study population was presented in table 2.

Table 2. *List of Company Populations*

No.	Company Name	Observation
1.	PT. Indocement Tunggal Prakasa, Tbk.	6
2.	PT. Semen Baturaja (Persero), Tbk.	6
3.	PT. Semen Indonesia (Persero), Tbk.	6
4.	PT. Solusi Bangun Indonesia, Tbk.	6
5.	PT. Wijaya Karya Beton, Tbk.	6
6.	PT. Waskita Beton Precast, Tbk.	6
Total Observation		**36**

Source: Processed Data (2020)

The data used in this study are secondary data obtained in annual reports and company financial reports. The data was collected by selecting sample companies and then downloading the Company's Annual Report on the respective company websites.

3.2. VARIABLE MEASUREMENT

3.2.1. COMPANY PERFORMANCE MEASUREMENT

In this study, company performance is measured using the ROA ratio, because the ROA ratio is more accurate in symbolizing the measurement of company performance from a management perspective or from the internal side of the company (Pillai and Al-Malkawi, 2018). This ratio is needed to evaluate the effectiveness and efficiency of company management in managing its assets (Napitupulu et al., 2020). The ROA ratio formula is as follows:

$$ROA = \frac{Net\ Income\ After\ Tax}{Total\ Assets} \tag{1}$$

3.2.2. CORPORATE GOVERNANCE MEASUREMENT

The measurement of corporate governance variables is assessed based on the corporate governance index. This study adopts the corporate governance index used by Al-Gamrh et al. (2020), where the index contains 14 questions classified into three main aspects, namely aspects of the disclosure, board composition, and functions, as well as ethics and conflicts of interest. Each question is given a score of 1 if there is information presented according to the index statement, and a score of 0 is given if the information is not available. The total accumulated index value divided by the number of index statements. The corporate governance implementation index is presented in appendix 1 of this study.

3.2.3. MODERATION VARIABLES

In this study, the moderating variables used are disclosure of corporate social responsibility (CSR) and earnings management. This study adopts the corporate social responsibility disclosure index developed by Rouf (2011) in measuring the CSR disclosure variable. A value of 1 is given when information is presented according to the index statement, and a value of 0 is given if the information is not available. The total accumulated index value divided by the number of index statements. The CSR disclosure index is presented in attachment 2 of this study.

The measurement of earnings management in this study uses a modified Jones model by Dechow et al. (1995). In its operation, the model distinguishes discretionary accrual (normal accrual rates) and nondiscretionary accrual (abnormal accrual rates). According to Fitriyani et al. (2014), an abnormal accrual value shows a component that indicates the occurrence of earnings management by managers. The calculation of earnings management is as follows:

$$TA_{it} = EAT_{it} - OCF_{it} \tag{2}$$

The TA_{it} value is estimated using the following regression equation:

$$\frac{TA_{it}}{Asset_{it-1}} = \alpha_0 \frac{1}{Asset_{it-1}} + \beta_1 \frac{\Delta Sales_{it}}{Asset_{it-1}} + \beta_2 \frac{PPE_{it}}{Asset_{it-1}}$$

By using the regression results, the estimated NDA_{it} value is as follows:

$$NDA_{it} = \frac{TA_{it}}{Asset_{it-1}} - \left\{ \alpha_0 \frac{1}{Asset_{it-1}} + \beta_1 \frac{\Delta Sales_{it} - \Delta Receivables_{it}}{Asset_{it-1}} + \beta_2 \frac{PPE_{it}}{Asset_{it-1}} \right\} \quad (4)$$

Where :

TA_{it}	= Total accrual for company i at time t..
EAT_{it}	= After-tax income for company i at time t
OCF_{it}	= Cash flows in operating activities for company i at time t.
$Asset_{it-1}$	= Total assets of company i at time t-1.
$\Delta Sales_{it}$	= Changes in company i revenue at time t.
PPE_{it}	= Total fixed assets of company i at time t.
$\Delta Receivables_{it}$	= Changes in receivables of company i at time t.
NDA_{it}	= Value of Non-Discretionary Accruals for company i at time t.

3.3. RESEARCH MODEL

This study uses Moderated Regression Analysis to test the strength or weakness of the influence of corporate governance practice variables moderated by disclosure of corporate social responsibility and earnings management on company performance in cement companies listed on the Indonesia Stock Exchange. Through the Eviews program version 10 to process the data to be analyzed, the regression equations used in this study are:

$$ROAi.t = \alpha 0 + \beta 1CGi,t + \beta 2CG{*}CSRi,t - \beta 3\ CG{*}EMi\ i,t + \mathcal{E} \quad (5)$$

Explanation :

ROA	=	Company Performance
α	=	Constant
β	=	The Regression Coefficient of each Independent Variable
CG	=	Corporate Governance Practices
CSR	=	Disclosure of Corporate Social Responsibility
EM	=	Profit Management
Ɛ	=	Error Terms
i	=	The company under study
t	=	Fiscal Year Period under study

4. RESULTS AND DISCUSSION

4.1. DESCRIPTIVE STATISTICS TESTING

Table 3 is the result of descriptive statistical testing which shows an overview of the characteristics of the observed variables with a total of 36 observational data of the Cement Manufacturing Companies listed on the Indonesia

Stock Exchange during 2014 - 2019. In the table, the company is denoted by ROA (dependent variable), while the independent variable is CG (corporate governance). This study also uses moderating variables, namely CSR Disclosure and Earnings Management. The CGCSR variable is a corporate governance variable moderated by CSR disclosure, while CGEM is a corporate governance variable moderated by earnings management activities.

Table 3. *Descriptive Statistics*

	Obs	**Mean**	**Max**	**Min**	**Std. Dev.**
ROA	36	6,336901	18,6	-4,44	5,257785
CG	36	0,851190	0,928571	0,642857	0,078942
CGCSR	36	0,495472	0,785714	0,201465	0,143651
CGEM	36	$1,99^{e10}$	$78,3^{e10}$	$-62,7^{e10}$	$24,1^{e10}$

Source: Output Eviews (2020)

The average ROA value is 6.34 The standard deviation value of 5.26 is smaller than the average value, this shows that the variation of the ROA variable data is homogeneous, meaning that the ROA variable has a small distribution in the Cement Manufacturing Companies that go public in Indonesia. While the average value of CG is 0.85. The standard deviation value of 0.08 is smaller than the average value, this shows that the variation of the CG variable data is homogeneous, meaning that the CG variable has a small distribution in the Cement Manufacturing Companies that go public in Indonesia. Likewise, the CGCSR variable which is a moderation of the CSR Disclosure variable on the CG independent variable has an average value of 0.50, while the standard deviation value of 0.14 is smaller than the average value. This shows that the variation of the CGCSR variable data is homogeneous, meaning that the CGCSR variable has a small distribution in the Cement Manufacturing Companies that go public in Indonesia. The CGEM variable, which is a moderation of the earnings management variable against the CG independent variable, has an average value of 1.99^{e10}. The standard deviation value of 24.1^{e10} is greater than the average value. This shows that the variation of the CGEM variable data is heterogeneous, meaning that the CGEM variable has a large distribution in the Cement Manufacturing Companies that go public in Indonesia.

4.2. TESTING CLASSICAL ASSUMPTIONS TEST

The classic assumption test in this study uses the normality test, multicollinearity, heteroscedasticity, and autocorrelation tests, all of which are carried out with the help of the Eviews program version 10. The data normality test is carried out through statistical analysis using the *Jarque Bera* statistical test, where the results show that the residual data is normally distributed. After the variables are normally distributed, the data can be used to test other statistics. Meanwhile, the multicollinearity test in this study was carried out by looking at the correlation matrix (Ghozali and Ratmono, 2017). Based on the test results, it can be concluded that the regression model used in this study is free from multicollinearity between independent variables.

The results of the heteroscedasticity test using the *Glejser* method indicate that this research model is free from heteroscedasticity symptoms. Likewise, with the autocorrelation test using the *Breusch Godfrey LM Test* serial correlation test. The results of the test show that there is no autocorrelation between the independent variables in this research model. In other words, this research model has met the requirements of the classical assumptions.

4.3. HYPOTHESIS TESTING AND DISCUSSION

Table 4 shows the result of regression model of go public Cement Manufacturing Firm in Indonesia which listed on Indonesian Stock Exchange during 2014-2019 period. Multiple linear regression equation which obtained based on the result of statistic calculation which is seen in table 4:

$$ROA_{i,t} = -100{,}3594 + 145{,}5241\,CG_{i,t} - 229{,}4918\,CGCSR_{i,t} - 1{,}00^{e-11}\,CGEM_{i,t} + \mathcal{E} \quad (6)$$

Based on multiple linear regression equation above, it can be explained that the constant value (α) of (-100,354) indicates if the CG, CGCSR, and CGEM are considered to be constant, thus, the firm performance (ROA) of Indonesian go public Cement Manufacturing Firm during 2014-2019 period decrease about 100,36%. The regression equation above also confirms that every 100% increment of corporate governance (CG) value will increase the firm performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period by 145,52 %. It is disperate for the CGCSR, every 100% increment of CGCSR value will decrease the firm performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period by 229,49%. Also, the CGEM which will decrease the firm performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period by $1{,}00^{e-11}$% in every increment of 100%.

Table 4. *The Result of Moderated Linear Regression*

	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-100.354	49.953	-2.008	0.055
CG	145.524	59.282	2.454	0.021
CGCSR	-229.49	98.642	-2.326	0.028
CGEM	-1.00E-11	3.53E-11	-0.283	0.778
Prob (F-Statistic)	0.0001			
R-squared (R^2)	0.713			

Source: Output E-views (2020)

The hypothesis testing for F test based on table 4.3 has the value of 0.0001 which is < 0.05, it can be conclude that the implementation of corporate governance, corporate governance moderated by CSR disclosure, corporate governance moderated by profit management are simultaneously affect the firm performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period. The coefficient determination value of the research is 0,7133, which claims the 71,33% of variations in performance rate of Indonesian go public Cement Manufacturing Company is due to the independent variables (CG, CGCSR, and CGEM) which are included in the research. The remaining 0,2867 or 28,67% is caused by other variables which are not included in the research. For the T-test result, in which the test is conducted to examine the effect of independent variables which are observed individually or partially toward dependent variable shows the result which confirms the CG variable has the regression coefficient value of 145,524. The value indicates that the implementation of corporate governance has the positive impact toward the firm performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period. The result shows that every 100% increment of CG value will increase the firm performance by 145,52%. It indicates that the effect of the corporate governance implementation of Indonesian go public Cement Manufacturing Company during 2014-2019 period is relatively significant. The result of the research shows that the quality of corporate governance has an important role in mitigating the company agency problem which can affect the firm performance. Additionally, the result also practical for managers who are attempted to increase their firms performance through corporate governance implementation. The findings of the research is consistent with the theory which declares the corporate governance will increase the firm performance and conversely as referred in the findings of Nuryanah and Islam (2011), Ammann *et al*. (2011), Al-Gamrh *et al*. (2020) which support the first hypothesis.

Using the six years period of observation, the t-test result for CGCSR variable has the coefficient regression value of -229,491. The observation result shows it has a negative impact of corporate governance moderated by CSR disclosure towards the performance of Indonesian go public Cement Manufacturing Company during 2014-2019 period. The firm recognition in executing the CSR activity which become higher will generate the greater cost incurred that subsequently become the finance expense for the companies (Pan *et al*., 2014), coupled with low public awareness regarding CSR issues will cause the perception of public indifference to the product image and company services, thus affecting profits (Sari *et al*., 2016). In the end, these conditions will only contribute to the decline in company performance (Nollet *et al*., 2015; Lin *et al*., 2015). The results of this study contradict the theory in this research and several previous studies such as Harjoto and Jo (2011) and Ali *et al*. (2020). However, the findings of this research are in line with the research of Sari et al. (2016) where CSR disclosure weakens the relationship between corporate governance and company performance. The results of this study reject the second hypothesis.

Likewise, for the CGEM variable which has the regression coefficient value of $-1{,}00^{e-11}$. The test results show that there is a negative effect of Corporate Governance, which is moderated by earnings management towards the performance of the Cement Manufacturing Companies that went public in Indonesia during 2014-2019. However, the effect found was very small. This is also supported by the CGEM variable probability value of 0.778 (Table 4.3). Earnings management activities can manipulate shareholders in assessing the actual value of the company, so that it can have a negative impact on company performance in the long term, and if earnings management activities are carried out in the long term, this will undermine the quality of corporate governance which will impact to the decline of company performance. The results of this study are in line with the research of Kang and Kim (2011) and Nazir and Afza (2018) who found that earnings management activities will weaken the relationship between corporate governance practices and company performance. The results of this study support the third hypothesis.

5. CONCLUSION

This research was conducted to examine whether the practice of corporate governance, corporate governance moderated by CSR disclosure, and corporate governance moderated by earnings management have an influence on the performance of Cement Manufacturing Companies that go public in Indonesia during 2014-2019. Through hypothesis testing, the results of this study can be concluded that corporate governance practices have a positive effect on the performance of Cement Manufacturing Companies listed on the Indonesia Stock Exchange during 2014-2019. Meanwhile, corporate governance practices moderated by CSR disclosure, and corporate governance practices moderated by earnings management have a negative effect on the performance of Cement Manufacturing Companies listed on the Indonesia Stock Exchange during 2014-2019.

However, this study has several limitations that can be taken into consideration for further research, so that better results can be obtained in the future. As the sample used, this study is limited to Cement Manufacturing Companies listed on the Indonesia Stock Exchange during 2014-2019. With a relatively small number of sample companies and a relatively short observation period (6 years), the sample obtained is still relatively insufficient, so it may affect the accuracy of the research results. Also, this study uses a measurement index for corporate governance variables and CSR disclosures based on the development of previous researches. The index used in this study is felt to be very simple even though it covers all aspects of good corporate governance.

Based on the limitations that have been described and in order to acquire better results for further research, several suggestions can be made where further research is expected to increase the number of sample companies to reach a wider sector, such as all companies listed on the multi-sector Indonesia stock exchange that has a high degree of accuracy when generalized. In addition, it is advisable to extend the observation period so that the results obtained can describe the conditions more accurately and better. It is also suggested to use a more perfect and more standard index, so that it will be better to illustrate the accuracy of the measurement in assessing the corporate governance aspects of the company.

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