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The Influence Implementation of Good Corporate Governance and Corporate Social Responsibility on Company Performance

(Empirical Study of Manufacturing Companies listed on the IDX in 2019-2021)

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Abstract: *This study aims to determine the influence of Corporate Social Responsibility and Good Corporate Governance as measured using the size of the board of commissioners, independent board of commissioners, and audit committee on company performance. This research is a quantitative type research, the sampling technique uses the purposive sampling method in manufacturing companies in the consumer goods industry sector which are listed on the IDX in 2019-2021. Samples that met the criteria were 23 companies with a total data of 69 for 3 years of research. This study used multiple linear regression analysis with SPSS version 26 application. The results showed that CSR, board size, independent commissioner board size and audit committee size have a significant effect on company performance.*

Keywords: CSR, board of commissioners, independent commissioners, audit committee, company performance

I. INTRODUCTION

Submission of information regarding performance displayed in financial reports is required by stakeholders in making decisions. Stakeholders in this case are entities or individuals who can be affected by the activities, products and services of the organization, and are expected to influence the ability of the organization to succeed in implementing its strategy and achieving its goals.

A company performance companies can measure and use as basic taking decisions by external parties nor internal. Management also uses company performance appraisals to evaluate how large influence of the management in making decisions concerning efficiency and effectiveness of the company's operations.

Good Corporate Governance (GCG) is one way to control and regulate companies to provide added value to stakeholders (stakeholders). In order to create competition the health and climate controlled effort can be encouraged through GCG, so implementationGCG is very important in supporting economic stability and growthcontinuous.In this study, researchers used three mechanisms to measure good corporate governance, namely the board of commissioners, independent board of commissioners, and audit committee. It is hoped that this will improve company management so that it will improve company performance and add value to the company.The board of commissioners has a role in supervising and managing the company, especially supervising activities management and ensure that GCG has been implemented. board of commissioners no authority overdecision making in company operations. As for the decisionthat can be done by the board of commissionersyes it concernsmatters that have been regulated in the articles of association and legislation as long as they are under their responsibilityresponsibilities and functions as an advisoras well as supervisors.

Corporate Social Responsibility (CSR) which has been carried out by the company and is well managed and has implemented GCG, then profit maximization will be achieved and guaranteed, compliance with applicable laws and maintaining the company's competitiveness.The concept of GCG cannot be separated from the implementation of CSR, because CSR is one of the indicators in measuring a successful company.CSR is a step to create a good corporate image in the eyes of societygive shapecorporate responsibility in establishing social relations and repairing damageenvironmentoccurring as a result of the activityoperational company.

II. Literature Review and Hypothesis Development

2.1 Theoretical Perspective

Agency Theory.According to Supriyono (2018:63) agency theory is the granting of authority by companyowners (shareholders) to company management to carry out company operations in accordance with an agreed contract. If both parties have the same interest in increasing the value of the company, management will act in accordance with the interests of the company owner. This theory is needed in GCG because it connects the interests of the shareholders in the form of an agreement.

Stakeholder Theory**.** According to Hadi(2011:94-95), stakeholders are all parties, both internal and external, who have a relationship that either influences or is influenced, and is direct or indirect in relation to the company. Stakeholders include shareholders, creditors, workers or employees, customers, suppliers, the community and the surrounding environment. This theory is used to assist company management in creating value and reducing losses for stakeholders.

Corporate Social Responsibility (CSR). Hadi (2011:47) defines social responsibility or commonly called CSR is a commitment originating from the company to implement ethical behavior and contribute to economic development, improve the quality of life for employees and their families, the local community, and society more broadly. CSR seeks to pay attention to the environment and social into the company's operating activities. The implementation of CSR is believed to improve company performance, where investors tend to invest in companies that carry out CSR activities. Therefore, companies that have social concerns can use social responsibility information (CSR activities) as one of the company's competitive advantages (Zuhroh and Sukmawati, 2003).

Good Corporate Governance (GCG). According to Effendi (2009:1) GCG or corporate governance is defined as an internal control system of an organization or company that has the main objective of controlling significant risks in order to fulfill its business objectives by securing company assets and increasing the value of long-term shareholder investment. Based on the Decree of the Minister of BUMN 01/MBU/2011regarding Company Governance, the principles a company management process and mechanism must be based on laws and regulations and corporate ethics. In order for the company to have a healthy, sustainable performance and protect the interests of customers, it is necessary to develop its GCG implementation properly (Financial Services Authority, 2014). Good implementation of GCG is based on the principles of fairness, transparency, accountability, responsibility and independence. The implementation of GCG is also carried out to increase shareholder value and ensure that managers carry out their performance to increase returns for shareholders.

2.2 Hypothesis Development

2.2.1 Corporate Social Responsibility

Corporate social responsibility is a business activity in which achieving its goals is not based on financial factors, but also pays attention to the company's social environment. CSR is used as a guide by investors to make investment decisions. Scientific Research et.al. (2017), Malau et.al. (2018) and Adnyani et.al. (2020)resulted in the conclusion that CSR affects company performance.Based on this description, the hypothesis can be formulated:

H1:*CSReffect on company performance***.**

2.2.2 Size of the Board of Commissioners

There are difficulties in companies with members of the board of commissioners which have caused difficulties in carrying out supervisory duties on company management which will also have an impact on decreasing company performance (Yermack, 1996 and Eisenberg, Sundgren, and Wells, 1998).

Research conducted by Widagdo and Chariri (2014) states that with a large number of members of the board of commissioners, supervision of the board of directors is much better, advice and input given to the board of directors becomes more, so that the performance of management is better and impact on increasing company performance.Based on this description, the following hypotheses can be developed:

H2: *Size of the board of commissionersinfluence on company performance.*

2.2.3 Size of the Board of Independent Commissioners

The company has a board of commissioners, where the board of commissioners is needed to balance the interests of the company and the interests of shareholders. Independent status focuses on the responsibilities and obligations of the commissioners to protect shareholders, especially independent shareholders from fraudulent practices by management. The existence of an independent commissioner can provide guarantees for shareholders to invest their shares which are

used as the company's operating capital, which is expected to achieve the company's goals in order to improve the company's performance. Research by Larasati (2017), Malau et.al. (2018), Reza (2019) concluded that an independent board of commissioners has an impact on the financial performance of a company.Based on this description, the hypothesis can be formulated:

H3: *The size of the board of independent commissioners has an effect on company performance.*

2.2.4 Audit Committee Size

In accordance with KNKG 2006, the audit committee is tasked with assisting the board of commissioners to ensure that financial statements are presented fairly in accordance with generally accepted accounting principles, and the number of audit committee members must be adjusted to the complexity of the company while taking into account the effectiveness of decision making.Previous research that has been conducted by Rahmawati et.al. (2017), Magdalena et.al. (2018), Malau et.al. (2018) concluded that the audit committee has an impact on the company's financial performance and research that has been conducted by Effendi (2005) which concluded that there is a role for the audit committee in increasing company performance, especially from the control aspect.Based on this description, the hypothesis can be formulated:

H4: *The size of the audit committee has an effect on firm performance*.

III. RESEARCH METHODS

This research is a quantitative type of research to determine the influence of GCG(the size of the board of commissioners, the size of the independent commissioner board, the size of audit committee) and CSR on company performance.The population in this study are manufacturing companies in the consumer goods industry sector listed on the IDX for the 2019–2021 period, totaling 52 companies. The sampling method that will be used in this study is purposive sampling.Samples that met the criteria were 23 companies with a total data of 69 for 3 years of research.

Company performance

The dependent variable in this study is company performance. Company performance is a measurement of company achievements that have an impact on the management decision-making process. Company performance is usually used as a guideline to measure the success of a company. The financial ratio used as a measure of financial performance in this study is ROE. ROE is a ratio included in the profitability ratio. The profitability ratio is the ratio that shows the amount of profit earned by a company in a certain period, this ratio measures how effectively the company generates returns for investors. ROE is calculatedwith the following formula (Kasmir 2015:204):

$$\text{ROE} = \frac{\text{EAT}}{\text{EQUITY}} \text{x } 100\%$$

Information:

ROE = Performancecompany
EAT = Net profit after tax of the company in period t
EQUITY = Total equitycompany onperiod t

Corporate Social Responsibility (CSR)

CSR is a concept or action performed bycompanyasflavorresponsibilitycompanytosocialnorenvironmentaround where the company is located. CSR is measured using the disclosure indexsocialwhichisvariabledummy. Disclosure of social responsibility in this study uses 78 disclosure items. The measurement of CSR disclosure is formulated as follows (Nurlaela, 2019:21):

$$\text{CSRDIj} = \frac{\sum \text{Xij}}{\text{Nj}}$$

Description:

CSRDIj = Corporate Social Responsibility Disclosure Index of the company
Nj = Number of itemsfor company j, NJ ≤78
Xij = Dummyvariable:1=if itemsdisclosed; 0 = if the item is not disclosed

Size of the Company Board of Commissioners (SBC)

According to Ardana (2014:108) the board of commissioners is an organ of the company whose job is to carry out general or special supervision in accordance with the articles of association and to provide advice to the directors. The measurement of this variable can be formulated as follows (Mulyadi, 2014:185):

$$SBC = \sum \text{Company Board of Commissioners}$$

Size of the Board Independent Commissioners

According to Sukrisno and Cenik (2014:110) the independent board of commissioners is a party appointed not in the capacity to represent any party and solely appointed based on their background knowledge, experience and professional expertise to fully carry out their duties in the interests of the company. The following is the formula for the size of an independent board of commissioners in a company (Effendi, 2016:45):

$$BIC = \frac{\text{Number of independent commissioners}}{\text{Total of all members of the board commissioners}} \text{x } 100\%$$

Audit Committee Size (ACS)

Audit committee works professionally and independently, the competence of the audit committee in this study is an audit committee with a financial background. An audit committee with a financial background must be owned by a company so that it can optimally carry out its duties and functions to assist the board of commissioners. Measurement of the audit committee can be formulated as follows Effendi (2006:25):

$$ACS = \sum \text{members of the audit committee}$$

IV. RESULTS ANALYSIS

Descriptive Statistical Analysis

Table 1. Descriptive Statistics

Variable	Minimum	Maximum	Means	std. Deviation
CSR	0.05	0.76	0.4416	0.14291
SBC	2	8	4,29	1,456
SBIC	0.25	0.83	0.4378	0.11859
ACS	2	6	3,14	0.522
ROE	0.00	1.45	0.1887	0.26996

Source: Secondary Data Processed by Researchers, 2023

Based on table 1, it can be seen that the total data from this study were 69 observational data. The results of the analysis of independent variables using descriptive statistics on CSR show a minimum value of 0.05, a maximum of 0.76, a mean of 0.4416, and a standard deviation of 0.14291. The SBC variable shows a minimum value of 2, a maximum of 8, a mean of 4.29, and a standard deviation of 1.456. Against SBIC shows a minimum value of 0.25, a maximum of 0.83, a mean of 0.4378, and a standard deviation of 0.11859. ACS it shows a minimum value of 2, a maximum of 6, a mean of 3.14, and a standard deviation of 0.522. The results of the analysis of the dependent variable using descriptive statistics on ROE show a minimum value of 0.00, a maximum of 1.45, a mean of 0.1887, and a standard deviation of 0.26996.

Normality test

Table 2. Normality Test

	Unstandardized Residuals
N	64
Test Statistics	0.098
asymp. Sig. (2-tailed)	0.200[c,d]

Source: Secondary Data Processed by Researchers, 2023

Based on the table, the Asymp value is obtained. Sig. (2-tailed) of 0.200. Asymp value. Sig. (2-tailed) is greater than the significant level of 0.05 or (0.200 > 0.05), then H0 is accepted, meaning that the data is normally distributed. This normality test shows that the normality assumption is fulfilled.

Multicollinearity Test

Table 3. Inearity Multicol Test

Variable	Tolerance	VIF	Information
CSR	0.856	1.168	Multicollinearity Does Not Occur
SBC	0.778	1.285	Multicollinearity Does Not Occur
SBIC	0.865	1.156	Multicollinearity Does Not Occur
ACS	0.983	1.017	Multicollinearity Does Not Occur

Source: Secondary Data Processed by Researchers, 2023

Based on the table, it shows that the VIF (Variance Inflation Factor) value is < 10. The VIF value of the CSR variable is 1.168, SBC is 1.285, SBIC is 1.156 and ACS is 1.017 or less than 10. The tolerance value of the CSR variable is 0.856, SBC is 0.778, SBIC of 0.865, and ACS of 0.983, namely > 0.10 or < 1.

Based on the VIF and tolerance values, it can be concluded that the regression model does not contain multicollinearity, so further tests can be carried out because it meets the classical assumption testing requirements that do not occur multicollinearity.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Variable	Sig.	Information
CSR	0.412	There is no Heteroscedasticity
SBC	0.725	There is no Heteroscedasticity
SBIC	0.992	There is no Heteroscedasticity
ACS	0.825	There is no Heteroscedasticity

Source: Secondary Data Processed by Researchers, 2023

Based on the table, it shows that the sig CSR value is 0.412, SBC is 0.725, SBIC is 0.992, and the ACS value is 0.825 or the sig values of all variables are > 0.05. Based on the sig value with the spearman rank test, it can be concluded that the regression model does not have heteroscedasticity, so that further testing can be continued because it meets the classical assumption testing requirements, namely there is no heteroscedasticity.

Autocorrelation Test

Table 5. Autocorrelation Test

	Unstandardized Residuals
asymp. Sig. (2-tailed)	0.614

Source: Secondary Data Processed by Researchers, 2023

Table 5 above shows that the value of Asymp.Sig. (2-tailed) with a value of 0.614 which is greater than 0.05. Thus, the data used is quite random so there is no autocorrelation problem in the data being tested.

Multiple Linear Regression Equation Analysis

Table 6. Hypothesis Testing

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	0.488	0.099		4,915	0.000
CSR	-0.192	0.072	-0.332	-2,692	0.009
SBC	0.016	0.007	0.286	2,212	0.031
SBIC	-0.217	0.106	-0.251	-2,044	0.045
ACS	-0.081	0.029	-0.321	-2,792	0.007

Source: Secondary Data Processed by Researchers, 2023

Based on table 6 shows that the multiple linear regression equation, the model obtained from the analysis results is as follows:

ROE = 0.488 – 0.192 *CSR* + 0.016 SBC – 0.217 SBIC – 0.081 ACS + e

Description:

KP = company performance
CSR = corporate social responsibility
SBC = size of the board of commissioners
SBIC = size of the board of independent commissioners
ACS = audit committee size
β1–β4 = regression coefficient
e = term error

From the regression equation above, it is found that there is a negative relationship between *CSR* and company performance, there is a positive relationship between SBC and company performance, there is a negative relationship between SBIC and company performance, and there is a negative relationship between ACS and company performance. Thus the above equation can be described as follows:

a. The constant has a positive value of 0.488 indicating that the magnitude of the company's performance is 0.488 with the assumption that CSR, SBC, SBIC, ACS are constant.
b. CSR regression coefficient has a negative value of -0.192 stating that every additional 1 (one) CSR value will reduce the company's performance by -0.192. Conversely, if every decrease of 1 (one) CSR value, it will increase the company's performance by.
c. The SBC regression coefficient has a positive value of 0.016 indicating that each addition of 1 (one) SBC value will increase company performance by 0.016. Conversely, if every 1 (one) SBC value decreases, the company's performance will decrease.
d. The SBIC regression coefficient has a negative value of -0.217 indicating that each addition of 1 (one) SBIC value will reduce the company's performance by -0.217. Conversely, if every 1 (one) SBIC value decreases, the company's performance will increase.
e. The regression coefficient for ACS has a negative value of -0.081 indicating that every addition of 1 (one) ACS value will reduce the company's performance by -0.081. Conversely, if every 1 (one) decrease in the value of foreign banknotes will increase the company's performance.

Determination Coefficient Test (Adjusted R ²)

Table 7. Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	0.483	0.233	0.181

Source: Secondary Data Processed by Researchers, 2023

Based on table 7 it can be seen that the value of Adjusted R^2 is 0.181 which means that 18.1% of the dependent variable can be explained by the independent variables. This shows that 18.1% of company performance variables can be explained by CSR, SBC, SBIC, and ACS. The remaining 81.9% can be explained by other variables outside of this study.

Simultaneous Test F

Table 8. F test

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	0.085	4	0.021	4,479	0.003[b]
	residual	0.278	59	0.005		
	Total	0.363	63			

Source: Secondary Data Processed by Researchers, 2023

Based on the table above, the sig. of 0.003. Due to the sig. obtained is smaller than the significant level α = 5% or (0.003 <0.05), it can be concluded that the significant model or this model has a low error rate.

Partial Test t

Table 9. T test

Variable	t count	Sig.
(Constant)	4,915	0.000
CSR	-2,692	0.009
SBC	2,212	0.031
SBIC	-2,044	0.045
ACS	-2,792	0.007

Source: Secondary Data Processed by Researchers, 2023

Based on the table above, it is known that the value of each variable is as follows:

a. CSR ownership variable has a probability of 0.009 <0.05 and the value of $t_{count} > t_{table}$ (2.692> 1.99773), it is stated that H_0 isrejected and Ha is accepted. This means that CSR has a significant negative effect on company performance.
b. The board of commissioners size variable has a probability of 0.031 <0.05 and the value of $t_{count} > t_{table}$ (2.212 > 1.99773), then it is stated that H_0 is rejected and H_a is accepted . This means that the board of commissioners has a significant positive effect on company performance.
c. The variable size of the board of independent commissioners has a probability of 0.045 <0.05 and the value of $t_{count} > t_{table}$ (2.044 > 1.99773), it is stated that H_0 is rejected and accepts H_a. This means that the independent board of commissioners has a significant negative effect on company performance.
d. The audit committee size variable has a probability of 0.007 <0.05 and the value of $t_{count} > t_{table}$ (2.792> 1.99773), then it is stated that H_0 isrejected and H_a is accepted. This means that the audit committee has a significant negative effect on company performance.

V. Conclusion

Based on the results of the analysis and discussion conducted, it can be concluded that:

1. CSRvariable onmanufacturing companies in the consumer goods industry sector listed on the IDX in 2019-2021effect (significant) on company performance.
2. The variable size of the board of commissioners (SBC) onmanufacturing companies in the consumer goods industry sector listed on the IDX in 2019-2021effect (significant) on company performance.
3. Independent board of commissioners (SBIC) size variable onmanufacturing companies in the consumer goods industry sector listed on the IDX in 2019-2021effect (significant) on company performance.
4. The variable of audit committeesize (ACS) onmanufacturing companies in the consumer goods industry sector listed on the IDX in 2019-2021effect (significant) on company performance.

Research Limitations

The limitations of this study are due to several factors, including:

1. This research only proxies the company's performance with measurements using ROE, and there is an element of subjectivity in the CSR index assessment so that the results cannot be generalized for similar research.
2. This study only uses four independent variables, namely CSR, SBC, SBIC, and ACS, so that the model in this study was only able to explain the variability of the dependent variable of 18.1%. This shows that the ability of the independent variables taken in this study is limited.
3. The research period was only three years of observation, namely 2019-2021, so that is one of the reasons for the difference between theory and field facts.

Suggestion

Based on the conclusions and limitations obtained in this study, several suggestions can be put forward, namely:

1. Future research should use other measures to project company performance, because there are still many company performance measurementsthat can be used in addition to ROE.
2. Future research can add other variables, both financial and non-financial information which are expected to have an influence on predicting company performance.
3. Future research can also extend the year of observation so as to obtain a larger number of samples.

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