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The Influence of Corporate Social Responsibility, Good Corporate Governace and Environmental Performance on Financial Performance

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Abstract

The purpose of this study was to identify the influence of corporate social responsibility, good corporate governance and environmental performance on financial performance partially or simultaneously.This research uses quantitative research methods. The population in this research relies on manufacturing companies in the industrial sector listed on the Indonesia Stock Exchange for the 2017-2021 period. This study used a sampling technique that is purposive sampling in order to obtain a sample of 6 companies. Methods of data analysis using multiple linear regression analysis method. The results of this study indicate that; (1) CSR partially has no effect on financial performance, (2) Audit Committee partially has no effect on financial performance, (3) Board of Commissioners partially has no effect on financial performance, (4) Managerial ownership partially affects company financial performance, (5) Environmental Performance simultaneously influences financial performance, (6) CSR, Managerial Ownership, Audit Committee, Board of Commissioners and Environmental Performance simultaneously affect Financial Performance.

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1. Introduction

In general, a company is defined as a place where workers work, or a place where the production of goods or services occurs. Usually, in a company, all factors of production come together, including labor, capital, natural resources, and others. Companies can It is also identified as an institution in the form of an organization that operates with the aim of providing goods and services for the community and also aims to gain profits. Apart from functioning to provide benefits for all parties involved in it, the company also functions to be a driver of a country's economy. According to Law number 8 of 1997, a company is defined as any form of business that carries out activities continuously and permanently with the aim of making a profit. Companies in Indonesia already have a bound legal entity, namely based on Law number 3 of 1982 concerning mandatory company registration, and there are several companies registered in Indonesia including companies based on the type of activities carried out, namely manufacturing or industrial companies, service companies, trading companies, agricultural companies and extractive companies.

Companies listed on the Indonesian Stock Exchange (BEI) are grouped into business sectors based on their industry. Previously, there were 9 sectors with 56 derivative sub-sectors that were clarified by the Jakarta Stock Industrial Classification (JASICA), which is a sectoral clarification system used to categorize companies listed on the Indonesian Stock Exchange. However, in 2020, on Monday 25 January, the Indonesian Stock Exchange officially implemented the new industry IDX Industrial Classification (IDX-IC), where previously JASICA clarified that there were 9 sectors with 56 derivative sub-sectors, then in the new grouping system, The sectors increased to 12 sectors with 35 sub-sectors, 69 industries and 130 sub-industries. The 12 new sectors are the energy sector, raw goods sector, industrial sector, primary consumer sector, non-primary consumer sector, health sector, financial sector, property and real estate sector, technology sector, infrastructure sector, transportation and logistics sector, listed investment product sector. One of these sectors is the Industrial Sector, where examples of industry include producers of aerospace goods, building products, electrical products, machinery and defense. Then, the industrial sector also includes the provision of commercial services such as environmental management, printing, as well as suppliers of industrial goods and services for the needs of various companies operating in other industrial fields. Previously, this industrial sector was included in the miscellaneous industrial sector, but with the development of the new grouping system, this sector became the industrial sector.

There is a phenomenon that occurs in industrial companies quoted on the page (kemenprin.co.id). It has been noted that since the Covid-19 pandemic entered Indonesia in 2020, industrial companies have been under pressure due to the pandemic, however, a number of industrial sub-sectors have grown very high. in Q2 II-2021. These subsectors include the transportation equipment industry at 45.70%, followed by the basic metal industry at 18.03%, the machinery and equipment industry at 16.35%, the rubber goods industry from rubber and plastic at 11.72%, as well as the chemical, pharmaceutical and drug industries. traditional at 9.15%. The manufacturing sector also made the largest contribution to the national Gross Domestic Product (GDP) in the second quarter of 2021, namely 17.34%. The top five contributors to GDP in this period were the food and beverage industry at 6.66%, the chemical, pharmaceutical and traditional medicine industry at 1.96%, the metal goods, computer, electronic goods, optics and electrical equipment industry at 1.57%, transportation equipment industry 1.46%, and textile and apparel industry 1.05%. This significant growth shows that government companies are able to rise and make a significant contribution to Indonesia's economic growth.

Activities carried out by companies to increase company value are often not accompanied by maintaining the sustainability of existing sources, apart from natural resources, parties who are not directly involved in the company, such as the community and the surrounding environment, also feel the impact of the company's activities. where the more a company develops, the higher the social problems and environmental damage around it. Increased attention and concern regarding the impact of business on the social environment and the impact of social issues has encouraged a number of companies to actively manage them. Because of the emergence of awareness on the part of companies to reduce the negative impacts resulting from business operations, the concept of Corporate Social Responsibility began to develop (Adams and Frost, 2008). Corporate Social Responsibility is seen as a new accounting concept that provides transparency regarding social disclosures made by the company. Basically, a company is a business entity that is regulated and run by people who have expertise so that the company can achieve and have certain goals. The goal of a company is to obtain the maximum possible profit from the company's operational results. The implementation of good corporate governance has become a central issue in supporting economic recovery, companies are required to balance it. So it is necessary to have an appropriate management system and managerial control for good corporate governance. Good Corporate Governance is defined as the structures, systems and processes used by companies to provide sustainable added value to the company in the long term (Zarkasyi, 2008).

Widagdo's research (2012) in his quote states that companies are linked to social environmental areas that require the fulfillment of Corporate Social Responsibility (CSR) so that they require good corporate governance (GCG). It is hoped that the implementation of CSR and GCG can increase concern for the environment, workplace conditions, company relations, corporate social investment, company financial performance and access to capital as well as improve the company's image in society. In recent years, the company has realized that the company's goal is not only to make a profit, but the company must be able to provide benefits to the community around the company, the company must care about the environment. Company operations will have an impact on the surrounding environment, because of this phenomenon, society demands that companies pay more attention to the impact of company operations. Environmental issues matter to investors, society and government. The government created a company performance rating assessment program in environmental management (proper) to increase companies' concern for the environment. To increase public trust, especially corporate investors need to pay attention to the environment. The public is starting to pay attention to company activities, especially the impact of company activities on the environment around the company. Increasing public trust in the company will improve the company's financial performance. Tjahjono (2013) in his book states that environmental performance has a significant influence on financial performance. Good financial performance will increase the company's value to investors. Increasing company value is the company's hope because it will show shareholder prosperity. Kompyurini (2014) argues that company value is linked to share prices, high share prices make the company have high value.

From the results of previous research, such as research by Veronika et al (2017), which proves that CSR disclosure has an effect on financial performance. This means that the higher the CSR disclosure, the higher the company's financial performance. The interaction between CSR and foreign ownership influences financial performance. This means that foreign ownership can influence CSR policy on financial performance. Based on the results of research conducted by Purnaningsih (2018). The research results show that Corporate Social Responsibility (CSR) has a positive and significant effect on the company's financial performance as measured by return on equity (ROE), return on assets (ROA), and has a negative effect on return on sales (ROS). Deni Purnaningsih (2018).

2. Methodology

The type of research method used is a quantitative research method, where the data collection method used in this research uses secondary data, namely documentation. Documentation is a collection of notes, documentation, reports and archives containing related information that can be used to support research (Fauzi et al, 2021). In this research, what was collected using the documentation method was obtained through the Indonesian Stock Exchange website (www.idx.co.id). The data used is annual financial report data from industrial sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2017-2021 period. The sampling technique in this research used a purposive sampling technique. The data analysis method in this research uses the multiple linear regression analysis method. According to Firdaus (2019) multiple linear regression models are used to measure how much influence between the independent variable and the dependent variable. The last step is to test the hypothesis, namely the t test and F test to determine the effect of variables both partially and simultaneously. The variables in this research are corporate social responsibility, Good Corporate Governance and environmental performance as independent variables and financial performance as the dependent variable

3. Results and Discussion

3.1. Results

Classic Assumption Test

1. Normality Test

The analysis in this study used the Kolmogorov-Smirnov test. The Kolmogorov-Smirnov test and the Asymp.Sig value show that the significance value is 0.200, which means > 0.05. This proves that the data in this study is normally distributed.

2. Multicollinearity Test

Analysis for the multicollinearity test through the Variance Inflation Factor (VIF) and Tolerance values. The tolerance value is 0.390; 0.802; 0.732; 0.689 and 0.409, the values are > 0.10, while the VIF value is 2.566; 1,247; 1,367; 1,451 and 2,447, the values are < 10. Thus, it is said that the data does not indicate correlation between variables and is free from multicollinearity.

3. Heteroscedasticity Test

Analysis for the heteroscedasticity test using Scatterplot graphs. In the Scatterplot graph it is proven that it spreads above and below the number 0 on the Y axis and the scatterplot distribution does not form a certain regular pattern (wavy, widening then narrowing). So it can be concluded that in this study there was no heteroscedasticity.

4. Coefficient of Determination Test

The results of the Coefficient of Determination test prove that the Adjusted R Square is 0.635 (63.5%). This means that the ability of the independent variable in this research to influence the dependent variable is 63.5%, while the remaining 36.5% (1-0.635) is explained by variables other than the independent variable in the research.

5. t Test (Partial)

Partial test analysis is used to prove whether each independent variable in this research has a significant influence on the dependent variable.

Table 1. t Test Result

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	23.174	3.966		5.843	.000
X1	.140	.113	.222	1.237	.228
X2	-10.193	1.752	-.729	-5.817	.000
X3	-.090	.601	-.020	-.150	.882
X4	-1.359	.730	-.252	-1.861	.075
Y	-3.376	.953	-.622	-3.542	.002

Source: Data Processed (2023)

Cooperate Social Responsibility (X1) on Financial Performance (Y) The results of the t test analysis show that the calculated t for corporate social responsibility (X1) is 1.237 and is smaller than the t table value of 1.711, as well as the significance value (sig) of the output coefficients, it is known that the significance value of the CSR variable is 0.228, which means that the significance value is > 0.05, meaning that there is no influence between CSR and financial performance, so H1 is rejected.

Managerial Ownership (X2) on Financial Performance (Y) The results of the t test analysis show that -t calculated on managerial ownership (X2) is -5.817 and is greater than the -t table value of 1.711 and a significance value of 0.000. This significance value is <0.05. So it can be concluded that the managerial ownership variable influences financial performance, meaning that H2 is accepted.

Audit Committee (X3) on Financial Performance (Y) the results of the t test analysis, show that the -t count on the audit committee (X3) is -0.150 and is smaller than the -t table value of 1.711, and the significance value is 0.882 which means that The significance value is > 0.05, meaning there is no influence between the audit committee on financial performance, meaning H3 is rejected.

Board of Commissioners (X4) on Financial Performance (Y) the results of the t test analysis, show that the calculated t for the board of commissioners (X4) is -1.861, and is smaller than the t-table value, and the significance value is 0.075 which means that the significance value > than 0.05 means there is no influence between the board of commissioners on financial performance, so H4 is rejected.

Environmental Performance (X5) versus Financial Performance (Y) the results of the t test analysis, show that the calculated t for environmental performance (X5) is -3.542, and is greater than the -t table, and the significance value is 0.002. The significance value is <0.05 so it can be concluded that environmental performance variables influence financial performance, meaning that H5 is accepted.

6. F test (simultaneous)

Simultaneous test analysis is used to prove whether the independent variables simultaneously influence the dependent variable.

Table 2. F Test Result

Model	Sum of Squares	Df	Mean Square	F	Sig.	f table
Regression	549.084	5	109.817	11.087	.000[b]	2,62
Residual	237.713	24	9.905			
Total	786.796	29				

Source: Data Processed (2023)

Based on the table above, it shows that the calculated f (11,087) is greater than the table f (2.62). and, the significance value of 0.000 is smaller than 0.05, so it can be concluded that H1 is accepted, so that all independent variables have a significant influence on the dependent variable.

3.2. Discussion

The influence of corporate social responsibility (X) on financial performance (Y)

The results of this research indicate that corporate social responsibility does not have a significant effect on financial performance. This means that if you implement CSR, financial performance will increase, and vice versa. However, if the company shows more and more CSR disclosures, it can reduce financial performance. This is because the company's Corporate Social Responsibility activities become costs that can significantly reduce or not increase the company's net profit.

Effect of managerial ownership (X2) on financial performance (Y)

The results of this research indicate that the managerial ownership variable has a significant effect on financial performance. Thus the hypothesis which states that managerial ownership has a direct effect on financial performance is accepted. The research results show that the managerial ownership variable has a significant effect on financial performance in a positive direction, which means that increasing managerial ownership will also cause the company's financial performance to increase. The existence of managerial ownership in a company will make management's position the same as the company owner, so that it can equalize and unite the interests of management with those of shareholders. Managers actively participate in decision making, whose decisions have a big influence on increasing company profits. Therefore, managerial ownership can motivate managers to take action to improve the company's financial performance.

Influence of the audit committee (X3) on financial performance (Y)

Based on the results of research conducted, it shows that the audit committee variable does not have a significant effect on financial performance. Thus, the hypothesis that the audit committee has an influence on financial performance is rejected. This happens because the formation of an audit committee in a company is only based on compliance with government regulations, where government regulations require companies to have an audit committee of at least three people. This shows that the number of audit committee members is not a factor that influences the company's financial performance. So, whether the number of audit committee members is large or small, the supervisory function carried out on the company's financial performance will remain the same.

Influence of the board of commissioners (X4) on financial performance (Y)

Based on the results of research conducted, it shows that the board of commissioner's variable has no effect on financial performance. Thus, the hypothesis which states that the board of commissioners has a direct influence on financial performance is rejected. This is because when each member of the board of commissioners works in accordance with their duties and responsibilities, the contribution given to the role of the board of commissioners itself will remain the same, so that it has no effect on increasing or decreasing financial performance.

Effect of environmental performance (X5) on financial performance (Y)

Based on the results of research conducted, it shows that environmental performance influences financial performance. For companies with a high growth rate, their environmental performance will have a positive effect on financial performance, whereas for companies with a low growth rate, their environmental performance will have a negative effect on financial performance. This shows that environmental performance greatly influences company value and financial performance.

The influence of Corporate Social Responsibility (X1), Managerial Ownership (X2), Audit Committee (X3), Board of Commissioners (X4) and Environmental Performance (X5) on Financial Performance (Y).

Based on the results of research conducted, it shows that corporate social responsibility, managerial ownership, audit committee, board of commissioners and environmental performance influence financial performance. Companies that implement corporate social responsibility, good corporate governance and good environmental performance will certainly improve the company's image, have a better social environment and improve employee performance.

5. Conclusion

This research discusses the influence of Corporate Social Responsibility, managerial ownership, audit committee, board of commissioners and environmental performance on financial performance in manufacturing companies in the industrial sector in 2017-2021. The method in this research uses purposive sampling using several criteria, and there are 6 companies that meet the criteria. Based on the research results, the conclusions that can be obtained are as follows: 1) Corporate Social Responsibility has no effect on financial performance. This is because the company's Corporate Social Responsibility activities become costs that can significantly reduce or not increase the company's net profit. 2) Managerial ownership has an effect on financial performance. This means that increasing managerial ownership will also cause the company's financial performance to increase. The existence of managerial ownership in a company will make management's position the same as the company owner, so that it can equalize and unite the interests of management with those of shareholders. Managers actively participate in decision making, whose decisions have a big influence on increasing company profits. Therefore, managerial ownership can motivate managers to take action to improve the company's financial performance. 3) Audit committee has no effect on financial performance. This occurs because the formation of an audit committee in a company is only based on compliance with government regulations, where government regulations require companies to have an audit committee of at least three people. This shows that the number of audit committee members is not a factor that influences the company's financial performance. So, whether the number of audit committee members is large or small, the supervisory function carried out on the company's financial performance will remain the same. 4) Board of commissioners has no effect on financial performance. This is because when each member of the board of commissioners works in accordance with their duties and responsibilities, the contribution given to the role of the board of commissioners itself will remain the same, so that it has no effect on increasing or decreasing financial performance. 5) Environmental performance has an effect on financial performance. This shows that companies that run the PROPER program are able to increase company value so that this has an effect on financial performance. This is because companies with high growth rates have a more organic management style and can take additional profits by investing in environmental performance. 6) Simultaneously corporate social responsibility, managerial ownership, audit committee, board of commissioners and environmental performance influence environmental performance.

Based on the conclusions that have been drawn in this research, in connection with this, the implication that can be conveyed is that the variables of managerial ownership and environmental performance have an influence on the level of company growth. Meanwhile, the variables are corporate social responsibility, audit committee and board of commissioners. For this reason, efforts need to be made by investors and management related to financial performance, such as: 1) This research can be used as material to increase knowledge and insight regarding the influence of CSR, managerial ownership, audit committee, board of commissioners, and environmental performance on company financial performance. 2) Investors are more careful in looking at the financial reports presented by the company and use the financial reports as material for consideration before making an investment. 3) The company management further increases the supervisory function of the board of commissioners and audit committee in order to improve the company's financial performance. Consistent in improving environmental performance in order to increase company value which of course affects the company's financial performance. Also, it is necessary for the government and management to start evaluating regulations and implementation as well as the discourse given to the public. So that people who are potential investors can understand the impact and benefits of implementing CSR on the sustainability of a company.

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