

THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY AND GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2021-2023

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Abstract

This study aims to determine whether Corporate Social Responsibility and Good Corporate Governance as proxied by Institutional Ownership, the Board of Commissioners and the Audit Committee affects financial performance as proxied by Return on Asset in food and beverage companies listed on the Indonesian stock exchange for the period 2021-2023. The indicators tested in this study are Corporate Social Responsibility and Good Corporate Governance which are proxied by Institutional Ownership, the Board of Commissioners and the Audit Committee as independent variables, while Return on Asset as the dependent variable. The research method used in this research is quantitative method. The population in this study were food and beverage sector companies for the period 2021-2023. Which amounted to 32 companies. The sampling technique used in this study was purposive sampling, so that the number of samples in this study were 10 companies with a research period of 3 years. The data analysis used in this research is panel data regression analysis at a significance level of 5%. The program used in analyzing data uses EViews 13. The results showed that Corporate Social Responsibility and Good Corporate Governance proxied by Institutional Ownership, the Board of Commissioners and the Audit Committee partially and simultaneously have no effect on Return on Asset in food and beverage companies listed on the Indonesian stock exchange for the period 2021-2023.

INTRODUCTION

Business competition in Indonesia has consistently increased each year, despite a decline in 2020 due to the COVID-19 pandemic. According to the Indonesian Business Competition Supervisory Commission, the competition index rose to 4.81 (2021), 4.87 (2022), and 4.91 (2023), nearing the national target of 5.0 as set in the 2024 Medium-Term Development Plan. This improvement signifies healthy competition, which positively impacts labor productivity and wage growth (Ahdiat, 2022). Sectors with the highest competition include accommodation, food and beverages, wholesale and retail trade, vehicle repair, and financial and insurance services.

In the era of globalization, the pressures of international market competition compel domestic companies to improve product quality and employee performance. The food and beverage sector, which significantly contributes to economic growth, underscores the importance of resource management awareness to maintain competitiveness and sustainability.

The food and beverage sector plays a vital role in Indonesia's economy, contributing IDR 1.23 quadrillion or 6.32% of the national GDP in 2022. It represents a significant portion of the non-oil and gas manufacturing industry, accounting for 38.35% of GDP (Kusnandar, 2023). The increasing competition due to the emergence of new companies requires this industry to maintain financial stability and enhance financial performance to stay competitive. Investors play a crucial role in providing funding, which prompts companies to focus on achieving optimal profits and presenting accurate financial statements, key benchmarks for attracting investors (Saadin & Wahidahwati, 2023). Financial performance, assessed through profitability ratios, reflects a company's efficiency in generating profits, considering aspects such as sales, capital, workforce, and other factors (Sofiana et al., 2022).

Enhancing corporate financial performance can be achieved through the implementation of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) programs (Kusumawati et al., 2022). CSR is mandated by Indonesian Law No. 40 of 2007, Article 74 on Limited Liability Companies, which requires companies in sectors linked to natural resources to carry out social and environmental responsibilities (Radirman, 2019). However, not all companies comply with these regulations, as evidenced by environmental pollution cases involving major companies such as PT Garuda food, PT Indofood, and PT Wings Surya (IDN Financials, 2020). Meanwhile, GCG is regulated by the Minister of State-Owned Enterprises Regulation No. PER-01/MBU/201, emphasizing the importance of good governance to enhance accountability and create long-term shareholder value.

Violations of GCG are still common in Indonesia, characterized by inaccurate financial reporting and weak supervision, which lead to misconduct and corruption. Notable cases include financial reporting manipulation by PT Tiga Pilar Sejahtera Food Tbk in 2017 (Soenarso, 2021), gold corruption at PT Antam from 2015 to 2022, and environmental damage due to poor governance at PT Timah Tbk resulting in losses of up to IDR 271 trillion (Humas Fraksi PKS, 2023). Transparency International's 2023 report indicates Indonesia's corruption Perception Index (CPI) score remained at 34 points in 2022 and 2023, with a global ranking drop from 110 to 115, on par with countries like the Philippines and Turkey although CPI briefly rose to 38 in 2021, the current score highlights ongoing challenges in addressing corruption (Santika, 2024).

The implementation of GCG and CSR is a crucial factor in improving company's financial performance. Previous studies have shown mixed results regarding the impact of CSR and GCG on financial performance across different sectors. Radiman (2019) found that CSR had no significant effect on mining companies, while Fadjar et al. (2021) and Kusumawati et al. (2022) demonstrated that CSR positively influenced manufacturing and foodbeverage companies. Sofiana et al (2022) noted that information technology could strengthen the influence of CSR and GCG. Conversely, Ekawati (2020) and Fitrianiingsih & Asfaro (2022) found that GCG elements such as institutional ownership and audit committees did not significantly affect financial performance.

These varying results highlight the need for further research considering industrial sectors, time frames, and moderating variables to better understand the relationship between CSR, GCG, and financial performance. This study aims to examine the impact of CSR and GCG on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period.

LITERATURE STUDY

Financial Performance

Financial performance is an analysis conducted to assess the extent to which a company has applied financial regulations accurately and appropriately. This includes the preparation of financial statements in compliance with applicable standards and regulations, such as the Financial Accounting Standards (SAK) or Generally Accepted Accounting Principles (GAAP), and other relevant provisions (Fahrni, 2013). Financial performance is measured using financial ratios, which involve comparing figures from financial statements by dividing one figure by another. One commonly used ratio is the profitability ratio. According to Kasmir (2016), profitability ratios measure a company's ability to generate profits. They also evaluate the effectiveness of a company's management, as reflected in the profits earned from sales and investments. Essentially, these ratios indicate the company's efficiency. One such ratio, Return on Assets (ROA), measures the returns generated from the total assets utilized in the company. This ratio is used to assess the overall operational efficiency of the company.

Corporate Social Responsibility

(CSR) Corporate Social Responsibility (CSR) is a systematic, proactive, structured, and sustainable effort by companies to conduct business operations that are socially acceptable and

environmentally friendly, aiming to achieve financial success while providing added value to stakeholders (Hadi, 2018).

Good Corporate Governance

(GCG) Good Corporate Governance (GCG) refers to a system and structure for managing companies with the goal of increasing shareholder value while addressing Understanding Tax Sanctions the interests of various stakeholders, such as creditors, suppliers, business associations, consumers, employees, governments, and the broader community (Tangkilisan, 2003). The components associated with GCG mechanisms include institutional ownership, the board of commissioners, and the audit committee. According to Rusdiyanto et al. (2019), GCG mechanisms consist of a set of rules, procedures, and clear relationships between decision-makers and those who control or oversee those decisions.

Institutional Ownership

Institutional ownership refers to shares held by governments, financial institutions, legal entities, foreign institutions, trust funds, and other institutions. Institutional ownership in a company enhances oversight of management performance (Sutedi in Rusdiyanto et al., 2019).

Board of Commissioners

The board of commissioners serves as a corporate body responsible for monitoring the implementation of policies established by the board of directors (Hadi and Andayani in Rusdiyanto et al., 2019).

Audit Committee

The audit committee is a relatively new component in corporate control systems. It acts as a liaison between shareholders, the board of commissioners, and management in addressing control issues. Additionally, the audit committee ensures oversight of financial reporting and internal controls (Sutedi in Rusdiyanto et al., 2019).

Framework of thinking

The Relationship Between Corporate Social Responsibility and Financial Performance

Fadjar et al. (2021) and Christine & Silviany (2021) in their research demonstrated that Corporate Social Responsibility (CSR) positively influences Return on Assets (ROA). CSR is considered a

corporate obligation to ensure sustainability by addressing social and environmental aspects, thereby increasing investor trust, enhancing the company's image, and fostering customer loyalty. Ahyani & Puspitasari (2019) and Khoesuma (2022) emphasized that more extensive CSR disclosures result in better financial performance, while minimal CSR reporting can lead to a decline in corporate performance.

The Relationship Between Good Corporate Governance and Financial Performance

Ahmad Azmy et al. (2019) stated that the Board of Commissioners, Directors, and Audit Committee collectively have a significant effect on Return on Assets (ROA). Sofiana et al. (2022) highlighted that two indicators of Good Corporate Governance (GCG), namely institutional ownership and the Board of Commissioners, have a positive and significant impact on financial performance (ROA). Sari et al. (2019) found that GCG, proxied by managerial ownership, institutional ownership, independent commissioners, the board of commissioners, and the audit committee, positively influences financial performance. Their results indicate that higher implementation of Good Corporate Governance correlates with improved financial performance.

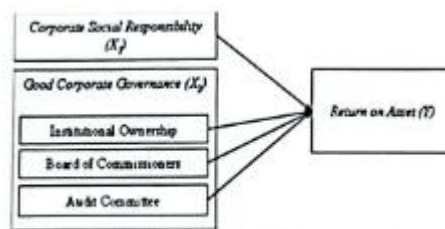


Figure 2.1 Conceptual Framework

Based on Figure 2.1 above, the hypotheses for this study can be formulated as follows:

H1: Corporate Social Responsibility (CSR) affects the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

H2: Institutional Ownership affects the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

H3: The Board of Commissioners affects the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

H4: The Audit Committee affects the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

H5: Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) simultaneously affect the Return on Assets of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

RESEARCH METHODOLOGY

Type of Research

This study employs a quantitative research method. Data collection utilizes research instruments comprising independent variables: Corporate Social Responsibility (X1) and Good Corporate Governance (X2), measured through components such as Institutional Ownership, the Board of Commissioners, and the Audit Committee. The data analysis is statistical, aiming to test the predetermined hypotheses. The dependent variable is financial performance, measured using the profitability ratio proxied by Return on Assets (ROA) (Y).

Population and Sample

The population consists of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period, totaling 32 companies. The sample selection uses purposive sampling, resulting in a sample of 10 companies that meet the predetermined criteria.

Data Collection Methods

The data collection methods used in this research include:

1. Documentation Study: Collecting data in the form of financial statements and annual reports from food and beverage sector companies listed on the IDX during the 2021-2023 period, accessed through the official company websites and the official IDX website at www.idx.co.id.
2. Literature Study: Reviewing and extracting information from various sources such as journals, books, and other relevant literature related to the research topic.

Data Analysis Techniques

Data analysis in this study employs an influence analysis method using panel data regression analysis. Panel data combines cross-sectional and time-series data (Rifkhan, 2022). The analysis includes descriptive statistical analysis, panel data analysis to Selecting the best model (CEM, FEM, or REM) using the Chow test, Hausman test, and Lagrange multiplier test, classical assumption tests (Normality test, multicollinearity test, and autocorrelation test), hypothesis test

(F test, Coefficient of Determination test and t test), in this study using Eviews 10 the analysis is conducted using EViews 13 software.

RESULTS AND DISCUSSION

The Effect of Corporate Social Responsibility on Return on Assets

The results indicate that Corporate Social Responsibility (CSR) does not affect Return on Assets (ROA). These findings align with previous research conducted by Radiman (2019) and Zulhanifah & Sunrowiyati (2022), which concluded that CSR does not influence profitability as proxied by ROA.

The Effect of Institutional Ownership on Return on Assets

The results show that Institutional Ownership does not affect Return on Assets. This finding is consistent with prior studies by Kusumawati et al. (2022) and Cahyaningrum et al. (2022), which state that Institutional Ownership does not Influence profitability as proxied by ROA. Institutional Ownership in a company cannot significantly influence financial performance as institutions are temporary stakeholders and tend to focus on short-term profits.

The Effect of the Board of Commissioners on Return on Assets

The results demonstrate that the Board of Commissioners does not affect Return on Assets. This finding aligns with previous research by Ahmad Azmy et al. (2019) and Aprilia et al. (2022b), which concluded that the Board of Commissioners does not influence profitability as proxied by ROA.

The Effect of the Audit Committee on Return on Assets

The findings indicate that the Audit Committee does not affect Return on Assets. This is consistent with prior studies by Ekawati et al. (2020) and Fitriarningsih & Asfaro (2022), which concluded that the number of audit committee members in a company does not significantly influence its financial performance.

The Effect of Corporate Social Responsibility and Good Corporate Governance on Return on Assets

The results reveal that Corporate Social Responsibility and Good Corporate Governance do not simultaneously affect Return on Assets. This is evidenced by the F-test results, where the

significance value is greater than 0.05, specifically 0.782 ($0.782 > 0.05$), indicating that the independent variables collectively do not influence the dependent variable, Return on Assets.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the research findings, the following conclusions can be drawn:

1. Corporate Social Responsibility (CSR) does not have a significant effect on the Return on Assets (ROA) of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

2. Institutional Ownership does not have a significant effect on the Return on Assets (ROA) of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021- 2023 period.

3, The Board of Commissioners does not have a significant effect on the Return on Assets (ROA) of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

4. The Audit Committee does not have a significant effect on the Return on Assets (ROA) of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

5. Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG), simultaneously, do not have a significant effect on the Return on Assets (ROA) of food and beverage sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period.

Recommendations

I. For Food and Beverage Sector Companies

It is recommended to fully disclose sustainability practices in accordance with GRI standards and adopt the latest GRI 2021 version as a guideline for preparing corporate sustainability reports.

2. For Future Researchers

- a. It is suggested to increase the research sample by including other industry types and extending the research period to enable better generalization with saturated data (without purposive sampling).
- b. It is recommended to utilize the full proxies of Good Corporate Governance, including Managerial Ownership, Independent Commissioners, and the Board of Directors, for further investigation,
- c. It is advisable to use sustainability report data from one year prior to the Return on Assets data when inputting data into tabulation tables. This is because Corporate Social Responsibility disclosures do not have an immediate impact on a company's financial performance.

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