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THE EFFECT OF GOOD CORPORATE GOVERNANCE MODERATED CORPORATE SOCIAL RESPONSIBILTY DISCLOSURE ON THE FINANCIAL PERFORMANCE OF BANKING COMPANIES

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Abstract: Research about effectiveness of Good Corporate Governance with Corporate Social Responsibility on financial performance in banking companies is very necessary because the characteristics of banking companies are different from other industries. This research aims to analyze the effect of Good Corporate Governance to bank financial performance as measured by Return on Asset and Corporate Social Responsibility disclosure as moderation variable. The determination of samples is using purposive sampling method, which is a sampling technique using certain considerations and limitations so that the selected sample is relevant to the purpose of the study. The sample used in this study was 4 (four) State-Ownedbanking companies and participants in the Corporate Governance Perception Index from 2012-2020 with disclosure of aspects of Corporate Social Responsibility as measured by the Category of Global Reporting Initiative. Researchers used regression and moderating analysis techniques as well as the Eviews 12.0 application to test the study data. The results showed that Good Corporate Governance has a significant negative effect to Return on Asset and Corporate Social Responsibility strengthens the relationship of Good Corporate Governance to Return on Asset.

Key Words: Good Corporate Governance, Corporate Social Responsibility, dan Return on Asset.

INTRODUCTION

A good company is a company that is able to balance interests within the company and interests outside the company. Interests within the company through good corporate governance, namely Good Corporate Governance (GCG), are being exercised outside the company through the implementation of Corporate Social Responsibility (CSR) social responsibility to employees, the community, and the environment. Financial performance is a picture of economic results that can be achieved by the company at any given time through the company's activities to generate profits effectively that can be measured by conducting an analysis of financial data reflected in financial statements.

The banking sector is a rapidly growing business with a high level of complexity (Handayani, 2019). Banks are generally financial institutions whose activities collect funds from the community and distribute the funds to the community again and provide other banking services (OJK, 2021). This intermediation institution relies on public funds and good trust from customers. Although the bank in carrying out its business activities will face various risks such as: credit risk, market risk, operational risk, liquidity risk, legal risk, strategic risk, compliance risk and reputational risk (political and sovereign risk). Given the increasing risks and challenges faced by the banking world, the implementation of GCG and CSR becomes very important. Consistent implementation of GCG will strengthen the company's competitive position, maximize business value, manage resources and minimize risk more efficiently aimed at strengthening the trust of shareholders and stakeholders, so that it can operate and grow sustainably. Likewise, the implementation of CSR can create a good image to investors or potential investors.

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The banking sector is a rapidly growing business with a high level of complexity. Banks are generally financial institutions whose activities collect funds from the community and distribute the funds to the community again and provide other banking services. This intermediation institution relies on public funds and good trust from customers. Although the bank in carrying out its business activities will face various risks such as: credit risk, market risk, operational risk, liquidity risk, legal risk, strategic risk, compliance risk and reputational risk (political and sovereign risk). Given the increasing risks and challenges faced by the banking world, the implementation of GCG and CSR becomes very important. Consistent implementation of GCG will strengthen the company's competitive position, maximize business value, manage resources and minimize risk more efficiently aimed at strengthening the trust of shareholders and stakeholders, so that it can operate and grow sustainably. Likewise, the implementation of CSR can create a good image to investors or potential investors.

Banking companies have stricter regulations compared to other industries. In addition, banking companies are companies based on trust. If investors reduce their confidence due to biased financial statements due to profit management actions, then they will make withdrawals together which can result in a rush. State-Owned banking is a group of banks that are influential in the banking industry in Indonesia. This is one of them because it is positioned as a market leader with a large market share, the performance of State-Owned banks greatly affects the performance of national banks. Research on GCG and CSR on banking financial performance has been widely conducted, Cahyadi and Mertha (2019); Rosiana and Mahardhika (2020) states that GCG has a significant positive effect on Return on Asset (ROA) and CSR is able to moderate the weakening of GCG's relationship to ROA. This is in line with research Maryanti and Fithri (2017) which states GCG has a significant positive effect on ROA. Another study conducted Barus (2016) stated that GCG had no significant effect on ROA, and CSR was unable to moderate GCG's relationship to ROA. The results of the study are the same as those conducted by Handayani (2019); Aiman and Rahayu (2019); Rizki and Wuryani (2021) who stated that GCG does not have a significant influence on ROA and (Ludfi and Firdaus, 2017) which states CSR does not have a significant influence on ROA. Another study was also conducted by Situmorang and Simanjutak (2019) which stated that GCG projected with CGPI has a negative influence on ROA. This result is reinforced by Cahyaningtyas and Hadiprajitno (2015) which states that CGPI has a negative influence on ROA.

Based on the existing research gap, researchers are encouraged to manager banking business data analyst with the title The Influence of Good Corporate Governance moderated Corporate Social Responsibility on the Financial Performance of Banking Companies in State-Owned Banks period 2012-2020. The objectives to be achieved from this study are (1) Analyzing the influence of GCG on the Financial Performance of State-Owned Banks in the period 2012-2020, (2) Analyzing CSR moderation on the Financial Performance of State-Owned Banks in the period 2012-2020. This research is expected to provide direction to investors and potential investors in making investments taking into account aspects of GCG and CSR.

LITERATURE REVIEW

The development of GCG globally resulted in several organizations in the world conducting assessments and ratings on companies that have implemented GCG practices. An assessment of GCG practices is then published in the form of an annual report that can be seen by the public at large and corporate stakeholders in particular (OJK, 2021). Governance Metrics International, Institutional Shareholders Services, and S&P Ratings are examples of agencies that conduct assessments and ratings on GCG practices in the international sphere. Corporate Governance Perception Index (CGPI) is a research and assessment program on the application of GCG to public companies and State-Owned enterprises in Indonesia organized by The Indonesian Institute of Corporate Governance (IICG). This assessment is done through a research made to assess the application of GCG concepts in a company through continuous improvement and evaluation through benchmarking.

Corporate Social Responsibility (CSR) program is a company's commitment to support the creation of sustainable development and responsibility to the surrounding environment (Ludfi and Firdaus, 2017). The more forms of accountability carried out by a company to its environment, the better the company's image according to the public's view. Investors are more interested in companies that have a good image in the eyes of the public because the better the image of the company, the higher the loyalty of consumers. To fulfill corporate social responsibility, the company expresses it in CSR. Global Reporting Index

(GRI) is a guideline or standard of CSR measurement by companies. this GRI standard covers 6 aspects, namely: Economic Aspects, Labor Aspects and Work Compliance, Human Rights Aspects, Community Aspects, Product Responsibility Aspects.

RESEARCH METHODS

The independent variable in this study is the GCG aspect as measured by CGPI. The CGPI assessment is conducted by the Institute of Corporate Governance (IICG) by providing a score to CGPI participating companies. The amount of this score is made based on the reference that has been made IICG. This score was taken based on the results of a research questionnaire given to GCG participating companies through the application of the basic principles of Transparency, Accountability, Responsibility, Independency, and Fairness, in this study mirrored and measured by six scopes of research assessments and ratings with the following weighting composition:

Table 1. CGPI Rating Coverage and Weight

No.	Coverage	Weight (%)
1	Commitment to corporate governance	15
2	Shareholder rights and key ownership functions	20
3	Equal treatment of all shareholders	15
4	The role of stakeholders in corporate governance	15
5	Disclosure and transparency	15
6	Responsibilities of the board of commissioners and board of directors	20

Source: CGPI Report (2020)

The moderation variable in this study is CSR which is a concept or action carried out by the company as a sense of corporate responsibility to the social and surrounding environment where the company is located. The disclosure of social responsibility in this study used 91 disclosure items with the following formulas:

$$\text{CSRDIj} = \frac{\sum \text{Xij}}{\text{n j}}$$

Information:

CSRDIj: Corporate Social Responsibility Disclosure Index of j

Nj: Number of items for company j, nj ≤ 91

Xij : Dummy variable: 1 = if the item is disclosed, 0 = if the item is not disclosed

In this study that is a dependent variable is the financial performance of banking. The ratio used in the measurement of banking financial performance is the profitability ratio in the form of Return on Asset (ROA). This indicator shows the rate of return for shareholders with the benchmark the higher this ratio, the better for shareholders and show good financial performance. ROA is calculated by the formula:

$$\text{ROA} = \frac{\text{Earning After Tax (EAT)}}{\text{Total Asset}}$$

Information:
EAT : Net income after corporate tax I in period t
Total Asset: Total Assets of company I in the period t

The study sample is determined based on purposive sampling which means the selection of samples based on certain criteria. This sampling is a State-Owned conventional bank with details as below Table 2.

This research uses secondary data sources that are data taken from other parties and trusted. Secondary data is a source of research data obtained indirectly through intermediary media and published by organizations that are not processing data (Sugiyono, 2019). The secondary data source used comes from data from the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK) which provides information on the annual report of Stated-Owned banks by accessing the official *website* of IDX and OJK. Secondary data used in the form of evidence, records, or historical in the form of published archives.

Table 2. Research Sample

No	Company Name
1	Bank Mandiri
2	Bank Rakyat Indonesia (BRI)
3	Bank Negara Indonesia (BNI)
4	Bank Tabungan Negara (BTN)

Source: www.idx.co.id (2021)

FINDINGS AND DISCUSSION

Based on data processing with Eviews 12.0, the most appropriate approach to this study is a Random effect model that has gone through several stages of chow test, Hausman test and LM test. From Table 3 can be obtained the following panel data regression equation:

$$ROA = 0.223366 - 0.229544\ CGPI + e$$

Based on the results of Table 4 obtained a probability value (F-statistic) of 0.000000, smaller than 0.05 or 5 percent. This shows that the model used is worth using to explain the effect of GCG application on ROA. Nilai Adjusted R-squared by 0.571170 or 57.12 percent. This shows that the free variable GCG simultaneously affects ROA by 57.12 percent. The remaining 42.88 percent was explained by free variables outside of the study. Hasil significance test or T test, obtained variable coefficient CGPI of -0.229544 with a probability of 0.0000, less than a significant rate of 5 (five) percent.

Table 3. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.223366	0.028884	7.733194	0.0000
CGPI	-0.229544	0.032064	-7.158905	0.0000
	Effects Specification			
			S.D.	Rho

Cross-section random		0.008354	0.8612
Idiosyncratic random		0.003354	0.1388
	Weighted Statistics		
R-squared	0.583422	Mean dependent var	0.002494
Adjusted R-squared	0.571170	S.D. dependent var	0.005314
S.E. of regression	0.003480	Sum squared resid	0.000412
F-statistic	47.61734	Durbin-Watson stat	1.758859
Prob(F-statistic)	0.000000		

Source: Eviews 12.0 (2021)

Other and that, value of $t_{statistik}$ CGPI is |-7,158905| or 7,158905 Showing results greater than t_{tabel} is $t_{(0,05;34)}$ = 2,032245, It can be explained that the GCG variable has a significant effect on ROA. Judging from the value of the CGPI coefficient against ROA of -0.229544 means that GCG has a negative influence on ROA. So the greater the value of CGPI as an aspect of GCG implementation, the smaller the ROA.

Table 4. Moderated Regression Analysis (MRA) Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.248117	0.057551	-4.311282	0.0001
CGPI	0.292217	0.064506	4.530076	0.0001
CSR	0.979310	0.173506	5.644227	0.0000
M1	-1.067736	0.191983	-5.561611	0.0000

R-squared	0.613243	Mean dependent var	0.018800
Adjusted R-squared	0.606672	S.D. dependent var	0.008313
S.E. of regression	0.007857	Sum squared resid	0.001976
F-statistic	2.393108	Durbin-Watson stat	0.474873
Prob(F-statistic)	0.046735		

Source: Eviews 12.0 (2021)

Based on Table 4, the MRA Test result, the MRA variable (M1) obtained a probability value of 0.0000, or less than a significant rate of 5 (five) percent, it can be explained that the CSR variable moderates the relationship between GCG and ROA. The value of the Coefficient of Determination (Adjusted R-Squared) after moderation testing to 0.606672 or 60.67 percent. This shows an increase when compared to Adjusted R-Squared in GCG linear testing against ROA of 57.12 percent (an increase of 3.55 percent).

CONCLUSION AND RECOMMENDATION

Based on the results of research that has been conducted through the collection stage to data management, the results of the analysis of the influence of Good Corporate Governance (GCG) on bank financial performance as measured by Return on Asset (ROA) with disclosure of Corporate Social Responsibility (CSR) as moderation, can be concluded as follows:

Good Corporate Governance (GCG) projected by the Corporate Governance Perception Index (CGPI) score on State-Owned banks has a significant negative influence on Return on Asset (ROA). This study illustrates the application of good corporate governance (GCG) reflected in the Corporate Governance Perception Index (CGPI) score owned by State-Owned banks very well, but not able to increase the profitability of the company, especially in the financial performance of State-Owned banks as measured by the company's ability to generate profits from assets owned (ROA).

This is evidenced that banking companies in good corporate governance or GCG must be implemented in accordance with Bank Indonesia Regulation No. 8/4/PBI/2006 as well as evidence of the importance of GCG in the banking world. In addition, State-Owned enterprises including banks regulate the implementation of GCG that must be carried out in accordance with the Regulation of the Minister of BUMNs PER-09 / MBU /2012 dated July 6, 2012 on the Implementation of good corporate governance in BUMNs, followed by the Decree of the Minister of BUMNs No. SK-16/ S.MBU /2012. In this regard, the Government through the ministry of BUMNs emphasizes the obligation for State-Owned banks in implementing GCG consistently and makes GCG principles as its operational foundation to improve the value and accountability of the company (BUMN, 2021). Thus, although the financial performance of State-Owned banks is not good or decreased from the previous period, the principle of implementing GCG must still be fulfilled in accordance with the applicable provisions. The GCG assessment index of State-Owned banks increases every year, but banking performance has decreased. The decline in the bank's performance is also influenced by several aspects such as the current state of the economy.

These results are in line with research conducted by Cahyaningtyas and Hadiprajitno (2015); Cahyadi and Mertha (2019); Situmorang and Simanjutak (2019) stating that GCG has a significant negative effect on the financial performance of banking companies. The application of GCG reflected in the assessment of CGPI has a negative relationship to the ROA of State-Owned banks. This is due to the obligations of State-Owned banks in implementing GCG in accordance with applicable regulations and State-Owned banks are also obliged to participate in the category of CGPI research sample companies by IICG. So that the implementation of GCG that has been done to the maximum spends additional funds that can reduce the company's profits. If the company's profit decreases, then the company's profits will also decrease and the company's performance will decrease. Negative results between the application of GCG State-Owned banks to financial performance are also influenced by a short period of research that is considered not able to reflect the results of long-term GCG implementation.

Corporate Social Responsibility (CSR) disclosed by State-Owned banks is able to moderate the strengthening of the influence of Good Corporate Governance (GCG) on Return on Asset (ROA). From the results of the moderation regression test, researchers stated that CSR was able to moderate the strengthening of GCG's relationship to ROA. Csr moderation variables on the effect between GCG on ROA fall into quasi-moderation. Quasi moderation is a variable that moderates or strengthens the relationship between free variables to bound variables where pseudo-moderation variables can simultaneously be free variables. This is in line with research conducted Maryanti and Fithri (2017) stated that CSR is able to moderate the relationship of GCG to ROA. Furthermore, supported by research conducted Winardi (2012); Handayani (2019) which provides CSR results have a significant influence on ROA. According to Ludfi and Firdaus (2017), the implementation of CSR is one of the principles of GCG implementation, so companies that have implemented GCG should carry out CSR implementation. CSR variables are also able to affect the financial performance of bank companies, because with companies implementing CSR can help companies to prevent the onset of external costs of the company. CSR implementation needs to be supported by GCG in order to run effectively and optimally. This provides an overview of the role in controlling or overcoming the behavior of self-serving management (the company).

In disclosing aspects of CSR, State- owned banks must follow well related to the implementation of CSR in accordance with Law No. 19 of 2003 on State-Owned Enterprises Article 88 which reads: 1) BUMNs can set aside some of their net income for the purposes of small business development/cooperatives and community development around BUMNs; 2) Further provisions regarding the allowance and use of profits as referred to in the above paragraphs are governed by the Decree of the Minister.

Limitations

The limitations faced in this study can be used as a consideration for the next researcher in order to get better results as follows: This research only used 4 (four) State-Owned conventional banking companies (Conventional STATE-OWNED banks) listed on the Indonesia Stock Exchange (IDX) during the period 2012 - 2020 so that they cannot be generalized and have not presented all banking companies listed on the Indonesia Stock Exchange (IDX). The implementation of GCG State-Owned banks is carried out only using CGPI score proxies issued by IICG every year. The financial performance of banking companies used in this study only uses the return on asset ratio (ROA) whose calculation results are taken from the publication of the financial statements of State-Owned banks. There are many other profitability ratios that can be used for research materials.

Recommendation

After the conclusions and limitations of this study, the recommendations that can be given are: To develop this research, it can use other variables in addition to the CGPI index as a result of the application of GCG in order to obtain more relevant results on the content of information that has implications for the financial performance of banks. Further research should increase the research sample and take a longer observation period so that the results obtained are even better. In addition, researchers can further conduct further research relating to factors that affect a company's financial performance such as capital structure, ownership structure and profit management. Use sustainability reporting reports that have been verified by GRI to avoid being subjective in CSR index assessments.

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