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The Influence of Good Corporate Governance on Financial Performance Through Corporate Social Responsibility

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Abstract

This study examines and determines the effect of good corporate governance on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange through Corporate Social Responsibility. This research is quantitative research with a descriptive statistical approach. The population in this study are manufacturing companies in the food and beverage sub-sector and 28 companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Determined the sample using purposive sampling and obtained a total sample of 23 companies. The data source of this research is secondary data in the form of annual financial reports of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021. The data analysis method used is descriptive statistical analysis, classical assumption test consisting of (test normality test, heteroscedasticity test, multicollinearity test) and testing all hypotheses through the partial test, simultaneous test, and coefficient of determination test with the help of Eviews tool. The results show that Good Corporate Governance has no significant effect on manufacturing companies' financial performance on the Indonesia Stock Exchange. Corporate Social Responsibility significantly influences the financial performance of manufacturing companies listed on the Indonesia Stock Exchange. Corporate Social Responsibility has a significant effect on moderating the relationship between Good Corporate Governance and the financial performance of manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Good Corporate Governance; Corporate Social Responsibility; Company Financial Performance.

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Introduction

In carrying out its operational activities, the company will always strive to maintain its business excellence through increasing company value. Noviawan, (2013) states that the optimization of the company, which is the company's goal, can be achieved if the implementation of the financial management function can be carried out correctly. For example, a financial decision taken will affect other financial decisions and have an impact on the value of the company. The company's value can maximize shareholders' prosperity if the share price increases (Ahmad et al., 2018). The higher the company's share price, the higher the prosperity of shareholders. Enterprise Value (EV), or Firm Value, is an essential concept for investors because it is an indicator for the market to assess the company (Situmorang & Simanjuntak, 2019).

In maintaining its existence in the business world, the company cannot be separated from the community as its external environment. In the world of accounting, companies that are more concerned with the interests of the owners of capital will have an impact on the uncontrolled use of natural and social resources and cause damage to the surrounding environment, especially mining companies that are extractive (Maryanti & Tjahjadi, 2013). However, as time goes by, the public is increasingly aware of the negative impacts caused by the company in carrying out its operations; therefore, businesspeople are increasingly required to not only be oriented towards maximizing profits but also be able to make a positive contribution to the surrounding environment in the form of provision of funds. In its development, the process is implemented in the form of corporate social responsibility costs (Siagian & Hadiprajitno, 2013).

Table 1. Research Phenomenon

No	Phenomenon	Reason
1.	The decline in the value of the stock price	The company is considered not prospective in dividend distribution by investors
2.	High agency costs	The size of managerial ownership of shares tends to be unable to reduce agency costs.
3.	Weak audit performance by company auditors	The number of auditors working in the company is not enough to minimize the complexity of the company.
4.	The performance of the independent board of commissioners is not optimal.	The independent board of commissioners has been unable to carry out optimal supervision.

In table 1, this phenomenon illustrates that the current financial performance of manufacturing companies tends to decline. Four things cause this; the first is the decline in the value of the company's shares. The action of releasing claims by investors in manufacturing companies because they see the company is not prospective in paying dividends. Second, the low ability of the company's managerial ownership to reduce agency costs can be seen through the size of managerial ownership of shares in manufacturing companies that tend to be unable to reduce agency costs. So, these costs must be borne by the owner of the company. Fourth is the weak audit performance by the company's auditors. The number of auditors working in the company is not enough to minimize the complexity of the company's work.

Moreover fifth, there is an internal imbalance in the company's management because the independent board of commissioners has been unable to carry out optimal supervision. However, the decline in the financial performance of manufacturing companies can be said to be saved by the disclosure of Corporate Social Responsibility. Phoneme implements Manufacture Corporate Social Responsibility as the researcher observes; it looks good. This has an impact on trust in the value of the company.

Corporate governance, often referred to as corporate governance, is the company's main activity. Hamdani, (2014) suggests that corporate governance has a narrow and broad meaning. In a little sense, corporate governance concerns the relationship between company managers, directors, and shareholders. Other things from a more limited purpose can include the company's relationship with stakeholders and the wider community. In a broader sense, corporate governance can consist of a combination of laws, regulations, and lists of voluntary private sector rules and practices that enable companies to attract funds, perform efficiencies, generate profits, and meet legal obligations and expectations of the public.

In carrying out corporate governance, companies need company performance from period to period to determine the increase or decrease in company performance. According to Djamilah, (2017), corporate performance is an important concept that relates to how and how the financial resources available to an organization are used wisely to achieve company goals and create more excellent prospects for future opportunities. Company performance is one way to consider management in managing the company better. A good evaluation of the company's performance indicates that the company's commitment to managing resources is carried out effectively.

Corporate Social Responsibility implemented by the company is a consideration for investors or potential investors to invest in the company or not. Companies are required to participate in social responsibility. The existence of the Corporate Social Responsibility program at the company will increase the company's operational costs, such as the cost of waste treatment protection of the health and safety of employees and the environment. This reduces profits due to extra costs for the company's operations. However, the Corporate Social Responsibility program also benefits the company in terms of community assessment. If the company's image is good in the community, a company's reputation will be formed to increase its value (Adnyani et al., 2020).

This study is crucial because implementing Corporate Social Responsibility is increasingly being recognized by various companies as a business strategy. By the opinion expressed by Fadilah (2018), by implementing Corporate Social Responsibility, companies can create a good image for the company so that it creates a positive assessment from consumers who can increase their loyalty to the products produced by the company. The better the disclosure of Corporate Social Responsibility, the higher the consumer loyalty, which will impact increasing sales and provide added value for the company.

Apart from that, through this study, we also hope that the results of this study can be helpful for investors because by knowing the relationship between the variables studied, investors can choose companies that will be a place to invest by paying attention to CSR factors implemented by the company. . Companies that implement CSR will be more stable and more able to survive in the competition and will even be able to improve their financial performance so that they can prosper the shareholders. Based on this description, this study aims to determine the effect of good corporate governance through corporate social responsibility on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange.

One of the theoretical foundations that is related to corporate governance is agency theory. According to Poluan, (2019), the principal's main problem regarding the selection of capable managers and moral problems arises. The principal must provide appropriate incentives for agents to make decisions in stakeholders' interests. Describes that the separation between managers and owners of the company is very vulnerable to agency problems. Argues that agency theory is a corporation managed to provide a win-win solution for shareholders and managers as agents so that the condition of corporate governance will be well reflected in market sentiment. Agency theory explains that the company's internal relationship is a contract between the owner (principal) and the agent to do business in the principal's interest. The principal submits the company's operational activities to the agent.

Stakeholders are all parties, both internal and external, who have a relationship that is influencing or being influenced, directly or indirectly, by the company. Thus, stakeholders are internal and external parties, such as the government, competing companies, the surrounding community, the international environment, institutions outside the company (NGOs and the like), environmental watchdog institutions, company workers, minorities, and so on whose existence greatly influences and affected by the company. Based on the basic assumptions of stakeholder theory, companies cannot escape from their surrounding social environment. Companies need to maintain stakeholder legitimacy and place them in the policy and decision-making framework to support company goals, namely business stability and going concern guarantee (Bhernadha, 2016).

Sari, (2020) stated that corporate governance concerns the issue of who should control the course of corporate activities and why control should be carried out on the course of corporate activities. What is meant by who are the shareholders, while why is because of the relationship between shareholders and various parties interested in the company. This is summarized by Jayanti (2018), which means that corporate governance is a system of regulating and controlling companies to create added value for all stakeholders.

To apply the principles of Good Corporate Governance systematically and sustainably, the National Committee on Governance Policy establishes the principles of Good Corporate Governance. The five principles of Good Corporate Governance written in the General Guidelines for Good Corporate Governance are Transparency, Accountability, Responsibility, Independence, and Fairness. Transparency is an effort made by the company's management to maintain objectivity in running the business; the company must provide material and relevant information in a way that is easily accessible and understood by stakeholders. Accountability is the company's efforts to account for its performance transparently and fairly. Thus, the company must be appropriately managed measurably and in such a way that it is in line with the interests of the company while considering the interests of shareholders and other stakeholders. Responsibility is the company's steps in complying with laws and regulations and fulfilling its responsibilities to society and the environment to maintain the long-term sustainability of the business and to be recognized as an excellent corporate citizen. Independence is the company's effort to accelerate the implementation of the principles of Good Corporate Governance; the company must be managed independently with a balance of power in such a way that no single company organ will dominate the others, and there is no intervention from other parties. While fairness is the company's activities in carrying out its activities, the company must always pay attention to the interests of shareholders and other stakeholders based on the principle of justice (Nurhayati, 2012).

According to Sari, (2020), the board of commissioners is a company organ in charge of conducting general and specific supervision by the articles of association and providing advice to the board of directors. According to Kabir, (2017), a company should have at least 20% of the members of the board of commissioners come from outside the company; this is useful for increasing the effectiveness of the supervisory role and transparency of its considerations. The commissioner's role is expected to minimize agency problems between the board of directors and shareholders. Therefore, the board of commissioners should be able to oversee the directors' performance so that the resulting performance is in the interests of shareholders (Soelton et al., 2020). According to the General Guidelines for Good Corporate Governance in Indonesia, the number of members of the board of directors must be adjusted to the complexity of the company while still paying attention to effectiveness in decision-making (Mangantar, 2019). Jayanti (2018) suggests that the board of directors manages the company while the board of commissioners supervises. The shareholders elect the board of directors and the board of commissioners at the General Meeting of Shareholders (GMS), representing the interests of the shareholders. The role of directors and commissioners is vital and decisive for the successful implementation of Good Corporate Governance.

According to Pekovic, (2021), the audit committee works professionally and independently and is formed by the board of commissioners; thus, its task is to assist and strengthen the function of the board of commissioners in carrying out the supervisory function. The audit committee is measured by using the number of audit committees. While Abriyani (2012) stated that CSR as a new accounting concept is the transparency of social disclosure of social activities or activities carried out by companies, where the transparency of information disclosed is not only in the form of company financial information, but companies are also expected to disclose information about social and environmental impacts. Environment caused by the company's activities. Law Number 40 of 2007 Article 74 paragraph (1) concerning limited liability companies states that companies that carry out their business activities in the field and related to all natural resources are obliged to carry out social and environmental responsibilities.

Performance measurement is the qualification or efficiency of a company, segment, or effectiveness in operating a business during an accounting period. Thus the notion of performance is a formal effort carried out by the company to evaluate the efficiency and effectiveness of the activities carried out in a certain period. This is important so resources are used optimally in environmental changes (Jo & Harjoto, 2012). The benefit of company performance appraisal is to measure the achievements achieved by an organization in a certain period which reflects the success of implementing its activities. In addition to being used to see the organization's overall performance, performance measurement can be used to assess the contribution of a part in achieving the company's overall goals and used as a basis for determining the company's strategy in the future. Guide decision-making and organizational activities in general and other divisions or parts of the organization. As a basis for determining investment policies to increase company efficiency and productivity (Sari & Asyik, 2020).

Several studies prove that Good Corporate Governance reflects the high and low profits generated by the company. Better corporate governance will support managers in maximizing all company resources to generate profits; better corporate governance will affect the profits. This means that between GCG and Profitability, there is a positive relationship, namely a unidirectional relationship, meaning that if one variable increases, the other variables also increase and vice versa. Based on stakeholder theory, corporate governance can reflect the company's financial performance. Better corporate governance (GCG) will affect the better the company's financial performance. In addition, this research can mean that stakeholder trust in governance is correlated with stakeholder confidence in the company's financial performance. This is in line with several studies which reveal a positive relationship between good corporate governance (GCG) and the company's financial performance, which means that GCG can affect performance. The findings (Hariyati & Oliviani, 2013; Honi et al., 2020) reveal that applying the principles of Good Corporate Governance partially has a direct and significant effect on the company's financial performance. Findings were made (Adeusi et al., 2013), which also gave significant results regarding the effect of GCG on banking performance with ROA (Return on Assets) indicators. Research conducted (Noviawan & Septiani, 2013) also concludes that the results of the significant influence of GCG with the size of the board of directors and institutional ownership on the company's financial performance with indicators of ROA. Then the research conducted (Maryanti & Tjahjadi, 2013) shows that GCG positively affects the financial performance of manufacturing companies listed on the Indonesia Stock Exchange. Based on this explanation, the following hypothesis was developed.

H_1: Good Corporate Governance has a significant effect on Financial Performance

Corporate CSR activities can increase public confidence in the company's financial performance (Maryanti, 2017). In line with these findings (Siagian & Hadiprajitno, 2013) suggest that Good Corporate Governance can have a positive impact on the company. Based on the Stakeholder theory, the company will get a positive assessment from stakeholders by doing CSR. This research can mean stakeholder trust in good corporate governance (Warda, 2013). In other words, these results mean a significant positive relationship between CSR and company performance. Companies that carry out CSR well can avoid public protests so that they can continue to operate effectively and achieve their overall profit goals. The increase in company profits is directly proportional to the increase in company profitability. CSR can be done in various ways as a strategy to minimize risk and increase profitability. The implementation of CSR provides many benefits, including lowering the company's operating costs, increasing sales volume and market share, attracting potential investors through the positive image created, and so on. Company reputation is an essential concern for potential investors. This reputation can be assessed from the company's profitability, so that reputation needs to be maintained to support the company's survival. By carrying out CSR activities, it is expected to achieve the company's primary goal of seeking profit without ignoring stakeholders' interests and environmental sustainability as a form of responsibility for the impacts that the company's operational activities have caused.

H_2: Corporate Social Responsibility Significantly Affects Financial Performance

Good Corporate Governance can positively impact the company (Siagian, 2013). Corporate CSR activities can increase public confidence in the company's financial performance (Maryanti & Fithri, 2017). Based on stakeholder theory, companies that carry out CSR have more roles in increasing consumer confidence in the company's financial performance (Warda, 2013). This trust further forms trust in corporate governance. Thus, it can be said that there is a significant positive relationship between Corporate Governance through CSR on financial performance. Every public and non-public company must implement CSR to support GCG. Companies that implement GCG can improve company's financial performance to increase investor and public confidence. Good corporate governance through corporate social responsibility significantly affects financial performance. Good corporate governance through corporate social responsibility significantly affects financial performance.

H3: Good corporate governance has a significant effect on financial performance through corporate social responsibility

Research Design and Method

This type of research is quantitative research. The population in this study are manufacturing companies in the food and beverage sub-sector and 28 companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sample used in this study was determined using a purposive sampling technique. The purposive Sampling technique is a sampling technique based on specific criteria. The criteria that must be met by the sample used in this study are the Company's annual report published (Listed) on the IDX according to the 2019-2021 observation year period; Have complete data needed for research. Based on the established criteria, the sample of this study amounted to 23 companies. The source of data used in this study is secondary data. The data collection method in this study uses documentation. Documentation is by collecting data that is already available or has been documented in the form of annual financial reports of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021 published by the Indonesian Capital Market Directory (ICMD) and IDX Statistics on the official website of the Indonesia Stock Exchange (www.idx.co.id). The data that has been collected will be analyzed through several stages of testing, namely descriptive statistical tests, classical assumption tests consisting of (normality test, heteroscedasticity test, multicollinearity test) and testing of all hypotheses which will be proven through the coefficient of determination test, partial test (t-test) and simultaneous test (f-test).

Results and Discussion

Statistical Result

The first stage in analyzing the research data is descriptive statistical analysis. The results of descriptive statistics for companies in the food and beverage sub-sector and chemical sub-sector listed on the Indonesia Stock Exchange based on observations of the value of Good Corporate Governance, Financial Performance, and Corporate Social Responsibility can be seen in table 3.

Table 3. Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
GCG	69	2.00	5.00	3.1739	.82170
Financial Performance	69	-16.82	52.67	7.4535	10.72037
CSR	69	.04	.42	.1086	.06935
Valid N (listwise)	69				

Based on the descriptive statistics in table 3, the Good Corporate Governance variable shows a minimum value of 2.00, the maximum value of Good Corporate Governance is 5.00, and the average value of Good Corporate Governance is 3.17. The financial performance variable shows a minimum value of -16.82, the maximum value of financial performance is 52.67, and the average value of financial performance is 7.45. While the Corporate Social Responsibility variable shows a minimum value of 0.04, the maximum value of Corporate Social Responsibility is 0.42, and the average value of Corporate Social Responsibility is 0.10.

The data normality test is used to determine whether, in a regression model, the resulting error has a normal distribution or not. The normality test for the residuals in this study used the Jarque-Bera (JB) test, with a significance level of = 0.05. The test results are shown in Figure 1 below.

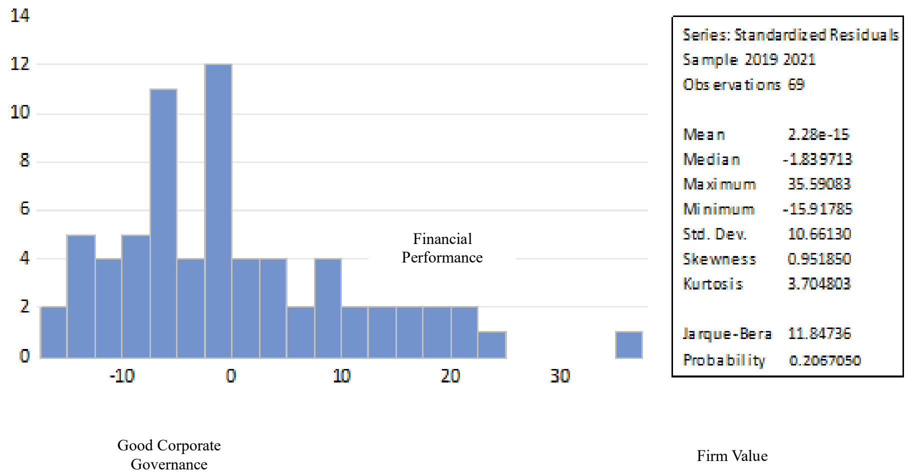

Figure 1. Normality Test Results

Source: Data processed by eviews, 2022

Table 4. Multicollinearity, Autocorrelation and Heteroscedasticity Test Results

No	Auxiliary	Centered VIF	Info
1	GCG	2,126	There is no multicollinearity
2	CSR	1,681	There is no multicollinearity
3	Financial Performance	4,402	There is no multicollinearity
No	**Autokorelation**	**Value**	**Info**
1	Durbin-Watson stat	1,468504	Autokorelasi Positif
		Info	**Harvey-test**
1		F. Statistics Prob. F	1,412806 0,3125
2		Obs* R-Square Prob. Chi-Square	2,267458 0,1459

Source: Data processed by eviews, 2022

Figure 1 shows that the value of the Jarque-Bera statistic is 11.84736. The probability value is 0.2067050, which is greater than the significance level of 0.05. This means that the assumption of normality is met. The multicollinearity test is one of the classical assumption tests to find correlations or relationships between independent variables. Multicollinearity tests can only be performed on Study models with the number of independent variables or predictors of two or more variables. A regression model can be good if the independent variables do not have a high correlation. The statistical tool that can be used to test the multicollinearity barrier in this research model is the coefficient value between the variables, the Centered VIF value is less than 10, so this research model is said not to have multicollinearity.

Table 4 shows the results of testing the correlation between independent variables. The test results with the VIF value of each independent variable are more minor or less than 10. So it can be concluded that there is no correlation between the independent variables in this research model. This test is conducted to determine whether there is a correlation or relationship between the residuals in one observation with other observations in the regression model. A statistical tool that can be used to determine the correlation between residuals in this study is the Durbin-Watson test. Detection of autocorrelation can be seen from the provision that the DW number below -2 means that there is a positive autocorrelation, between -2 to +2 means that there is no autocorrelation, and above +2 means that there is a negative autocorrelation—Durbin Watson test results. The value on the test output is 1.071, where the DW number is between -2 to +2. So, it can be concluded that there is no autocorrelation. The heteroscedasticity test aims to see whether there is an inequality of variance in the residuals from one observation to another. The heteroscedasticity test in this study used the Harvey test. The Prob value of the calculated F and the calculated Chi-Square of all tests is greater than the significance value of 5%, so there is no heteroscedasticity in the equation model.

Table 5. Simultaneous Test Results (f-test) and Coefficient of Determination

Info	**Simultaneous Test Results**
F. Statistics	4,3040
Prob. F	0,0017
Info	**Coefficient of Determination**
R Squared	4,115377
Adj. R-Squared	3,108857

Source: Data processed by eviews, 2022

The results of the f-count test, as shown in table 5, are 2.740, and the probability value of f-statistics is 0.0017 <0.05, so GCG and CSR simultaneously significantly influence financial performance in the food and beverage sub-sector manufacturing companies and manufacturing companies. The chemical sub-sector is listed on the Indonesia Stock Exchange from 2019-2021. The coefficient of determination (R2), according to (Ghozali, 2006; Prasinta, 2012), is used to measure and determine the suitability of the relationship between the independent variable and the dependent variable in a regression equation. The value of the coefficient of determination is between 0 and 1. If the value of R2 is small, close to 0, then it shows that the ability of the independent variable to explain the dependent variable is minimal. Conversely, if R2 is close to 1, it shows the ability of the independent variable to provide almost all the information needed to explain the dependent variable.

The R Squared number is 4.115377 while the Adjusted R Squared value is 3.108857. R Squared results of 41.15% GCG and CSR significantly influence financial performance. At the same time, the remaining 58.85% can be explained by other variables not found in this study.

Table 6. Coefficient of Determination test result

Variable	Coefficient	Std.Error	t-Statistics	Sig.
Constant	3.22695	0.75519	4.1355	0.0000
GCG	0.16054	0.16798	1.5156	0.312
CSR	0.12283	0.15532	2.4202	0.001
GCG*CSR	0.39251	0.23125	2.1048	0.002

Source: Data processed by eviews, 2022

Based on table 6, the regression equation formed in this regression test is:

$$Y = 3{,}22695 + 1{,}5156\ GCG + 2{,}4202\ CSR + 2{,}1048\ GCG*CSR$$

The constant value is 3.22695. This indicates that if the independent variable (GCG) and moderating variable (CSR) do not exist, then the value of the dependent variable (profitability) will decrease. The GCG regression coefficient (X1) is 1.5156 and is positive. This means the value of the Y variable will increase if the value of X1 increases by one unit. The positive coefficient indicates a unidirectional effect between the X1 and Y variables. The better GCG, the higher the profitability value. CSR regression coefficient (Z) is 2.4202 and is positive. This means the value of the Y variable will increase if the value of the Z variable increases by one unit. The positive coefficient indicates a unidirectional influence between variable Z and variable Y. The higher the GCG value, the higher the profitability value. The interaction coefficient between environmental performance and CSR (GCG*CSR) of 2.1048 means that if one additional GCG unit is added to CSR by assuming other variables are constant, profitability will increase by 2.1048.

Discussion

The results of testing the first hypothesis (H_1) show that Good Corporate Governance has a positive regression coefficient. This means that Good Corporate Governance has a direct influence on financial performance. This means that the higher the Good Corporate Governance, the higher the company's financial performance. The company's high financial performance is generated through high work results. In producing high output, the company must be able to manage all its resources to the maximum. Efforts to manage the company optimally can be made by creating good corporate governance. Meanwhile, based on the partial test, it is known that Good Corporate Governance does not significantly affect financial performance. This means that Good Corporate Governance is not a determining factor for good or bad financial performance. The insignificant effect of Good Corporate Governance on financial performance is that Good Corporate Governance, measured by the number of independent commissioners, has not worked optimally to improve financial performance. Suppose it is observed in the attached frequency table that 23 companies are sampled. In that case, nine companies have one independent commissioner, 8 have two independent commissioners, and only six have three to four independent commissioners. This explains the unoptimized performance of the independent board of commissioners in supervising and controlling the company. The role of independent commissioners is not given much attention as one of the critical indicators in determining good corporate governance.

Based on the meaning of agency theory, the insignificant effect can be explained through the division of authority between agents (managers) and participants (company owners). Not

Significant means that GCG has not been able to become part of the company (agent) responsible for improving financial performance. In other words, GCG has not been able to work optimally in increasing the value of financial performance so that participants (company owners) will enjoy the value of financial performance, which is not reflected in the company's GCG implementation. Thus, based on the meaning of agency theory, GCG is positively appreciated but not significant to financial performance because of the company's GCG implementation not being maximal. The findings of this study are in line with the results of previous studies that have been conducted (Siagian & Hadiprajitno, 2013), which found that the size of the independent commissioners and audit committees had no significant effect on the company's financial performance. In addition, the research findings (Hamdani & Maesaroh, 2014) show that Good Corporate Governance has no significant effect on the company's financial performance. Meanwhile, the findings (Fitriani & Hapsari, 2015) confirm previous findings, namely that Good Corporate Governance, measured by the size of independent commissioners and audit committees, has no significant effect on the company's financial performance.

The results of testing the second hypothesis (H_2) show that Corporate Social Responsibility has a negative regression coefficient, which means that Corporate Social Responsibility affects reducing financial performance. This means that if a company's level of Corporate Social Responsibility is low, it will reduce its financial performance. Companies often make negligence related to social responsibility to society (CSR). One of the company's responsibilities that often reduce the company's financial performance is environmental damage resulting from the company's operating activities. The greater the damage caused to operating activities, the lower the interest of investors and all stakeholders in the resulting financial performance. Meanwhile, based on the partial test, it is known that Corporate Social Responsibility significantly influences financial performance. This means that Corporate Social Responsibility determines whether financial performance is good. The significant influence of Corporate Social Responsibility on financial performance is due to the low level of Corporate Social Responsibility in reducing financial performance. On the other hand, deficient disclosure of Corporate Social Responsibility reduces public and interested parties trust in the company's financial performance. It can be said to be very low if it is observed in the frequency table attached to the company's CSR disclosures.

Based on the meaning of agency theory, the significance of this influence is explained through the division of authority between agents (managers) and participants (company owners). Significant means that CSR can become part of the company (agent) responsible for reducing financial performance. In other words, the low value of CSR disclosure reduces the value of financial performance so that participants (company owners) will enjoy a decreased value of financial performance, as reflected in the low implementation of corporate CSR. Thus, based on the meaning of agency theory, Corporate Social Responsibility is appreciated significantly but has a negative effect on financial performance due to the low disclosure of the company's CSR implementation. Every profit-oriented Manufacturing Company should consider good CSR disclosure. A better CSR disclosure means that the company can be responsible to the community for any environmental impacts caused by the company through operating activities. The community is one of the stakeholders who can increase and decrease the value of the company's financial performance through the value of the company. This study's findings align with the results of previous studies (Hamdani & Maesaroh, 2014), which found that Corporate Social

Responsibility has a significant effect on a company's financial performance. In addition, the research findings (Maryanti & Fithri, 2017) confirm that Corporate Social Responsibility significantly affects the company's financial performance.

The results of testing the third hypothesis (H_3) show that Corporate Social Responsibility has a negative regression coefficient in moderating Good Corporate Governance on Financial Performance, which means that Corporate Social Responsibility in moderating Good Corporate Governance affects reducing Financial Performance. This means that Corporate Social Responsibility (CSR) has not been able to support Good Corporate Governance to improve financial performance. Low financial performance is often caused by poor corporate governance in addition to being supported by low corporate responsibility (CSR). Meanwhile, based on the partial test, it is known that Corporate Social Responsibility has a significant influence on moderating Good Corporate Governance on Financial Performance. Low Corporate Social Responsibility is a driving factor that can weaken Good Corporate Governance, lowering financial performance. The negative significance of Corporate Social Responsibility in moderating Good Corporate Governance on financial performance is due to the low disclosure of Corporate Social Responsibility that effectively lowers trust in good corporate governance, thereby reducing financial performance. On the other hand, Corporate Social Responsibility can reduce public and interested parties trust, weakening Good Corporate Governance and lowering the company's financial performance. Every Manufacturing Company should consider good CSR disclosure. A better CSR disclosure means that the company can be responsible to the community for any environmental impacts caused by the company through operating activities. The community is one of the stakeholders who can increase and decrease the value of the company's financial performance through reactions to the products produced.

Based on the meaning of agency theory, the significant negative influence is explained through the division of authority between agents (managers) and participants (company owners). Significantly negative means that low CSR disclosure reduces the confidence of interested parties in the company's GCG (agents); decreased trust of interested parties in the company's GCG (agents) directly impacts the low appreciation of interested parties for the company's financial performance. In other words, low CSR disclosure can reduce the quality of corporate governance and the value of financial performance so that participants (company owners) will enjoy low financial performance values due to low CSR disclosure implementation and low corporate governance. Thus, based on agency theory, Corporate Social Responsibility is appreciated negatively and significantly in moderating Good Corporate Governance on financial performance due to low CSR disclosure reducing the company's GCG quality. The findings of this study are in line with the results of previous research that has been carried out (Fitriani & Hapsari, 2015), which found that Corporate Social Responsibility and Good Corporate Governance simultaneously have a significant effect on the company's financial performance, which Return on Assets assesses.

Conclusions

Based on the results of the research and discussion that have been described, our study concludes that Good Corporate Governance has no significant effect on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange. Corporate Social

Responsibility significantly influences the financial performance of manufacturing companies listed on the Indonesia Stock Exchange. Corporate Social Responsibility substantially moderates the relationship between Good Corporate Governance and the Financial Performance of manufacturing companies listed on the Indonesia Stock Exchange. We suggest that Manufacturing Companies pay more attention to GCG and CSR because they can impact Financial Performance. This is to research findings that GCG and CSR affect financial performance. Manufacturing companies must also continue to improve financial performance consistently. Two suggestions that this research can give are to increase the company's CSR and enhance the implementation of GCG. Further research is expected to be able to add other variables to explain the remaining 88% of the determination test of this study, that it is better to need a formulation of methods, and variables and increase the number of research samples to ensure the level of accuracy and consistency of research results.

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