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# Corporate Governance (Cg), Corporate Social Responsibility (Csr) And Financial Performance: Evidence From Manufacturing Companies In Indonesia

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***ABSTRACT***

*This study aim to determine whether there is a correlation between the financial performance of manufacturing companies listed on the IDX and the following factors: CSR, the Audit Committee, the Board of Directors, and the Independent Board of Commissioners. Quantitative research methodology was used in this investigation. Purposive sampling strategies are used in this research to determine the samples. The data used in this research is 51. The yearly reports of businesses listed on the Indonesia Stock Exchange (IDX) provide this kind of secondary data. It was determined that the company's financial performance was positively impacted by the independent directors, audit committee, board of commissioners, and CSR. The findings indicate that enhancing financial performance will lead to a better situation for the owners or shareholders. Corporate social responsibility (CSR) and good corporate governance (CG) are complementary yet equally important for companies to thrive. The implication of this research for companies is that it can be used to evaluate how each business component contributes to the overall process of achieving goals and to determine how much money should be invested to increase the company's production capacity. As a basis for decision making for business sustainability. This research explores the influence of Corporate Governance, Corporate Social Responsibility on Financial Performance and this research is still rare so research needs to be carried out.*

*Keywords: Financial Performance, Independent Board of Commissioners, Board of Directors, Audit Committee, and Corporate Social Responsibility (CSR).*

## INTRODUCTION

Indonesia is one of the developing countries that has experienced significant industrial growth. This is marked by the high number of companies in Indonesia such as manufacturing and service companies[1]. Companies as a form of organization generally have certain goals to be achieved in their business, namely increasing the prosperity of owners or shareholders[2][3]. The company's performance demonstrates its success in reaching its objectives, and it serves as a foundation for decisions made by both internal and external stakeholders[4].

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Given that investors use a company's financial performance as a benchmark to gauge how the performance of the company is developing in the face of adversity, Because of the financial performance phenomena, more and more Indonesian firms will be looking for strategies to boost their bottom line[5][6]. If the company can successfully keep its performance stable and create value in the eyes of investors, they will be interested in investing in it. This is because the company has shown its accomplishments in terms of financial performance and is guaranteed[7][8].

The weak implementation of Corporate Governance (CG) has triggered various financial scandals[9]. Cases of fraud, embezzlement, break-ins, manipulation, and corruption are committed by unscrupulous companies themselves. On Thursday, August 5, 2022. Two former directors of PT. Three Pillars of Sejahtera Food Tbk, Budhi Istanto, and Joko Mogoginta, were found guilty by a panel of judges from the South Jakarta District Court. They sentenced each of them to four years in prison and fined them Rp two million. two and a half months spent behind bars as an employee. In an attempt to boost the stock price of the firm, both were found guilty of inflating the 2017 financial results[10]. The six linked distributor subsidiaries that are purportedly referring to third parties, as well as the six subsidiary firms' inflated receivables, which have a combined value of up to Rp 1.4 trillion, and the purported transfer of Rp 1.78 trillion to management, are how the manipulation is carried out. The judges' panel explained that the manipulation resulted in losses for the shareholders of Tiga Pilat and breached several provisions of investor protection in the capital market[11].

One way to improve a firm is via corporate governance, which may prevent unethical practices, collusion, and nepotism (KKN), increase budget discipline, provide oversight, and boost managerial effectiveness. Putting solid corporate governance practices into practice may help businesses perform better[8][12].

This research took into account several Corporate Governance (CG) aspects, including the audit committee, the executive team, as well as the separate commissions. In contrast to management, the board of commissioners is responsible for corporate governance, providing advice to the board of directors, and keeping an eye on these issues. An executive commissioner has the same power as a board member of the commission [13]. Among the authorized corporate bodies is the audit committee, which is tasked with overseeing the company's activities to ensure they are in line with its declared objectives [14]. It also acts as an internal and external representative of the business by the provisions of the basic budget [15]. The audit committee was set up by the board of commissioners to keep an eye on how the company is doing. As a go-between for investors, the board of commissioners, and management, the audit committee is vital in settling control issues[16][17].

Corporate social responsibility (CSR), in addition to corporate governance (CG), is a crucial tactic to raise a company's value by improving its standing among its key stakeholders. The foundation of business ethics is corporate social responsibility (CSR), according to which a corporation has duties to stakeholders as well as to its shareholders in addition to its legal and financial responsibilities to them[18]. CSR is advantageous to the nation, the environment, society, and business. The firm's operations will be more sustainable, and the community's support will help the company maintain its excellent reputation [19].

Some previous research results were found such as Larasati, *et al.* (2017) and Eksandy (2018) show that an independent board of commissioners has a significant positive effect on the company's financial performance. Research also states that there is a significant positive influence of an independent board of commissioners on financial performance. The research results of Fajri, *et al.* (2022) shows that an independent board of commissioners does not have a significant effect on financial performance. Malik's research results (2020); Widyana & Gunadi (2022); Eksandy (2018); and Suryandari & Susnandya (2022) state that the board of directors has a significant positive effect on financial performance. Intia's research results (2021) state that the board of directors has no effect on financial performance. The research results of Annisa & Asyik (2019) and Shanti (2020) state that the audit committee has a positive effect on financial performance. Malik's (2022) research results state that the audit committee does not have a significant effect on financial performance. Baharuddin's research results (2022); Pondrinal (2019); and Ahyani & Puspitasai (2019) stated that CSR with an environmental perspective has a significant positive effect on financial performance. The research results of Khisdamayanti & Retnami (2020) state that Corporate Social Responsibility (CSR) has no effect on financial performance.

The difference in question lies in the theory used, namely agency theory, as well as the object studied and also the use of financial performance measurement using Return On Assets (ROA) and Return On Equity (ROE). And also the measurement of the Corporate Social Responsibility (CSR) variable which is measured using the natural logarithm formula of Corporate Social Responsibility (CSR) costs incurred by the company. The inconsistent findings of earlier research are the uniqueness of this study. The study's findings should help the business perform better by letting us know how far the business has come in each given period and utilizing that information to plan for the future. It can also be used to evaluate how each component of the business has contributed to the overall goal-achieving process and to determine how much money should be invested to boost a company's production capacity. Finally, it can offer guidance for decision-making regarding the business as a whole as well as its specific editions.

## LITERATURE REVIEW

### Theoretical background

According to agency theory, there is a connection between two parties, where the first acts as the principal and the second as an agent or manager. According to agency theory, if the owner and principal are not the same. The idea that one person may become two persons is the foundation of agency theory. A principal is a person acting as an agent for another. An agent is a person who contracts with a principal to carry out certain responsibilities. The principal is the one who makes contracts to compensate agents[20]. [21] states that the principal has a desire to obtain as much Corporate Social Responsibility (CSR) disclosure as possible, while the management has consideration of costs and benefits when making decisions to carry out disclosure. Agency theory is fundamental to be used as an understanding of Corporate Governance. Agency theory suggests the bonds of groups of different positions are interconnected[22].When looking at issues related to CSR and Corporate Governance (CG), agency theory is considered to be an excellent tool. Contracts are the basis of agency theory, which explains the relationship between participants (owners) and agents (the main actors in a company)[23]. The connection between management and the owner may be used to explain the application of Corporate Governance (CG), which is founded on agency theory. Management is seen as a moral agent tasked with maximizing principal profits in exchange for pay that is in line with the contract[24][12].

**Good Corporate Governance**

A system known as corporate governance (GCG) oversees businesses that provide value to all parties involved [18]. This research will examine good corporate governance, which includes the audit committee, board of directors, and independent commissioners. The trio A company's ability to avoid agency difficulties resulting from stakeholder mistrust of its financial performance may be influenced by good corporate governance [24].

**Corporate Social Responsibility**

A company's commitment to acting morally and promoting economic growth is known as corporate social responsibility, or CSR [19]. Corporate Social Responsibility (CSR) is a crucial tactic for raising a company's worth by improving its standing among its key stakeholders. CSR disclosure in annual reports improves the company's image, this is because investors and potential investors give more weight to businesses that present a positive public face. Society has shifted its focus, not only to profit but to consider social and environmental factors [21].

**Hypothesis development**

**The Influence of the Independent Board of Commissioners on Financial Performance**

An independent board of commissioners includes GMS-nominated non-inflationary major owners, directors, and others (Tunggal, 2009: 79). Independent commissioners evaluate and improve corporate performance. Because of the influence of capital funding on decision-making, good corporate governance requires an impartial board of commissioners. For stockholders, an impartial board of commissioners runs the corporation. Independence benefits commissioners' finances. Investors invest more when independent commissioners improve oversight (Salasabila, 2017).

Agency theory puts the board of commissioners at the pinnacle of internal control (Antari, Widyana & Gunadi, 2022). According to Larasati Research, *et al.* (2017), the company's finances are improved by having an Independent Board of Commissioners. The independent board of commissioners, according to Eksandy (2018), boosts financial performance. From this description, we may create the following theory:

**$H_1$: It is suspected that the Independent Board of Commissioners has a positive influence on Financial Performance.**



**Influence of the Board of Directors on Financial Performance**

Shareholders elect a group of people to serve as the company's voice and watchdog over management. "The Board of Directors" describes this body. To manage the company and establish standards for administration, they meet regularly. A board of directors is present in almost all publicly listed companies, except a small number of NGOs. The articles of organization specify that the board of directors is a corporate organ with the authority and duty to manage the company for its benefit and by its declared purposes and objectives. It also acts as an internal and external representative of the company (Zakasyi, 2018: 75).

The distribution of a company's resources, as well as its long- and short-term policies, are decisions that rest with the Board of Directors. Because the number of directors on a company's board may influence how much financial strain it feels, it stands to reason that more directors on a board would be associated with greater financial success.

A company's bottom line is greatly improved by having a board of directors, according to Malik (2020). According to research by Widyana and Gunadi (2022), the board of directors has a good and substantial impact on a company's financial success. There is a correlation between the number of directors and a company's financial stability, according to Eksandy (2018). Research by Suryandari and Susnandya (2022) indicates that a well-functioning board of directors positively impacts a company's bottom line. Based on this claim, the following hypothesis was developed:

**$H_2$: It is suspected that the Board of Directors has a positive effect on Financial Performance.**

**The Effect of the Audit Committee on Financial Performance**

Several members of a client company’s board of commissioners are tasked with helping auditors keep their independence from management; alternatively, an audit committee may consist of a smaller group of individuals chosen by a larger group to carry out particular duties or projects (Tugiman, 2017). To what extent the Audit Committee can keep an eye on management’s actions, reducing the likelihood that they would engage in profit management practices that distort the true financial picture? For the simple reason that increased performance via the audit committee can boost investor confidence in the company through internal supervision and the implementation of GCG If a corporation has a high number of audit committees, it usually means it’s doing well financially.

An effective corporate governance system includes an audit committee. The audit committee is there to keep an eye on the company’s financials, assess the performance of the auditors (both internal and external), and keep an eye on the controls and procedures in place.

Salsabila and Muhammad (2017) state that the audit committee is the best supervisory mechanism tool for lowering agency expenses and increasing the transparency of a company’s financial reporting. According to Annisa and Asyik (2019), the audit committee favorably impacts financial performance. This is because, via effective oversight, With the help of the audit committee, the organization’s report credibility may be preserved. Shanti (2020) asserts that the audit committee is strongly associated with financial performance. Based on this description, we may formulate the following theory:

**$H_3$: It is suspected that the Audit Committee has a positive effect on Financial Performance.**



**The Effect of Corporate Social Responsibility (CSR) on Financial Performance.**

A company's pledge to act ethically and have a positive impact on society and the economy is known as corporate social responsibility (CSR) (Hamim, 2020). Companies that practice corporate social responsibility (CSR) make a conscious effort to allocate a portion of their resources toward mitigating potential negative impacts and, simultaneously, working to increase the positive effects of their business on society, the environment, and the economy (Visiting, et al., 2017).

Corporate social responsibility (CSR) disclosures will amplify disclosures in annual reports, which investors use as a basis for decision-making. Financial statement analysis and other forms of financial statement evaluation are tools for gauging a business's financial performance. An organization's bottom line will improve in direct correlation to the amount of money it spends on corporate social responsibility (CSR). This is because a positive public perception of a company leads to more investment interest from potential backers, and a larger pool of potential backers means better financial results.

Environmentally responsible corporate social responsibility (CSR) significantly improves financial performance, according to statistical studies conducted by Baharuddin (2022). Also, according to Pondrinal (2019), there is a strong correlation between CSR disclosure and financial performance. Additionally, this study's findings corroborate those of Ahyani and Puspitasai (2019), which found that CSR positively impacts financial performance. This description allows us to make the following hypothesis:

**$H_4$: It is suspected that Corporate Social Responsibility (CSR) has a positive effect on Financial Performance.**

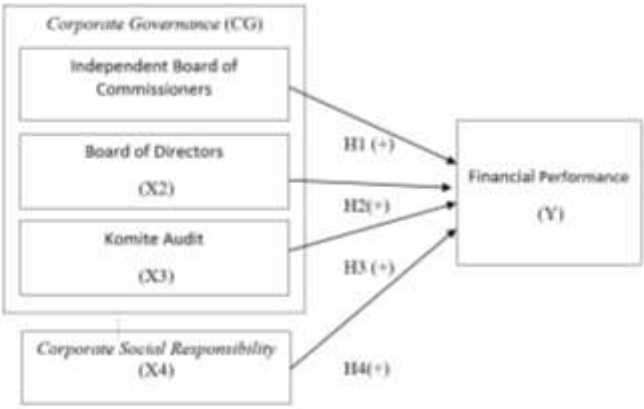



FIGURE 1. Research framework

## METHODS

Because numerical representations of observational symptoms allow for statistical analysis, this research employs a quantitative method. Quantitative research is what is being done. To describe and test predetermined hypotheses, quantitative research methods involve studying specific populations or samples, collecting data using research instruments, and analyzing the results quantitatively or statistically. These methods are based on the positivist philosophy of science [25].

In research, population is defined as a large group whose characteristics are in accordance with research objectives and findings [25]. The population of this research consists of manufacturing business actors registered on the Indonesian Stock Exchange from 2019 to 2021. The observation data in this research is 51 data, then the sample for this research is 17 manufacturing companies listed on the Indonesian Stock Exchange from 2019 to 2021 and has meet the criteria set out in this study. The purposive sampling method was used in this research, namely a sampling technique that takes into account certain criteria [25]. This research data comes from annual reports across manufacturing business sectors listed on the Indonesia Stock Exchange between 2019 and 2021.

**Table 1. Research Sample**

| No. | Information | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| 1. | A manufacturing company listed on the Indonesia Stock Exchange (IDX) in 2019-2021. | 183 | 190 | 178 |
| 2. | Manufacturing companies that suffered losses in 2019-2021. | (70) | (77) | (69) |
| 3. | Manufacturing companies that experienced a decline in sales levels in 2019-2021. | (68) | (66) | (65) |
| 4. | Manufacturing companies that do not provide financial statements in the form of rupiah currency for 2019-2021. | (28) | (30) | (27) |
| **Number of Samples** | | **17** | **17** | **17** |
| Data on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021 used as research samples | | **51** | | |

Source: Data Processed by Researchers 2023

## RESULTS (HASIL PENGUJIAN HIPOTESIS)

### Reporting Research Results

### Descriptive Statistics

**Table 2. Results of ROA Descriptive Statistical Analysis**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| | 51 | 0,03 | 1,54 | 0,50 | 0,40 |
| **X1. DKI** | 51 | 2,00 | 11,00 | 4,76 | 1,99 |
| **X2. DD** | 51 | 0,50 | 1,00 | 0,75 | 0,15 |
| **X3.KA** | 51 | 3,00 | 4,00 | 3,06 | 0,24 |
| **X4. CSR** | 51 | 0,56 | 0,64 | 0,31 | 0,26 |

Source: Processed Secondary Data, 2023

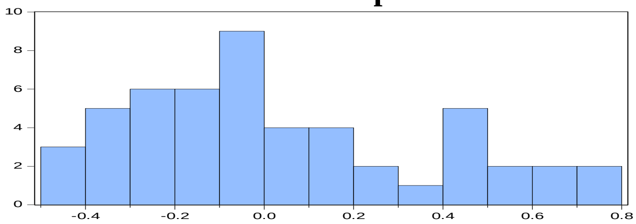
The following conclusions may be taken from the descriptive analysis findings shown in the table above:

1. The Independent Board of Commissioners (DKI) got the lowest value of 2.00 for variable X1 according to the descriptive analysis. The study found that PT. Citramulia Arwana Tbk. (ARNA) had the lowest corporate value of all the companies. Descriptive analysis yielded a maximum value of 1.00 for X1 (Independent Board of Commissioners). Pt. Mark's (Mark Dynamics Indonesia Tbk.) highest rating The descriptive analysis also includes the average variable X1. Independent Board of Commissioners (DKI) scores of 4.76 and a standard deviation of 1.99 are shown. The evidence suggests X1 overall. Independent Board of Commissioners makes DKIs with X1 standard deviation and 4.76 value. Board of Independent Commissioners The result was 1.99 DKI.
2. DD (Board of Directors) has the lowest value of 0.50 according to the descriptive analysis. This indicates that out of all the example firms, PT. Singaraja Putra Tbk. (HERE) has the lowest score, which is 0.50. Descriptive analysis reveals that DD (Board of Directors) has the maximum value of 1.00 for variable X2. The best

possible rating received by PT. Indofood CBP Sukses Makmur Tbk. (ICBP). An additional finding from the descriptive analysis was that the variables X2. DD (Board of Directors) had an average of 0.75 and a standard deviation of 0.15. The average outcome reveals the X2 level. There is a manufacturing business with a DD (Board of Directors) of 0.75 and a standard deviation of 0.15 for its variable data distribution rate X2.

3. X3.KA (Audit Committee) has a minimum value of 3,00 according to the descriptive analysis. The study's sampling requirements were met by all manufacturing businesses registered on the IDX, which indicates that the smallest company valuation of all sample companies is 3,00. The maximum value for the variable X3.KA (Audit Committee) according to the descriptive analysis is 4,00. Given PT. PT. Kimia Farma Tbk. (KAEF) the highest possible rating. The Audit Committee variable (X3.KA) had an average value of 3.06 and a standard deviation of 0.24 according to the descriptive analysis. On average, manufacturing companies' X3.KA (Audit Committee) variable data is 3.06 with a standard variation of 0.24.
4. The descriptive analysis reveals that the variable X4 has the lowest value. The Corporate Social Responsibility (CSR) scores are 0.56%. Out of the three companies that were studied, PT. Kimia Farma Tbk. (KAEF), PT. Singaraja Putra Tbk. (SINI), and PT. Sekar Bumi (SKBM) had the lowest CSR (Corporate Social Responsibilities) disclosure values, resulting in the smallest company value of 0.56%. X4, which stands for "Corporate Social Responsibility," has a maximum value of 0.64 according to the descriptive analysis. Three enterprises, namely PT. Hartadinata Abadi Tbk. (HRTA), The top two companies were PT. Tunas Baru Lampung Tbk. (TBLA) and PT. Integra Indocabinet Tbk. (WOOD). The descriptive analysis also showed that the X4 variables had a mean. A standard deviation of 0.26 indicates a Corporate Social Responsibility (CSR) score of 0.31. The average result indicates the level of X4. The manufacturing sector's companies have a Return On Assets (ROA) standard deviation of 0.26% and a Corporate Social Responsibility (CSR) of 0.31.
5. The descriptive analysis found that the lowest figure of Return On Assets (ROA) was 0.03. Among the companies in the study, PT. Tempo Scan Pacific Tbk. (TSPC) had the lowest score at 0.03. The descriptive analysis found that the greatest return on assets (ROA) is 1.54. The highest approval rating that PT. Integra Indocabinet Tbk. (WOOD) could receive. Additionally, descriptive data show that ROA has a standard deviation of 0.40 and an average value of 0.50. With a standard deviation of 0.40 for the ROA variable, the data suggests that the manufacturing business has an average ROA level of 0.5006.

**Classical Assumption Test Results of Normality**




| Series: Standardized Residuals | |
|---|---|
| Sample 2019 2021 | |
| Observations 51 | |
| Mean | 0.031226 |
| Median | -0.059935 |
| Maximum | 0.778411 |
| Minimum | -0.458088 |
| Std. Dev. | 0.334968 |
| Skewness | 0.576397 |
| Kurtosis | 2.306233 |
| Jarque-Bera | 3.846779 |
| Probability | 0.146111 |

**Source: Processed secondary data, 2023**

FIGURE 2. Normality Test Results

Table 3 illustrates one sample's typical K-S ROA. This regression model has a normal distribution since its Ashimp. Sig. (2-tailed) is 0.146, more than 0.05.

**Autocorrelation Classical Assumption Test Results**

**Table 3. Autocorrelation Test Results**

| dL | dU | DW |
|---|---|---|
| 1,427 | 1,675 | 2,813 |

Source: Processed Secondary Data, 2023

Table 3 displays the Durbin Waston values, which are 2.813. The DW value is compared to the DW table, which is generated using a benchmark sample size of 51, 4 independent variables, and a 5% confidence level. The DW tables are as follows: dl = 1.427, du = 1.675, and (4-du) = 2.325. The results show that there is no autocorrelation in this study, as DW 2.813 falls between the upper limit (du) = 1.427 and (4-du) = 2.325.

**Table 4. Coefficient of Determination Test Results**
**Model Summary**

| R Square | Adjusted R Square |
|---|---|
| 0,860 | 0,770 |

Source: Processed Secondary Data, 2023

The independent variable describes the regression equation model satisfactorily with an adjusted R-squared value of 0.770, as shown in Table 4.

**Double Linear Regression Test Results**

**Table 5. Multiple Linear Regression Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. | Conclusion |
|---|---|---|---|---|---|
| C | 0.252632 | 0.895367 | 0.282154 | 0.7798 | |
| X1. DKI | 0.086304 | 0.016685 | 5.172505 | 0.0000 | Accepted |
| X2. DD | 0.169098 | 0.251421 | 0.672567 | 0.0064 | Accepted |
| X3.KA | 0.307191 | 0.271604 | 1.131027 | 0.0070 | Accepted |
| X4. CSR | 0.021987 | 0.018614 | 1.181214 | 0.0438 | Accepted |

**Source: Processed secondary data, 2023**

Significant values were derived from intercepts of 0.00 < 0.05, as shown in Table 5. All things considered, the data suggests that the model is solid; after all, it's easy to examine, the mistake is little, and no model is lost.

The conclusion of the resulting model of regression equations is:

1. The constant value is 0.253. This constant predicts a company's roa of 0.7798% if all independent variables have a value of 0.
2. Independent commissioner variable is 0.086. An increase or decrease in the independent board of commissioners component by one unit will affect financial performance, all other things being equal.

3. The board of directors variable has a regression coefficient value of 0.169 in roa calculations. These findings imply that all other things being equal, the effectiveness of financial performance will be affected by a one unit increase in the board of directors variable.
4. There is a regression coefficient value of 0.307 for the audit committee variable in roa calculations. Assuming all other independent board of commissioners factors remain constant, these findings indicate that the effectiveness of financial performance is influenced by a one unit increase in the audit committee variable.
5. There is a regression coefficient value of 0.022 for the csr (corporate social responsibility) variable in calculating roa. Assuming that all other independent commissioner factors are kosten, these findings show that a one unit increase in the csr (corporate social responsibility) variable will have an impact on the level of effectiveness of financial performance.

**F Test Results**

The utilized regression model is both practicable and very suitable since the F test results provide a significant value of 0.000, which is less than 0.05.

**Test Results t**

1. First Hypothesis Testing

   A statistically significant regression coefficient variable test tests the first hypothesis that an independent board of commissioners improves budgets. Board of Commissioners ROA model independent components explain Table 15's regression coefficient's 0.000 significance. BOC characteristics strongly impact financial performance (regression coefficient < 0.05, 5% significance). The null hypothesis is unverified.
2. Second Hypothesis Testing

   A statistically significant coefficient regression test supports the second hypothesis that directors improve financial performance. Table 15 demonstrates that ROA regression gives the board of directors variable a significant value of 0.006. Board of directors factors significantly impact financial performance, with a regression coefficient of 5% (0.006 < 0.05), supporting the second hypothesis.
3. Third Hypothesis Testing

   Thirdly, we look for characteristics inside the audit committee that positively affect financial performance using a statistical test of regression coefficients. Regression analysis of the audit committee variable using ROA yielded a significance level of 0.007, as shown in Table 15. Hypothesis 3: Independent commissioners improve finances. A significant regression coefficient ($\alpha = 5\%$) with a ROA significance level of 0.007 < 0.05.
4. Testing the Fourth Hypothesis

   The fourth hypothesis test indicates that CSR (Corporate Social Responsibility) positively impacts financial performance by using a statistically significant test of the regression coefficient variable. Table 15 shows that the return on investment (ROI) for the CSR (Corporate Social Responsibility) regression coefficient is 0.043, which is meaningful. At the 5% level of significance, the regression coefficient is considered significant ($p < 0.05$). This indicates that the variable CSR (Corporate Social Responsibility) positively impacts financial performance, proving the fourth hypothesis.

**Robust Test (Financial Performance Variables Using ROE)**

**Table 6. Robust Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -1.774456 | 0.579025 | -3.064560 | 0.0036 |
| DD | -0.079198 | 0.019902 | -3.979332 | 0.0002 |
| DKI | 1.098592 | 0.214532 | 5.120883 | 0.0000 |
| KA | 0.554635 | 0.168744 | 3.286847 | 0.0019 |
| CSR | 0.013668 | 0.020060 | 0.681360 | 0.0411 |

Source: Processed secondary data, 2023

Table 7. Model Summary

| R Square | Adjusted Square | R |
|---|---|---|
| 0,448 | 0,443 | |

Source: Processed secondary data, 2023

Robust test results show that they show conformity with previous test results.

## DISCUSSION & CONCLUSION

### The Influence of the Independent Board of Commissioners on Financial Performance

According to the results, ROA is enhanced by the independent board of commissioners variable X1. The results from EVIEWS back this up. Because investors like businesses that are well-regulated, a bigger independent board of commissioners should boost financial performance (X1). More independent commissioners boost profits. Hypothesis X1 enriches independent commissioners.

Previous research [26] has shown that having an independent board of commissioners raises budgets, and our study validates that. According to studies, independent boards of commissioners have a positive effect on budgets [14].

### Influence of the Board of Directors on Financial Performance

The results show that the board of directors' variable X2 greatly enhances financial performance when calculating ROA (Return On Assets). This is supported by the findings of the statistical studies conducted in the REVIEWS program. There is a clear association between the number of boards of directors and the rising influence of variable X2 on financial performance. This is because the number of boards of directors may affect a company's degree of financial condition pressure. A lack of influence by the board of directors on financial performance is, therefore, the null hypothesis.

The findings of this study corroborate those of previous research [27] that have also shown a robust relationship between an effective board of directors and financial success. Research shows that the board of directors significantly impacts financial outcomes for the better [28]. Research shows that the more directors a firm has, the more likely it is that it will have financial problems [13]. There is evidence that a well-functioning board of directors has a beneficial effect on a company's bottom line [14].



### The Effect of the Audit Committee on Financial Performance

Results show that X3, the audit committee variable, greatly boosts financial performance as ROA (Return On Assets) measures. Confirmation of this comes from statistical tests run using the EVIEWS application. A company's financial success is positively correlated with the number of audit committees it owns, according to variable X3 audit committee's influence on financial performance. Investors have more faith in a corporation when its audit committee can keep an eye on internal operations and employ GCG. This research's findings support the premise that the audit committee affects financial performance (X3).

Good corporate governance practices include having an audit committee. The audit committee is there to keep an eye on the company's financials, assess the performance of the auditors (both internal and external), and keep an eye on the controls and procedures in place.

This study's findings corroborate those of previous research [14], which found that audit committees improve financial performance. This is because, according to that study, audit committees help companies keep their report preparations credible via careful oversight. According to [29], the Audit Committee is also a major factor in the company's bottom line.

**The Effect of Corporate Social Responsibility (CSR) on Financial Performance.**

The results of this study show that including the variable X4 CSR (Corporate Social Responsibility) into the Return On Assets (ROA) calculation considerably boosts financial performance. Confirmation of this comes from statistical tests run using the EVIEWS application. The following is how X4 CSR (Corporate Social Responsibility) affects bottom-line results: An increase in corporate social responsibility spending is positively correlated with financial performance. This is because when CSR spending is high, a firm's reputation is lifted, which makes investors more inclined to put their money into the company. In most cases, a company's financial situation improves as more individuals invest in it. Thus, given that this study's variable X4 indicates that Corporate Social Responsibility (CSR) does not impact financial performance, we may accept the null hypothesis.

Financial performance is significantly improved by ecologically sound CSR, according to statistical tests in this study (Baharuddin, 2022). This finding is in line with previous research [30]. Even more so, CSR disclosure is substantially associated with financial success, as indicated in [14]. Corporate social responsibility (CSR) improves a company's bottom line, according to research [31].

## CONCLUSION

The findings of this research are derived from the data analysis and hypothesis testing that were conducted:

1. A hypothesis test showed that DKI, the Independent Board of Commissioners, greatly influenced ROA. More independent commissioners (DKI) match board oversight, enhancing profits.
2. The Board of Directors (DD) had a substantial positive influence on Return On Assets (ROA), according to the findings of hypothesis testing using the t-test. To put it another way, the financial performance will improve with every rise in the DD (Board of Directors).
3. The considerable beneficial impact of the KA (Audit Committee) on ROA (Return On Assets) was shown by the results of hypothesis testing using the t-test.

Accordingly, enhanced financial performance is the direct result of every KA (Audit Committee) rise.

4. The considerable positive impact of CSR on ROA (Return On Assets) has been shown by the results of hypothesis testing using the t-test. Consequently, a rise in CSR (Corporate Social Responsibility) is directly proportional to a rise in financial success.

The findings from this study will likely inform future research that incorporates a sample from the research year together with other factors that have a direct bearing on the financial success of the organization.

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