

THE INFLUENCE OF GOOD CORPORATE GOVERNANCE ON COMPANY PERFORMANCE WITH CORPORATE SOCIAL RESPONSIBILITY AS A MODERATING VARIABLE

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Abstract

This research is a quantitative study with an explanatory approach, namely an approach that uses a number of previous studies as the main foothold in proving the formulated hypothesis, namely that the Good Corporate Governance variable can affect Company Performance and the Corporate Social Responsibility variable can moderate the effect of the Good Corporate Governance variable on Company Performance. The data used in this article is primary data that researchers obtained from DAMRI employees throughout Indonesia. The data used was analyzed using the smart PLS 4.0 analysis tool

Keywords: Good Corporate Governance, Company Performance, Corporate Social Responsibility.

INTRODUCTION

Good corporate governance has principles based on agency theory that can be used as a tool to convince investors that they will receive a return on their funds or money invested in the company. The theory also supports the idea that financial performance is achieved through the implementation of good corporate governance (Marietza 2020). The application of good corporate governance principles in companies, including the principles of transparency, responsibility, independence, accountability and fairness, will result in increased financial performance. The application of these principles will make the company more effective and efficient (Churniawati 2020). The importance of the concept of good corporate governance in companies is because it can be used as a benchmark to measure compliance and fraud against company goals (Churniawati 2020).

This study uses good corporate governance mechanisms as a measure of the influence on financial performance, including the following: 1. Independent Board of Commissioners An independent board of commissioners is a board of commissioners who do not have connections or can be said to have relationships with other members of the board of commissioners, the board of directors and has a high position internally to oversee top management in a company (Nuraeni et al. 2017).

Independent board of commissioners when associated with its financial results has an important role, because it can prevent non-transparent management actions. The company's success in achieving its goals and improving its financial performance when measured through an independent board of commissioners is used to minimize

losses and threats from external parties to ultimately improve financial performance (DEWANTORO 2020). 2. Gender of the Board of Commissioners The role of women in the company has a significant impact on the company's financial performance, where the presence of women can improve its performance because of their careful and thorough nature, besides that women tend to avoid high risks and prefer low risks. So that by having female board of commissioners, it will neutralize the nature of male members who tend to take high risks (Ardianto 2023).3. Board of Commissioners Meeting The board of commissioners meeting is a means to supervise, control and provide advice to directors.

Not only that, the board of commissioners meeting functions as a tool that helps collect information related to the company's strategic issues for decision-making purposes (Sari 2023). The number of meetings held by the board of commissioners is believed to affect the company's financial performance. This meeting functions to facilitate communication and coordination between board members in carrying out their duties as supervisors. The more frequent the meetings are held, the better it is expected to be in supervising the board of directors and can assist in decision-making (Situmorang 2019). 4. Managerial Ownership Managerial ownership requires managers to always be careful in making a decision because the results of the decision will affect the shares owned by the manager himself.

If the manager's participation in share ownership is large, the possibility of conflict will be smaller, because when the shareholder is also the manager of the company, he will behave carefully in decision making, so that the company does not experience losses (Fitrianingsih and Asfaro 2022) Managerial ownership means a situation where managers as agents also own shares and act as company owners. Managerial ownership has a role as an agent and has the trust of investors. It is hoped that the relationship between shareholders and managers can be established harmoniously which has an impact on improving the financial performance of a company (Sutedi 2011). 5. Institutional Ownership Institutional ownership is the ownership of shares in insurance companies, investment companies, banks, and other institutions. Institutional ownership plays a role in supervising management so that supervision can be carried out optimally to create wealth for shareholders.

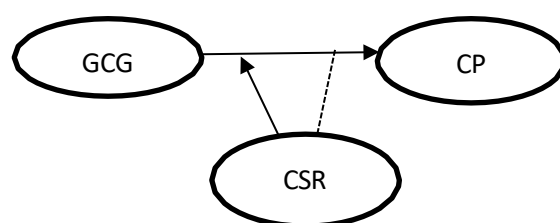
Institutional ownership will carry out the supervisory function so that it will make management performance more supervised and can minimize fraudulent actions carried out by management, therefore increasing financial performance in a company (Sembiring, 2020). 6. Foreign Ownership Foreign ownership is shares owned by foreign parties, a company that has foreign ownership tends to carry out broader disclosures compared to domestic ownership because the technology it has is sufficient and tends to provide sufficient training for workers regarding the work to be given (W.A et al., 2021). The greater the foreign ownership in the company, the better the good corporate governance and ultimately will affect the company's financial performance results. The number of companies listed on the IDX with foreign participation in the list of

stakeholders shows that good corporate governance is getting better in the company (Widyati and Maria 1AD). 7. Audit Committee According to POJK Number 55 / POJK.04 / 2015 the board of commissioners forms an audit committee tasked with assisting the board of commissioners itself. This audit committee has the task of implementing internal control related to audit implementation, financial reporting processes and the implementation of good corporate governance (Nilayanti and Suaryana 2019).

Based on the explanation above, the researcher believes that Good Corporate Governance can have a positive relationship direction and a significant influence on Company Performance. There are a number of previous studies, namely (Sari 2023); (Manurung 2023); (Ramadeni and Dewi 2023); (DEWI 2019) & (Rusdiamini 2023) showing a positive relationship direction and a significant influence on Company Performance. Unlike the five studies mentioned, this article adds the Corporate Social Responsibility variable as a moderating variable.

METHODS

Figure 1
Model



Noted:

GCG: Good Corporate Governance

CP: Company Performance

CSR : Corporate Social Responsibility

Hypothesis:

H1: The Influence of Good Corporate Governance on Company Performance

H2: Corporate Social Responsibility Can Moderates The Influence of Good Corporate Governance on Company Performance

The analysis model above shows that this variable aims to analyze the effect of Good Corporate Governance variables on Company Performance. The purpose of this study is in line with the five previous studies, namely (Sari 2023); (Manurung 2023); (Ramadeni and Dewi 2023); (DEWI 2019) & (Rusdiamini 2023). Unlike the five studies above, this article adds the Corporate Social Responsibility variable as a moderating variable (Maulana 2020). This research is a quantitative study with an explanatory approach, namely an approach that uses a number of previous studies as the main foothold in proving the formulated hypothesis, namely that the Good Corporate Governance variable can affect Company Performance and the Corporate Social Responsibility variable can moderate the effect of the Good Corporate Governance

variable on Company Performance (Ariansyah 2023). The data used in this article is primary data that researchers obtained from DAMRI employees throughout Indonesia (Jonathan Sarwono 2016). The data used was analyzed using the smart PLS 4.0 analysis tool (Sugiyono 2019).

RESULT AND DISCUSSION

Background Analysis

Good corporate governance has principles based on agency theory that can be used as a tool to convince investors that they will receive a return on their funds or money invested in the company. The theory also supports the idea that financial performance is achieved through the implementation of good corporate governance (Mariatza 2020). The application of good corporate governance principles in companies, including the principles of transparency, responsibility, independence, accountability and fairness, will result in increased financial performance. The application of these principles will make the company more effective and efficient (Churniawati 2020). The importance of the concept of good corporate governance in companies is because it can be used as a benchmark to measure compliance and fraud against company goals (Churniawati 2020).

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Based on the explanation above, the researcher believes that Good Corporate Governance can have a positive relationship direction and a significant influence on Company Performance. There are a number of previous studies, namely (Sari 2023); (Manurung 2023); (Ramadeni and Dewi 2023); (DEWI 2019) & (Rusdiamini 2023) showing a positive relationship direction and a significant influence on Company Performance.

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Validity Test

This stage is the first stage that must be used when using the smart PLS 4.0 analysis tool. This stage is the gateway if you want to go through the next stages. Based on the explanation, here are the results of the validity test in this article (Ghozali 2016).

Table 1
Validity Test

Variable	Question Item	Loading Factor
Good Corporate Governance (X)	Good Corporate Governance can create a good corporate image in front of supervisors	0.859
	Good Corporate Governance can create a good corporate image in front of investors	0.875
	Good Corporate Governance can create a good corporate image in front of employees	0.862
	Good Corporate Governance can create a good corporate image in front of stakeholders	0.858
Company Performance (Y)	Company performance can be influenced by good Good Corporate Governance	0.899
	Company performance can be influenced by good Corporate Social Responsibility	0.892
Corporate Sosial Responsibility (Z)	Corporate Social Responsibility can affect Company Performance	0.925
	Corporate Social Responsibility affects Good Corporate Governance	0.937

Valid > 0.70

Reliability Test

After passing the validity test stage, the next mandatory stage is the reliability test stage. The reliability test stage functions to ensure that each variable used in this article is reliable or not. The variables referred to in this article are Good Corporate Governance, Financial Performance, and Corporate Social Responsibility (Sarstedt et al. 2014):

Table 2
 Reliability Test

Variable	Composite Reliability	Cronbach Alfa
Good Corporate Governance	0.908	0.869
Company Performance	0.932	0.894
Corporate Social Responsibility	0.978	0.936

Reliable > 0.70

Path Coefisien

The last stage that must be used in this article is the Path Coefficient stage. The Path Coefficient stage functions to ensure that each hypothesis in this article, namely the Influence of Good Corporate Governance variables on Financial Performance and Corporate Social Responsibility variables can moderate the influence of Good Corporate Governance variables on Financial Performance (Hair 2010):

Table 3
 Path Coefisien

Direct Influence	Variable	P-Values
	GCG->CP	0.017
Indirect Influence	CSR* GCG->CP	0.000

Significant Level < 0.05

Based on the third table above, the hypothesis proposed in this article can be proven because the P-Values value is positive and below the significance level. This result is because the P-Value value of 0.017 is positive and below the significance level of 0.05. These results are in line with a number of previous studies, namely (Sari 2023); (Manurung 2023); (Ramadeni and Dewi 2023); (DEWI 2019) & (Rusdiamini 2023). These results are because the better the company's Good Corporate Governance, the better the financial stability, the company's environment, and ultimately can further improve Financial Performance. In addition, the second hypothesis in this article can also be proven because the P-Values value is positive and below the significance level of 0.05, namely 0.000. Thus, the first and second hypotheses can be proven in this article.

CONCLUSION

Based on the third table above, the hypothesis proposed in this article can be proven because the P-Values value is positive and below the significance level. This result is because the P-Value value of 0.017 is positive and below the significance level of 0.05. These results are in line with a number of previous studies, namely (Sari 2023); (Manurung 2023); (Ramadeni and Dewi 2023); (DEWI 2019) & (Rusdiamini 2023). These results are because the better the company's Good Corporate Governance, the better the financial stability, the company's environment, and ultimately can further improve Financial Performance. In addition, the second hypothesis in this article can also be proven because the P-Values value is positive and below the significance level of 0.05, namely 0.000. Thus, the first and second hypotheses can be proven in this article.

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