


The role of good corporate governance (GCG) and disclosure of corporate social responsibility (CSR) on financial performance in banking in indonesia

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Article Info	ABSTRACT
Keywords: Good Corporate Governance, CSR, Financial Performance, Perbankan	The financial performance of banks in Indonesia has fluctuated. One way to improve financial performance is through disclosure of corporate social responsibility (CSR). Corporate governance plays an important role in improving financial performance. This research aims to analyze the role of GCG and CSR disclosure on banking financial performance in Indonesia. This research takes secondary data on banking companies listed on the Indonesia Stock Exchange for the 2017-2022 period. In this research, researchers used a purposive sampling technique by setting certain criteria and obtained a sample of 41 banks or 240 research data. The data analysis technique used to solve problems in this survey is to use the Stata 12 program to carry out panel data regression analysis. The main finding in this research is that good corporate governance as proxied by independent commissioners and audit committees has no effect on financial performance, this may be due to a lack of optimal consideration in the appointment of independent commissioners and audit committees. Apart from that, it has been proven that CSR disclosure has a positive effect on financial performance. Social disclosure is considered capable of improving the company's image in the eyes of the public and attracting the attention of investors which will have an impact on the company's financial performance.
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INTRODUCTION

In the industrial revolution 4.0, every bank must increase competition. Intense banking competition at the domestic and international market levels requires banks to be able to maintain or gain a competitive advantage by paying attention to banking operations and banking financial activities. Banking competitiveness is related to banking financial performance. For banks that want to increase their competitiveness, they must improve the bank's financial performance.

The financial performance of banks in Indonesia has fluctuated. This can be seen from the decline in financial performance in 2020. However, at the end of 2021, banking financial performance showed improved performance after being pressured by PPKM

levels. This can be seen from bank credit, reduced risk of bad credit, increase in third party funds and increase in bank capital. This research raises the issue of the fluctuating financial performance of banks in Indonesia. Based on these problems, the main issue in this research is how to improve banking financial performance. The solutions offered must be able to answer the problems faced by Indonesian banks so that they can continue to operate and improve financial performance which has fallen drastically.

One way to improve financial performance is through disclosure of corporate social responsibility (CSR). CSR is a form of corporate social responsibility towards society and other stakeholders. The positive response given by the public and stakeholders is in the form of trust and acceptance of the products produced by banking. This positive response can increase banking operational activities so that it will improve banking financial performance. Implementation of CSR activities can influence banking financial performance. This is because the implementation of social responsibility can create long-term sustainability by accepting the company in society so that it can increase banking profits (KC Sari & Azizah, 2019) .

Corporate governance plays an important role in improving financial performance. By implementing corporate governance, stakeholder trust in banking financial performance will increase. Strong corporate governance has five principles, namely fairness, accountability, responsibility, transparency and independence. The application of these principles is the basis for reporting sustainability financial performance. Banking needs to strengthen their GCG to reduce agency problems arising from conflicts of interest between shareholders and agents. This research uses the institutional ownership variable as a moderating variable to strengthen or weaken the relationship between CSR and CG on financial performance.

Research that has been conducted by other parties can be used as research material to study the problem in more depth and also to perfect the research. Research with a similar theme was conducted by (Yana Fajriah & Edy Jumady, 2022) with the title "Good Corporate Governance And Corporate Social Responsibility On Company Value With Financial Performance". The research results found that Managerial Ownership, Institutional Ownership, Independent Commissioners and Audit Committees on Company Value (Tobin's) and Financial Performance (ROA) had a significant positive effect on GCG, while CSR had a positive and insignificant effect on Company Value (Tobin's). The results of this research can be used by the company to determine its future ability to generate revenue and achieve success, as well as by other researchers conducting relevant or complementary research.

Similar research was conducted by (Sausan et al., 2015) with the title "The Effect of Disclosure of Corporate Social Responsibility and Good Corporate Governance on Company Value with Profitability as a Moderating Variable". The research results show that CSR disclosure does not have a significant effect on company value, corporate governance has a negative effect on company value. Meanwhile, profitability cannot moderate the relationship between CSR and GCG on company value. This is caused by several factors,

including investors' considerations in investing in companies that do not take into account corporate social responsibility and corporate governance.

Research with the same theme was conducted by (Cahyaningrum et al., 2022) with the title "The Effect of Implementing Good Corporate Governance and Corporate Social Responsibility on Company Financial Performance". The research results show that corporate governance as proxied through institutional assets has no effect on financial performance. Furthermore, corporate governance, which is proxied through the audit committee, does not have a major influence on the company's financial performance. Meanwhile, corporate governance, proxied through an independent board of commissioners, has a large influence on the company's financial performance. The research results also reveal that corporate social responsibility has no influence on the company's financial performance.

Research conducted (Kemala Dewi et al., 2021) with the title "The Influence of GCG, Leverage, CSR Disclosure on Financial Performance in Sharia Banking in Indonesia with Company Size as a Moderating Variable". This study reveals that GCG has no significant effect on financial performance, leverage has a positive and significant effect on financial performance, CSR disclosure has a positive and significant effect on financial performance.

Results from previous research reveal inconsistent results. This is proven by research results (Cahyaningrum et al., 2022) which show that corporate social responsibility has no effect on the company's financial performance. Research (Kemala Dewi et al., 2021) shows that CSR has a positive effect on the company's financial performance, while GCG has no effect on the company's financial performance. This research aims to analyze the role of GCG and CSR disclosure on banking financial performance in Indonesia. It is hoped that the results of this research can make a contribution, namely adding to research literature related to the role of GCG, CSR disclosure and financial performance. Apart from that, it is hoped that this research can be a consideration for banks to pay more attention to corporate governance and corporate social responsibility in improving financial performance.

METHOD

This research, based on the type of data, is included in quantitative research, which is research whose data is in the form of numbers or qualitative data that is added up (Sugiyono, 2017:23). This research takes secondary data on banking companies listed on the Indonesia Stock Exchange for the 2017-2022 period. The population taken from this research is all banks listed on the Indonesia Stock Exchange for the 2017-2022 period, totaling 43 banks. In this research, researchers used non-probability sampling techniques and the technique used was purposive sampling because not all samples had criteria that were appropriate to the research to be conducted. Therefore, researchers chose a purposive sampling technique by establishing certain criteria. The sample in this research consisted of 41 banks or 24 0 research data.

The data source used in this research is quantitative secondary data, namely financial reports that have been published on the official website of the Indonesia Stock Exchange

www.idx.com and www.saham.ok.com during the 2017-2022 period which contains information regarding GCG, CSR, and financial performance. In order for the data collected to be useful, it must be processed and analyzed first, so that it can be used as a basis for decision making.

The independent variables in this research are good corporate governance (GCG) and corporate social responsibility (CSR) and corporate governance. The good corporate governance mechanism in this research consists of independent commissioners, board of directors and audit committee. CSR can be measured through the social disclosure index which is a dummy variable. CSR can be calculated by the number of CSR items adopted by the company (banking) divided by the total number of CSR items (Maqbool & Zamir, 2021). This research uses the dependent variable financial performance which is measured using profitability which is proxied by Return On Assets (ROA). ROA is a profitability ratio to assess a company's profit from its assets. ROA can be calculated by dividing net profit by total assets (Zhou et al., 2021).

The data analysis technique used to solve problems in this survey is to use the Stata 12 program to carry out panel data regression analysis. The first step to take before carrying out panel data regression is to carry out a descriptive statistical test to find out a statistical picture of the data by measuring the average value, median value, minimum value and maximum value of the variables used in this research. Then carry out a person correlation test to measure the strength of the relationship between variables. Multiple regression analysis in this research was used to test the influence of the independent variable on the dependent variable. To test the effect of the moderating variable, an interaction test is used, namely Moderated Regression Analysis (MRA).

RESULTS AND DISCUSSION

Table 1 Descriptive statistics

Variable	Obs	Mean	Std. dev.	Min	Max
ROA	240	1,221	3,930	-11,150	48,910
Commissioner	240	0.566	0.106	0.250	0.800
Auditing	240	0.587	0.107	0.280	0.800
CSR	240	0.527	0.171	0,000	0.989

Based on the descriptive statistical data in Table 1, it can be seen that the average dependent variable is ROA (1.221), while the average independent variable is independent commissioner (0.566), audit committee, (0.587) and CSR disclosure (0.527).

Table 2 Regression Analysis

ROA	Coefficient	Std. error	t	P
Commissioner	2,323	2,568	0.900	0.366

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ROA	Coefficient	Std. error	t	P
Auditing	-2,017	2,673	-0.750	0.450
CSR	3,308	1,752	1,890	0.059
cons.	-0.651	2,359	0.280	0.782

Independent Commissioner on Financial Performance

The results prove that independent commissioners have no effect on financial performance. Looking at these results, it is possible that competence and professionalism are not the main things in appointing independent commissioners but are proximity factors, which have an impact on reducing commissioner independence (Sembiring & Saragih, 2019) . This illustrates that the existence of independent commissioners is a formality to comply with existing regulations, so that the monitoring function does not run well (Ernawati & Santoso, 2021) . Apart from that, increasing the number of independent commissioners will increase supervision which will minimize management activities in the interests of the company (YR Sari & Setyaningsih, 2023) .

The results of this research are in line with (Sitanggang, 2021) ; (Sunrowiyati & Yanti, 2022) ; (Wardana & Darya, 2020) where independent commissioners have no effect on financial performance . However, in contrast to (Deniza et al., 2023) ; (Titania & Taqwa, 2023) ; (Pudjonggo & Yuliati, 2022) ; (Fadillah, 2017) where independent commissioners influence financial performance.

Audit Committee on Financial Performance

The results prove that the audit committee has no effect on financial performance. Looking at these results, it is possible that the number of audit committees does not guarantee an increase in the supervisory function, quality of financial reports and control sustainable company management is running well (Luthfiana & Dewi, 2023) and there is a lack of external incentives to encourage company efficiency towards financial performance (Ahmad et al., 2023) .

The results of this research are in line with (Sunrowiyati & Yanti, 2022) ; (Pudjonggo & Yuliati, 2022) ; (Wardana & Darya, 2020) where the audit committee has no effect on financial performance but is not in line with research (Sitanggang, 2021) ; (Rizki & Saad, 2021) where the audit committee has an influence on financial performance

CSR Disclosure on Financial Performance

The results prove that CSR disclosure has a positive effect on financial performance. Looking at these results, there is a possibility that social responsibility information is a company's competitive advantage (Ahyani & Puspitasari, 2019) . Social disclosure describes the company's transparency, so that it has more value in the eyes of society (Prasetyo & Meiranto, 2017) . Apart from that, CSR disclosure will be able to improve the company's image, where the company's image will be more attractive to investors (Sa'adah & Sudiarto, 2022) . And the CSR activities carried out influence company to improve the Company's Financial Performance. This indicates several indicators of CSR activities carried

out by companies can improve the company's ability to generate profits (Lestari & Lelyta, 2019) .

The results of this research are in line with (Pustikaningsih, 2011) ; (Husnan & Pamudji, 2013) and contrary to research (Ramadhan & Sulistyowati, 2022) ; (Monalisa & Serly, 2023) ; (Parenkuan, 2017) ; (Wardhani et al., 2021) where CSR has no influence on financial performance.

CONCLUSION

This research aims to determine the effect of good corporate governance, CSR disclosure on financial performance. The main finding in this research is that good corporate governance as proxied by independent commissioners and audit committees has no effect on financial performance, this may be due to a lack of optimal consideration in the appointment of independent commissioners and audit committees. Apart from that, it has been proven that CSR disclosure has a positive effect on financial performance. Social disclosure is considered capable of improving the company's image in the eyes of the public and attracting the attention of investors which will have an impact on the company's financial performance.

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