THE 1ST JESICA
International Conference
and Call For Papers

Proceedings of The 1st Jakarta Economic Sustainable International Conference Agenda (JESICA) | ISSN XXX-XXX

THE ROLE OF GCG IMPLEMENTATION IN MODERATING THE EFFECT OF CSR ON CORPORATE PERFORMANCE

Dinaraty Alya Putri[1], Rahmasari Fahria[2]

[1,2]Universitas Pembangunan Nasional Veteran Jakarta, Indonesia
[1]dinaratyputri@upnvj.ac.id

ABSTRACT

This research is using quantitative study aimed to see whether there are the role of Good Corporate Governance (GCG) in moderating the influence of Corporate Social Responsibility (CSR) on Corporate Performance. This study uses non-financial SOEs for the 2018-2020 period found on the official website of the Ministry of SOEs as samples. The sample selection was done by purposive sampling technique so that the number of samples that could be used was 32 companies multiplied by three periods, namely 96 observations. Hypothesis testing in this study uses Simple Linear Regression Analysis with STATA program and a significance level of 5% (0.05). The results of the test are (1) there is no significant effect of CSR on Corporate Performance, (2) GCG cannot strengthen the influence of CSR on Corporate Performance.

Keywords: *CSR, GCG, and Corporate Performance.*

INTRODUCTION

The phenomenon that occurs in PT Garuda Indonesia and PT Pertamina is that both companies have CSR programs but their Corporate Performance shows a decline. Corporate Performance PT. Garuda and PT Pertamina experienced a decline due to poor GCG practices from the two SOEs. The phenomenon that occurs at PT. Garuda and PT Pertamina are inversely proportional to the results of the research (Abdullah et al., 2019); (Princess et al., 2021); also (Naek & Tjun Tjun, 2020) which shows that CSR practices have a positive impact on increasing Corporate Performance. Related to this, the researcher wants to re-examine the influence of CSR on Corporate Performance by using non-financial SOEs as research objects. The practice of implementing GCG is used as a moderating variable in this study based on the premise that the implementation of CSR can have a positive effect on improving Corporate Performance if it is followed by good GCG implementation.

Judging from this phenomenon, the problem that will be studied more deeply by researchers is whether CSR has a positive effect on Corporate Performance and whether the implementation of GCG plays a role in strengthening the influence of CSR on Corporate Performance. Researchers have a goal that is to empirically test the positive

effect of CSR on Corporate Performance and examine the role of GCG in strengthening the influence of CSR on Corporate Performance. It is hoped that this research will increase the body of knowledge in the field of CSR, especially in terms of its impact on Corporate Performance, which is strengthened by the role of GCG implementation and can be used as a source and/or reference for similar research. It is also hoped that this research can generate more understanding for researchers and can be a source for further research, especially regarding implementing CSR. This research is also designed to provide an understanding and evaluation to the government about the role of GCG in strengthening the influence of CSR on Corporate Performance.

One way to reduce agency conflict is to disclose CSR in the hope of increasing Corporate Performance. To strengthen the influence of CSR, companies need to implement GCG. With this application, the Corporate Performance carried out by agents can be monitored, it can also increase the principal's trust regarding the assets that have been mandated to the company that have been processed and carried out properly by agents in order to improve Corporate Performance (Supriyanto et al., 2019).

CSR according to agency theory is a company strategy in overcoming agency conflicts or problems. Based on agency theory, CSR has the capability to reduce information differences so as to reduce agency costs. CSR activities that involve top management can reduce managers' opportunistic behavior. CSR is also useful as a solution to conflicts between shareholders, and can maximize Corporate Performance (Harjoto & Jo, 2011).

METHOD

The population or subjects to be tested in this study were 108 non-financial SOEs for the 2018-2020 period. The research sample was selected using a purposive sampling technique, which was limited according to the conditions, namely non-financial SOEs for the 2018-2020 period that issued a complete annual report in the 2018-2020 period and had complete data in the calculation of all variables in this study. Based on this method, 32 non-financial SOEs were obtained that match the determination criteria.

Table 1. The Process Of Selecting Samples Based On Criteria

No	Criteria	Total
	Total SOEs listed on the official website of the Ministry of SOEs for 2018-2020	124
1	BUMN which is included in the financial industry for the 2018-2020 period.	(16)
2	BUMN that did not issue a complete annual report in 2018-2020.	(66)
3	BUMN that do not have complete data in the calculation of all variables in this study.	(10)
	Number of BUMN samples	32
	Number of observation samples (multiplied by 3 years) 2018-2020	96

Source : Data processed (2021)

Secondary data is the type of data used in this study. Secondary data itself is a source of data taken indirectly based on books, reports, local and international journals, news articles, notes and other supporting documents. The secondary data used by the researcher is the annual report of each non-financial BUMN for 2018-2020. The literature study technique was used to collect various data in this study, namely through books, journals, news articles, and other supporting documents.

Operational Definition and Measurement of Variables

Corporate performance is defined as the capability of a company in achieving its goals by using efficient and effective resources and describing the extent to which the company has obtained the results, goals and objectives set after comparing them with previous performance and the performance of other organizations (Nugrahayu & Retnani, 2015).

$$ROE = \frac{Earning\ After\ Tax\ (EAT)}{Shareholder's\ Equity}\ x\ 100\%$$

CSR is an activity held by a company as a social responsibility to stakeholders and society in general in order to improve welfare and provide a positive impact on the environment, so that it does not only use profit as the main goal of driving business.

$$CSRij = \frac{\sum Xij}{nj}$$

GCG is a company principle to maximize value, contribution, and Corporate Performance, as well as maintain business sustainability in the long term.

Table 2. BUMN GCG Assessment Score

Score	**Quality**	**Interval**
Score > 85	Very Good	5
75 < Score ≤ 85	Good	4
60 < Score ≤ 75	Pretty Good	3
50 < Score ≤ 60	Not Good	2
Score ≤ 50	Not Very Good	1

Source : Decree of the Secretary of the Ministry of SOEs (2021)

Sales growth is a company's capability from each period which shows that the company has succeeded in implementing its strategy so that Corporate Performance increases (Widarjo W & D, 2009).

$$\Delta s = \frac{S_t - S_{t-1}}{S_{t-1}}$$

Firm size is a value that describes the size of the company (Sawitri et al., 2017).

$$Firm\ Size = LN\ (Total\ Assets)$$

Data analysis was carried out by researchers using a simple linear regression technique whose data was processed with Microsoft Excel and STATA version 14. To determine the model to be used, the researchers performed the Chow test, Lagrange Multiplier (LM) test, and Hausman test. The regression model test uses the classical assumption test which consists of 4 categories namely Normality Test, Multicollinearity Test, Autocorrelation Test and Heteroscedasticity Test. As for testing the hypothesis using the Coefficient of Determination Test, t-Statistical Test, and Simple Linear Regression Test.

RESULTS AND DISCUSSION

The following is a description of the research variable data which includes the average (mean), standard deviation, minimum and maximum values :

Table 3. Descriptive Statistics

	Obs	Minimum	Maximum	Mean	Std. Deviation
CP_w	96	-0.4843	0.2934	0.0591015	0.1497713
CSR	96	0.1208791	0.6263736	0.293956	0.1020948
GCG	96	3	5	4.75	0.4812265
SG_w	96	-0.5299796	0.8013	0.0002035	0.2679168
SIZE	96	98,597	1,589,060,000	100,772,860	47,069,406

Source : Data processed (2021)

The average value (mean) of ROE in non-financial SOEs is 5.91%. This indicates that the average net profit of non-financial SOEs generated from the equity of its shareholders is 5.91%. Because the average value of ROE < 8.32%, it is categorized as not good (Saifullah et al., 2016). Then it can be noted that the mean value of CSR is 29.40%, which means the average CSR disclosure made by non-financial SOEs is 29.40%. While the moderating variable is GCG, the average value of the non-financial BUMN GCG

variable is 4.75, which means the quality of GCG in non-financial SOEs is close to "Very Good" quality. There are also controlling variables, namely Sales Growth and Firm Size, where the average value of Sales Growth of non-financial SOEs for the 2018-2020 period is 0.02%, which means that the average increase in sales of non-financial SOEs is 0.02%. Meanwhile, the average value of the Firm Size variable is Rp. 100,772,860 million, which means that the average total assets owned by non-financial SOEs for 2018-2020 is Rp. 100,772,860 million.

Table 4. Chow Test

Probability	0.0755
Sig.	0.05

Source : Data processed (2021)

Viewed from Table 4, it can be seen that the probability > significant value, so that the selected model is CE.

Table 5. LM Test

Probability	0.0673
Sig.	0.05

Source : Data processed (2021)

Seen from Table 5 above, the probability > significant value, so that the model chosen in this LM test is CE.

Table 6. Hausman Test

Probability	0.7039
Sig.	0.05

Source : Data processed (2021)

Viewed from Table 6, it can be seen that the probability > significant value, so the model chosen is the Random Effect Model.

Table 7. Normality Test

Variable	*Skewness*	*Kurtosis*
CP_w	-1.864786	8.067111
CSR	1.018317	4.501635
GCG	-1.709126	5.033058
GCG*CSR	1.078872	4.740697
SG_w	0.3803031	3.859986
SIZE	0.0669961	2.338595

Source : Data processed (2021)

It can be seen from Table 7 that the skewness < 3 and the kurtosis value < 10, it can be stated that the research data has been normally distributed.

Table 8. Multicollinearity Test

Variable	VIF	1/VIF
CSR	9.71	0.103028
GCG	70.39	0.014206
SG_w	1.01	0.991952
SIZE	73.07	0.013686
Mean VIF	7.92	

Source : Data processed (2021)

Itcan be seen from Table 8 above that the research data did not pass the multicollinearity test because there was a VIF value 10 in the moderating variable (GCG) and the second controlling variable (Firm Size). To overcome this problem, robustness is needed where the estimated value is not much influenced by small changes in the data. Robustness test is an important tool for analyzing data that is influenced by outliers so that it can produce a robust model or resistance to outliers (Hidayatulloh et al., 2015).

Table 9. Autocorrelation Test

Probability Standarized	0.9338
Sig.	0.05

Source : Data processed (2021)

Viewed from Table 9, it can be seen that the results of the Wooldridge test are worth 0.9338, which is > 0.05. So that there is no autocorrelation problem in the regression model of this study.

Table 10. Heteroscedasticity Test

Chi^2 (1)	2.03
Prob > Chi^2	0.0771

Source : Data processed (2021)

Viewed from Table 10, it can be seen that the probability value of the Breusch Pagan Godfrey test results is 0.0771 > 0.05. So that the data of this study passed the heteroscedasticity test.

Table 11. Coefficient of Determination Test Before Moderation

Overall	0.1680

Source : Data processed (2021)

Seen from Table 11, the results of Adjusted R Square in model 1 are 0.1680 or equal to

16.80%. This value indicates that the Corporate Performance variable is explained through CSR as much as 16.80%. While 83.20% is explained through other variables outside this research.

Table 12. Coefficient of Determination Test After Moderation

Overall	0.1892

Source : Data processed (2021)

Judging from Table 12, the results of Adjusted R Square model 2 are worth 0.1892 or equal to 18.92%. This value indicates that the Corporate Performance variable is explained through CSR with GCG as moderating which is 18.92%. While 81.08% is explained through other variables from outside this research.

Table 13. t-Statistic Test (Before Moderation)

Variable	*Regression Model* *Common Effect Model*	
	t	*Probability*
(Constant)	0.55	0.581
CSR	-1.01	0.314
SG	4.40	0.000
SIZE	-0.27	0.791

Source : Data processed (2021)

Table 14. Test Statistics t (After Moderation)

Variable	*Regression Model* *Common Effect Model*	
	t	*Probability*
(*Constant*)	0.77	0.443
CSR	0.13	0.896
GCG	-0.64	0.525
GCG*CSR	-0.18	0.855
SG	4.45	0.000
SIZE	-0.23	0.822

Source : Data processed (2021)

Based on Table 18, the independent variable, namely CSR, has a t_count of -1.01 and a t_table of 1.985523442. This indicates that t_hitung < t_table, then H_0 is accepted and H_1 is rejected. Then, the significance is 0.314 > 0.05 so that the independent variable, namely CSR, has no effect on Corporate Performance. Furthermore, GCG which moderates CSR has a t_count of -0.64 and a t_table of 1.985523442. This indicates that

t_hitung < t_table so that H_0 is accepted and H_1 is rejected. Then, the significance value is 0.525 > 0.05 so it can be concluded that GCG cannot moderate the influence of CSR on Corporate Performance.

Next is the control variable, namely Sales Growth which has a t_count of 4.40 and a t_table of 1.985523442. This indicates that t_hitung > t_table so that H_0 is rejected and H_1 is accepted. Then, the significance value is 0.000 < 0.05 so it can be concluded that Sales Growth has a significant positive effect on Corporate Performance. Meanwhile, for the second controlling variable, Firm Size, it has t_count of -0.27 and 1.985523442, which means t_count < t_table so that H_0 is accepted and H_1 is rejected. Then the significance value is 0.791 > 0.05, so it can be concluded that Firm Size has no effect on Corporate Performance.

Table 15. Simple Linear Regression Test (Before Moderation)

Variable	*Regression Model* *Common Effect Model*
	Coef.
(Constant)	0.1504864
CSR	-0.0676437
SG_w	0.2342622
SIZE	-0.0023814

Source : Data processed (2021)

Table 16. Simple Linear Regression Test (After Moderation)

Variable	*Regression Model* *Common Effect Model*
	Coef.
(*Constant*)	0.27901
CSR	0.1138007
GCG	-0.0308638
GCG*CSR	-0.0333147
SG_w	0.2376925
SIZE	-0.002008

Source : Data processed (2021)

Based on the simple regression equation, then an analysis of the influence of the independent variables on the dependent variable is carried out which can be explained as follows:

a. The constant value of the regression results is 0.1504864 and has a positive sign. So if the independent variable is considered fixed, then Corporate Performance will increase by 0.1504864.
b. The coefficient value of the CSR variable is 0.0676437 with a negative sign. This indicates that if the CSR variable increases by 1 unit, there will be a decrease in Corporate Performance by 0.0676437.
c. Sales Growth coefficient value is 0.2342622 with a positive sign. So it can be interpreted that if other variables are considered constant and Sales Growth increases by 1 unit, it will increase Corporate Performance by 0.2342622
d. Firm Size coefficient value is 0.0023814 with a negative sign. So if other variables are considered constant and Firm Size increases by 1 unit, it can reduce Corporate Performance by 0.0023814.
e. The value of the GCG coefficient which moderates CSR is 0.0333147 and is negative. If other variables are considered constant and the CSR moderated by GCG is increased by 1 unit, then Corporate Performance will decrease by 0.0333147.

CONCLUSION

This study was conducted to empirically examine the role of GCG in moderating CSR on Corporate Performance. The sample in this study is non-financial BUMN for the 2018-2020 period. The amount of data used is 96 observations. Judging from the results of the research that has been described in chapter four, it can be concluded that:

1. CSR has a probability of 0.314 > 0.05 so that CSR has no effect on Corporate Performance.
2. GCG cannot moderate the influence of CSR on Corporate Performance because the probability value is 0.855 > 0.05.
3. Sales Growth which is the controlling variable has a probability of 0.000 < 0.05 then Sales Growth has an influence on Corporate Performance.
4. The second controlling variable is Firm Size. This variable has a probability of 0.791 > 0.05 so Firm Size has no effect on Corporate Performance.

REFERENCES

Abdullah, R., Malik, E., Pratiwi, E. T., Abdullah, L. O. D., Sulili, A., & Heliawaty. (2019). Influence Of Corporate Social Responsibility On Company Performance. IOP Conference Series: Earth and Environmental Science, 235(1). https://doi.org/10.1088/1755-1315/235/1/012004

Adnyani, N. P. S., Endiana, I. D. M., & Arizona, P. E. (2020). The Effect of Good Corporate Governance and Corporate Social Responsibility Implementation on Company Performance. Journal of Charisma, 2(2), 1–22.

Alfian, N. (2020). Corporate Governance Mechanisms on Financial Performance in Banking Companies Listed on the IDX. JIAFE (Scientific Journal of Accounting, Faculty of Economics), 5(2), 209–218. https://doi.org/10.34204/jiafe.v5i2.2057

Ardiyantiningsih, V. (2018). The Influence of Corporate Social Responsibility on Company Performance and Innovation Ability as a Mediation Variable. Journal of Economic Science Research, 7(1), 39–47.

Arlita, I. G. A. D., & Aghivirwiati, G. A. (2021). The Effect of Good Corporate Governance on Firm Value. The International Journal of Business & Management,9(3),1–8. https://doi.org/10.24940/theijbm/2021/v9/i3/bm2103-048

Axjonow, A., Ernstberger, J., & Pott, C. (2018). The Impact of Corporate Social Responsibility Disclosure on Corporate Reputation: A Non-professional Stakeholder Perspective. Journal of Business Ethics, 151(2), 429–450. https://doi.org/10.1007/s10551-016-3225-4

Cahyani Prastuti, M., & Budiasih, I. G. A. N. (2019). The Influence of Corporate Social Responsibility and Intellectual Capital on Financial Performance. E-Jurnal Accounting, 22(April), 1365. https://doi.org/10.24843/eja.2019.v27.i02.p20

Fauziah, F., Halim, A., & Sari, A. R. (2020). The Effect of Sales Growth, Operating Leverage, Profitability, and Company Size on Financial Structure (Empirical Study on Manufacturing Companies Listed on the IDX for the 2014-2015 Period). Journal of Accounting Student Research, 6(1), 1–12. https://doi.org/10.21067/jrma.v6i1.4208

Harjoto, M. A., & Jo, H. (2011). Corporate Governance and CSR Nexus. Journal of Business Ethics, 100(1), 45–67. https://doi.org/10.1007/s10551-011-0772-6

Heryanto, R., & Juliarto, A. (2017). The Effect of Corporate Social Responsibility on Company Profitability (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2014-2015 Period). Diponegoro Journal of Accounting, 6(4), 540–547.

Hidayah, N., Nugroho, L., Prihanto, H., & Prihantini, D. (2021). Company Characteristics , Disclosure of Social Responsibility , and its Impact on Company Performance: An Empirical Study in Indonesia. Journal of Asian Finance, Economics and Business, 8(6), 889–895. https://doi.org/10.13106/jafeb.2021.vol8.no6.0889

Hidayat, W. W. (2019). Effect of Firm Size, Return on Equity and Leverage on Firm Value in Manufacturing Companies in Indonesia. Faculty of Economics, 21(1),67–75. http://journal.feb.unmul.ac.id/index.php/FORUMEKONOMI

Hidayatulloh, F. P., Yuniarti, D., & Wahyuningsih, S. (2015). Robust Regression With S-Estimation Method Robust Regression Method To Estimate - S. Exponential, 6(2), 163–170.

Indrawan, D. C., & Mutmainah, S. (2011). The Influence of Corporate Social Responsibility on Company Performance. Publication Manuscripts, 1–30.

Jensen, M. C., & Meckling, W. H. (2019). Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure. Corporate Governance: Values, Ethics and Leadership, 77–132. https://doi.org/10.2139/ssrn.94043

Jufrizen, & Rahmadhani, K. N. (2020). The Influence of Organizational Culture on Employee Performance With Work Environment As Moderating Variable. Dewantara Journal of Management and Business Vol., 3(1), 66–79.

Kalbuana, N., & Yani, I. F. (2019). Effect of GCG, Leverage, CSR Disclosure on Financial Performance in Islamic Banking in Indonesia with Company Size as Moderating Variable. 7(03), 1–16.

Kim, M., Yin, X., & Lee, G. (2020). The Effect Of CSR On Corporate Image, Customer Citizenship Behaviors, And Customers' Long-Term Relationship Orientation. International Journal of Hospitality Management, 88(October 2019), 102520. https://doi.org/10.1016/j.ijhm.2020.102520

Naek, T., & Tjun Tjun, L. (2020). The Effect of Corporate Social Responsibility on Company Performance With Good Corporate Governance as a Moderating Variable in Manufacturing Companies on the Indonesia Stock Exchange for the 2015-2017 Period. Maranatha Journal of Accounting, 12(1), 123–136. https://doi.org/10.28932/jam.v12i1.2323

Nugrahayu, E. R., & Retnani, E. D. (2015). Application of the Balanced Scorecard Method as a benchmark for measuring company performance. Journal of Accounting Science & Research, 4(10), 1–16.

Nyeadi, J. D., Ibrahim, M., & Sare, Y. A. (2018). Corporate Social Responsibility And Financial Performance Nexus: Empirical Evidence From South African Listed Firms. Journal of Global Responsibility, 9(3), 301–328. https://doi.org/10.1108/JGR-01-2018-0004

Pamungkas, I. D., Ghozali, I., & Achmad, T. (2018). A Pilot Study Of Corporate Governance And Accounting Fraud: The Fraud Diamond Model. Journal of Business and Retail Management Research, 12(2), 253–261. https://doi.org/10.24052/jbrmr/v12is02/apsocgaaftfdm

Permatasari, F., & Widianingsih, L. P. (2020). Disclosure of Corporate Social Responsibility on Financial Performance With Good Corporate Governance as Moderating Variable. Indonesian Taxation and Accounting Media, 1(2), 87–114. https://doi.org/10.37715/mapi.v1i2.1404

Prasetyo, A., & Meiranto, W. (2017). The Influence of Corporate Social Responsibility on the Financial Performance of Manufacturing Companies Listed on the Stock Exchange in 2013 - 2015. Diponegoro Journal of Accounting, 6(3), 260–371.

Putri, N. K. N. Y., Endiana, I. D. M., & Pramesti, I. G. A. A. (2021). The Influence of Ownership Structure, Company Size, Corporate Social Responsibility, And Investment Opportunity Set on Company Performance. Faculty of Economics and Business, Mahasaraswati University Denpasar, 16(1), 1–13.

Rahmadhani, S., Nurlita, D., & Savitri, D. (2021). Indirect Effect of CSR Disclosure on The Relationship of Gender Diversity on Company Performance. https://doi.org/10.4108/eai.30-11-2020.2303715

Retno, D. (2017). The Effect of CSR and Environmental Performance on Company Value with GCG Moderating Variable. Journal of Accounting Science and Research, 6(11),1–24. http://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/1895

Saifullah, E., Listiawati, & Abay, P. M. (2016). Financial Performance Analysis Using Profitability Ratios At Pt Xl Axiata, Tbk And Pt Indosat Ooredoo, Tbk Period 2011 — 2016 Listed On The Indonesia Stock Exchange Encep Saefullah Listiawati. Journal of Banque Syar'I, 4(1), 15–32.

Sawitri, N. M. Y., Wahyuni, M. A., & Yuniarta, G. A. (2017). Effect of Financial Performance, Firm Size and Ownership Structure on Profitability. Scientific Journal of Accounting Students, Undiksha, 7(1), 1–12.

Siagian, F., Siregar, S. V, & Rahadian, Y. (2013). Corporate Governance, Reporting Quality, And Firm Value: Evidence From Indonesia. Journal of Accounting in Emerging Economies, 3(1), 4–20. https://doi.org/10.1108/20440831311287673

Supriyanto, S., Wardayani, W., Hamdani, H., Murhadi, T., & Rahmaniar, R. (2019). Finance Performance Acceleration of Company; The Impact of Change and Growth of Islamic Banks Performance in Indonesia. https://doi.org/10.4108/eai.18-7-2019.2288633

Walker, B. (1992). Corporate Social Responsibility. Business Ethics: A European Review, 1(1), 29–47. https://doi.org/10.1111/j.1467-8608.1992.tb00173.x

Widarjo W, & D, S. (2009). The Effect of Financial Ratios on Financial Distress Conditions in Automotive Companies. Journal of Business And Accounting, 11(2), 107–119.

Wijaya, H., Tania, D., & Cahyadi, H. (2021). Factors Affecting Company Value. Journal of Accounting Development, 8(2), 109–121. https://doi.org/10.52859/jba.v8i2.148