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Does CSR and Earning Management Mediate GCG on Corporate Performance?

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Abstract

GCG is a system used to direct, manage company activities, determine business goals, and achieve the company's vision and mission. The purpose of this study is to analyze the role of CSR and earning management in mediating the influence of GCG on corporate performance. The population of this study is manufacturing companies on the Indonesia Stock Exchange in 2016-2019. The sample used is 8 manufacturing companies that publish annual reports and sustainability reports for 2016-2019. This study uses path analysis techniques with SPSS Version 24. The results of the study found that GCG has a positive effect on corporate performance, CSR hurts corporate performance, and GCG also has a positive effect on CSR. CSR can mediate the relationship of GCG to corporate performance. However, the research also found that GCG has no effect on earning management, earnings management has no effect on corporate performance, and earning management is unable to mediate the relationship between GCG and corporate performance.

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1 Introduction

CSR has attracted increasing interest and is the subject of many scientists. The company has a responsibility to all stakeholders who want to get better information about the company's performance and the actual impact of business activities. A shift in management responsibility from a single bottom line, the value of a company reflected solely through its financial condition, to a triple bottom line, financial, social, and environmental. CSR has become the current trend in the multinational business sector to improve performance and survive in business competition. The issue of CSR disclosure in developing countries is increasingly important (Garas & ElMassah, 2018). Companies that have good corporate performance will have more resources and funds to invest in social activities (Purbawangsa et al., 2019). Overcoming social problems and environmental sustainability against any pollution is the goal of every company. This commitment strengthens the company's performance and reputation. In this context, companies can refer to certain standards issued by international standards organizations such as ISO 9001, ISO 14001, and ISO 26000 (Moratis & Widjaja, 2014; Ranängen et al., 2014). ISO 14001 deals with environmental aspects related to the activities, products, and services of this organization. ISO 9001 establishes guidelines that improve the quality management of products and services that meet customer and regulatory requirements. ISO 26000 "Guidelines for Social Responsibility" is the first standard that establishes a set of principles that are taken into account for companies to be socially responsible (Moratis, 2017). Concerning this standard, CSR is considered a multidimensional concept involving seven societal dimensions: GCG, human rights, labor relations and conditions, the environment, fair operating practices, consumer concerns, and community engagement.

All of these standards encourage companies to be more responsible, engage with stakeholders, and promote the ultimate goal: social responsibility. Empirical findings state that there are positive performance implications for companies that are involved in CSRD (Chijoke-Mgbame et al., 2019). CSR influences corporate performance. However, Kurniati (2019), found that CSR does not affect corporate performance. Company performance in a company can be improved with GCG, reducing the risks created by directors that only benefit their interests, and in general, GCG can foster shareholder confidence to make additional investments which will further affect the company's performance Mahrani & Soewarno (2018), and Purbawangsa et al. (2019), CSR can partially mediate the relationship between GCG and corporate performance. However, Apilia's research, Friza & Tanjung (2016), states that CSR does not mediate. Based on the differences in the results of this study, CSR will be chosen as a mediating variable in the influence of GCG on corporate performance. Financial statements are information published by a company that cannot be separated from earnings management actions taken by company managers to improve the company's good name. Earning management or earnings management is known as a tactic used by managers to manipulate earnings without breaking the law. This strategy is derived from accounting regulations and policies in preparing financial statements. This action can lead to poor reporting quality in financial statements and cause shareholders to make wrong decisions. Earnings management practices occur without violating accounting policies (Chandrasegaram et al., 2013).

Earning management will mislead stakeholders' perceptions of the company's actual corporate performance, and cause reporting of different accounting numbers which will lead to wrong decision making (Healy & Wahlen, 1999). The importance of earning management factors that will affect corporate performance is of course influenced by good GCG. With good GCG, the level of earnings management will decrease and increase corporate performance. So that the lower earnings management will increase corporate performance. Johari et al. (2009), examined the relationship of earnings management that is influenced by board independence, competence, and ownership in Malaysian companies. The resulting research states that good GCG has a significant negative effect on earnings management. According to Klein (2002), the main effective mechanism in monitoring the accounting process is an independent board. This finding is in line with the research produced by Uwuigbe et al. (2015), and Mahrani & Soewarno (2018). But some research results do not support the above findings (Nuryana & Surjandari, 2019). They concluded that good GCG has no relationship with earnings management. The GCG mechanism is only considered to function as a platform to comply with regulations and laws so that the implementation of GCG is not optimal and is not effective in the company's control management (Hermiyetti & Manik, 2013).

The existence of GCG and independent auditors can provide good monitoring to prevent fraud in financial reporting and limit possible engineering actions such as earnings management. Companies tend to increase operational activities for the personal benefit of their managers so that they can be given even greater incentives than the profits earned by the company. Therefore, companies will be motivated to investigate operational activities and detect earnings management. Studies that have been carried out by Ching et al. (2015), found indications that earning management has a mediating role between GCG and corporate performance, and earning management can create a stronger

relationship between GCG and company performance. So in this study, earning management was chosen as a mediating variable.

2 Literature Review and Hypotheses Development

The effect of GCG on corporate performance with CSR and earnings management as mediation is based on agency theory and legitimacy theory. The agency relationship is described as the relationship between company owners as principals and managers as agents, with a delegation of decision-making authority to agents (Jensen & Meckling, 1976). In an agency relationship, there are vulnerable conflicts of interest between the principal and the agent. Increased profitability and share of the company, while managers are agents whose ambition is to optimize the fulfillment of economic and psychological needs.

Legitimacy theory is seen as a perspective orientation system, in which companies can influence and be monitored by the community in the places where companies carry out their activities. Therefore, a valid theory is used as the basis for companies in disclosing CSR activities. Deegan (2002), explains that legitimacy can be obtained when there is harmony between the existence of a company that does not interfere or is appropriate (congruent) with the existence of a value system that exists in society or its environment. Freeman & Medoff (1984), concluded that the real purpose of a company is to meet the needs of stakeholders, namely the parties that come from the decisions taken by the company. Stakeholder theory is important in this study because this theory is related to the parties who are interested in the company; those who will influence the company's activities, such as management accountability to stakeholders in the form of CSR activities and corporate performance of the company.

The effect of the GCG mechanism on Corporate Performance by Wu et al. (2009), found empirical evidence that an independent commissioner with high professionalism will produce more objective decisions and realize security in improving managers. By agency theory, the role of independent commissioners can be placed on agency problems that arise between the board of directors and shareholders. Thus, the decisions taken are not in the interests of certain parties, and managers act only in the interests of the company and other stakeholders to improve corporate performance (Hamdan & Al Mubarak, 2017).

CSR is important because nowadays people are increasingly concerned about environmentally friendly products and also have positive consequences for companies, especially for their financial performance. This is an important indication for investors because it can be used to see whether they will maintain their investment in the company or look for other alternatives (Ariyani & Gunawan, 2014). In addition, company performance measurement is also carried out to show investors and customers or the general public that the company has good credit (Ariyani & Gunawan, 2014). Corporate performance in a company can be improved with GCG, reducing the risks created by directors who only benefit their interests, and in general, GCG can foster shareholder confidence to make additional investments which in turn will affect the company's performance Mahrani & Soewarno (2018), and Purbawangsa et al. (2019), CSR can partially mediate the relationship between GCG and corporate performance, this is in line with Saeidi et al. (2015), research.

Good GCG is expected to be able to provide improvements to corporate performance through monitoring management performance and ensuring management accountability to stakeholders based on the applicable regulatory framework. Parties who have certain interests will prepare financial statements by their wishes. This often happens and is considered entrenched in the management of a company. This is because the company's supervision is still not optimal and the rules and standards of accounting, auditing, and transparency principles are still weak in the application. Therefore, good supervision and control need to be done to prevent fraud. Thus, it is necessary to have a party that plays a role in controlling and supervising the actions and decisions of company managers so that in the end the management of the company runs in a healthy, clean, and responsible manner.

Company performance in a company can be improved with GCG, reducing the risks created by directors who only benefit their interests, and in general, GCG can foster shareholder confidence to make additional investments which will further affect the company's performance (Mahrani & Soewarno, 2018). The existence of GCG and independent auditors can provide good monitoring to prevent fraud in financial reporting and limit possible engineering actions such as earnings management. Companies tend to increase operational activities for the personal benefit of their managers so that they can be given even greater incentives than the profits earned by the company. Therefore, companies will be motivated to investigate operational activities and detect earnings management. Studies that have been carried out by Ching et al. (2015), found indications that earnings management has a mediating role between

GCG and company performance and earnings management can create a stronger relationship between GCG and company performance.

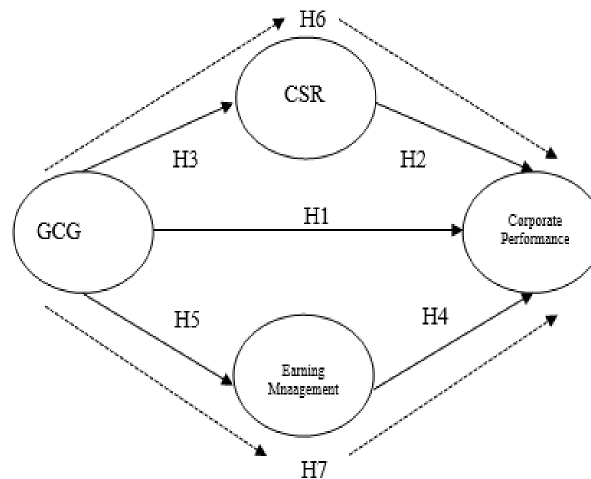

Figure 1. Research conceptual framework

Based on the literature review and the conceptual framework of the research, the hypotheses in this study are as follows:

H1: GCG has a positive effect on corporate performance
H2: Corporate social responsibilities have a positive effect on corporate performance
H3: GCG has a positive effect on corporate social responsibilities
H4: Earning management has a negative effect on corporate performance
H5: GCG has a negative effect on earning management
H6: CSR is able to mediate the influence of GCG on corporate performance
H7: Earning management is able to mediate the influence of GCG on corporate performance

3 Materials and Methods

The scope of this research area is the manufacturing sector companies listed on the Indonesia Stock Exchange in 2016-2019 which were obtained from www.idx.co.id. BEI was chosen as the data source because it provides complete data on the company's financial statements. The data collection method used in this study is a non-participant observation method, namely by observing and recording the necessary data on manufacturing sector companies on the IDX. The population studied were manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) in 2016-2019. The sample is part of the number and characteristics possessed by a population. The sampling technique used in this research is using purposive sampling, namely the technique of determining the sample with certain considerations. The sample criteria used in this study are manufacturing sector companies that publish sustainability reports during the research period (Falck & Heblich, 2007).

The data analysis technique used in this study used descriptive analysis and inferential analysis with path analysis techniques. Tests were carried out using SPSS software version 24.00. Hypothesis testing using significance test and coefficient of determination. The significance test is used to test the significance of each regression coefficient, so that it is known whether GCG, CSR, and earning management has a significant influence on corporate performance and GCG has a significant influence on CSR and earning management. Testing the mediation hypothesis can be done using a procedure developed by Sobel (2014), and known as the Sobel test. The Sobel test is carried out by testing the strength of the indirect effect of GCG (X1) on corporate performance (Y) through CSR (X1) and earning management (X3).

4 Results and Discussions

Linear regression–model 1

This study regressed the independent variable, namely GCG (GCG) on the dependent variable, namely CSR. The output results of hypothesis testing between GCG and CSR in the manufacturing sector can be written as follows:

Table 1
Regression analysis model 1

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,046	0,345		-0,135	0,894
	GCG	0,036	0,015	0,400	2,390	0,023
	R Square = 0,160 Sig = 0.023 Adj. R Square = 0,132 t hitung = 2,390					

Primary Data, 2021

$$CSR = -0,046 + 0,036\ GCG$$

The resulting constant (α) is -0.046. This means that if all independent variables are considered constant at 0 (zero) then CSR will be worth -0.046. The regression coefficient (β1) of the GCG variable is 0.036. This means that if there is an increase of 1 percent in GCG, CSR will increase by 0.036 percent. The adjusted R2 value is 0.132. This shows that the change in CSR variables caused by GCG is 0.132 or 13.2%. While the rest is 86.8% influenced by other variables outside the GCG variable. The results of the analysis show the value of 2,390 with a probability (significance) of 0.023 because the probability value (significance) is smaller than = 0.05 and the regression coefficient value is 0.036. The test results conclude that GCG has a significant positive effect on CSR. So the third hypothesis which states that GCG has a positive effect on CSR is accepted (H3 is accepted).

Linear regression–model 2

This study regressed the independent variable, namely GCG (GCG) on the dependent variable, namely earning management (EM). The output results of hypothesis testing between GCG and EM in the manufacturing sector can be written as follows:

Table 2
Regression analysis model 2

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,009	0,013		-0,719	0,478
	GCG	0,000	0,001	0,142	0,788	0,437
	R Square = 0,020 Sig. = 0,437 Adj R Square = 0,00040					

Primary Data, 2021

$$EM = -0,009 + 0,000\ GCG$$

The resulting constant (α) is -0.009. This means that if all independent variables are considered constant at 0 (zero) then earning management will be worth -0.009. The regression coefficient (β1) of the GCG variable is 0.000. This means that if there is an increase of 1 percent in GCG, the earnings management will increase by 0.000. The adjusted R2 value is 0.0040. This shows that the change in the EM variable caused by GCG is 0.0040 or 0.4%. While the rest is 99.6% influenced by other variables outside the EM variable. The results of the analysis show a value of 0.788 with a probability (significance) of 0.437, because the probability value (significance) is greater than = 0.05, the test results conclude that GCG does not affect Earning Management. Thus, the fifth hypothesis which states that GCG hurts earnings management is rejected (H5 is rejected).

Path analysis

This study regressed the independent variables, namely GCG (GCG), CSR, earning management (EM) to the independent variable, namely corporate performance (ROA). The output results of hypothesis testing between GCG, CSR, and EM on ROA in manufacturing companies can be written as follows:

Table 3
Regression analysis model 3

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-1,053	0,736		-1,431	0,164
	GCG	0,100	0,035	0,475	2,851	0,008
	CSR	-1,351	0,388	-0,580	-3,487	0,002
	EM	7,118	10,190	0,108	0,699	0,491
	R Square = 0,353					
	F Value = 5,087					
	Adj R Square = 0,283					
	Sig. = 0.006					

Primary Data, 2021

ROA = -1,053 + 0,1GCG -1,351CSR + 7,118 EM

The resulting constant (α) is -1.053. This means that if all independent variables are considered constant at 0 (zero) then the ROA will be -1.053. The regression coefficient (β1) of the GCG variable is 0.1. This means that if there is an increase of 1 percent in GCG then ROA will increase by 0.1. The regression coefficient (β2) of the CSR variable is -1.351. This means that if there is an increase of 1 percent in CSR, the ROA will decrease by 1,351. The regression coefficient (β3) of the EM variable is 7.118. This means that if there is an increase of 1 percent in EM then ROA will increase by 7.118. The results of the analysis show the t arithmetic value of 2.851 with a probability (significance) of 0.008 because the probability value is smaller than = 0.05 and the regression coefficient value is 0.1. Based on the test results, it can be concluded that GCG has a significant positive effect on corporate performance. Thus, the first hypothesis which states that GCG has a positive effect on corporate performance is accepted (H1 is accepted).

The results of the analysis show the t-count value is -3.487 with a probability of 0.002 because the probability value is smaller than = 0.05 and the regression coefficient value is -1.351, so the test results conclude that CSR hurts corporate performance. So the second hypothesis which states that CSR has a positive effect on corporate performance is rejected (H2 is rejected). The results of the analysis show that the t-test value is 0.699 with a probability of 0.491 because the probability value is greater than = 0.05, the test results conclude that earning management does not affect corporate performance. Thus, the fourth hypothesis which states that earning management hurts corporate performance is rejected (H4 is rejected). The path coefficient calculated in this model explains the magnitude of the direct effect on the endogenous variables, namely CSR, EM, and ROA. In each variable relationship with one endogenous variable, it consists of direct effect and indirect effect (Dillon, 1984; Garson, 2012). The direct effect of the first model can be seen in Table 5.8 and Table 5.9 for the second model. The following recapitulation of the direct effect, indirect effect, and total effect of the model can be seen in Table 4.

Table 4
Total direct effect

Variable	Direct Effect	Indirect Effect	Total Effect	Coefficient	Sig.	Description
GCG --> CSR	0.400	-	0.400	0,036	0,023	Sig.
GCG --> EM	0.142	-	0.142	0,000	0,437	Not Sig.
CSR --> ROA	-0.580	-	-0.580	-1,351	0,002	Sig.
EM --> ROA	0,108	-	0.108	7,118	0,491	Not Sig.
GCG --> ROA	0.475			0,100	0.000	Sig.
GCG --> ROA | CSR	0.475	0.400 X (-0,580) = -0.18	0.475 – 0.18 = 0.295	-	-	
GCG --> ROA | EM	0.475	0.142 X 0.108 = 0.015	0.475 + 0,015 = 0.49	-	-	

Primary Data, 2021

Indirect effect test on Sobel test

Table 5
Sobel test

Variable	Coefficient	Standard Error	Z value	Description
CSR Mediate				
Direct Effect				
GCG --> CSR	0.036	0.015		
CSR --> ROA	-1.491	0.326	- 2,125	Mediated
EM Mediate				
Direct Effect				
GCG --> EM	0.0010	0.0012		
EM --> ROA	5.499	8.562	0,508	Not Mediated

Primary Data, 2021

In determining the indirect effect, it is necessary to calculate the z-value, as follows:

$$\text{z-value} = \frac{ab}{\sqrt{(b^2SE_a^2)+(a2SE_b^2)}}$$

$$= \frac{0{,}036\ x\ -1{,}491}{\sqrt{(-1{,}491^2 0{,}015^2)+(0{,}036^2 0{,}326^2)}}$$

$$= -\ 2{,}125$$

Based on the calculation results, the z value in absolute value is 2.125 which is greater than 1.96 or (2.125 > 1.96). So the sixth hypothesis which states that CSR can mediate the effect of GCG on Corporate Performance is accepted (H6 is accepted). In determining the indirect effect, it is necessary to calculate the z-value, as follows:

$$\text{z-value} = \frac{ab}{\sqrt{(b^2SE_a^2)+(a2SE_b^2)}}$$

$$= \frac{0{,}001\ x\ -5{,}499}{\sqrt{(5{,}499^2 0{,}0012^2)+(0{,}001^2 8{,}562^2)}}$$

$$= 0{,}508$$

Based on the results of the calculation of the z value in absolute value, namely 0.508 which is greater than 1.96 or (0.508> 1.96). So the seventh hypothesis which states that Earning Management can mediate the influence of GCG on Corporate Performance is rejected (H7 is rejected).

Model accuracy test

The model's accuracy test aims to determine the magnitude of the influence of the independent variable on the dependent variable. The validity of the results depends on whether or not the underlying assumptions are met. The accuracy of the model from the research data is measured by the relationship of the three coefficients of determination (R^2) in the three equations. In the first equation, the $R^2$1 value is 0.160, $R^2$2 is 0.020 in the second equation and $R^2$3 is 0.500 in the third equation. The results of the accuracy of the model are:

$$R_m^2 = 1 - (e_1^2 e_2^2 e_3^3)\mathrm{e}$$

When : $e_1, e_2, e_3 = \sqrt{1 - R^2}$, so R^2 is:

R^2model $= 1 - (1 - R^2_1)(1 - R^2_2)(1 - R^2_3)$
$= 1 - (1 - 0{,}16)(1 - 0{,}02)(1 - 0{,}50)$
$= 1 - 0{,}412$
$= 0{,}588$ (58,8%).

The results of the calculation of the accuracy of the model of 58.8% explain that the contribution of the model to explain the structural relationship of the four variables studied is 58.8% and the rest is explained by other variables not involved in the model.

GCG on corporate performance

The first hypothesis proposed that GCG has a positive effect on corporate performance is acceptable. The effect shown is positive, meaning that implementing the principles of good GCG, can certainly improve the management system within the company. The findings in this study support Mardnly et al. (2018); Chijoke-Mgbame et al. (2019), and Putra et al. (2019). According to a World Bank Group (2016), good GCG practices play an important role in reducing the cost of capital for companies, increasing the effectiveness of risk management, and increasing value, thereby improving corporate performance. Good company management will be able to make management produce more performance so that the company's corporate performance increases. Explaining and publishing good GCG standards is very important if companies want to attract investment capital, reduce risk and develop corporate performance (Al Mubarak & Hamdan, 2016).

CSR on corporate performance

The second hypothesis proposed that CSR has a positive effect on corporate performance is rejected because the effect shown is negative. These findings support Kabir & Thai (2017); Mahrani & Soewarno (2018); Zhang (2019). Several studies (Griffin & Mahon, 1997; Alexander & Buchholz, 1978; Aupperle et al., 1985; Ullmann, 1985), found a negative relationship between CSR involvement and corporate performance. A broader understanding assumes that social responsibility becomes an integral part of strategic investments, core business strategies, management instruments, as well as company operations. So that the negative relationship between the influence of CSR on corporate performance occurs, because the measurement of corporate performance uses a profitability ratio, in which the cost of CSR will negatively affect the company's profit level economically. If the costs of CSR are greater than the benefits, this will damage corporate performance (Zhang, 2019). Legitimacy theory also states that the good relationship that occurs between the community and the company will create support from the community which affects the survival of the company.

GCG on CSR

The third hypothesis proposed that GCG has a positive effect on CSR is acceptable. The effect shown is positive and in line with the findings (Mwangi & Jerotich, 2013). Garas & ElMassah (2018); Mardnly et al. (2018), and Purbawangsa et al. (2019). Based on the findings of Ajina & Habib (2017), the company's CSR goes hand in hand with good GCG practices, the results are positive. At the country level, greater levels of development enable and create pressure for better CSR practices, while forcing increased GCG (Claessens & Yurtoglu, 2012). Internal GCG

mechanisms, such as board independence, audit committee independence, and the separation between CEO and chairman positions, have a significant positive impact on the level of CSR disclosure. Despite traditional arrangements in the GCC area, GCG mechanisms involving the presence of outsiders have a significant impact on the level of disclosure made by GCG companies, perhaps due to the legitimacy effect of such mechanisms. This is consistent with several previous studies (Khan & Zahid, 2020), which found a rational GCG mechanism to have some mitigating impacts on the effect of family ownership on CSR disclosure.

Earning management on corporate performance

The fourth hypothesis proposed that earnings management hurts corporate performance is rejected. This finding is in line with Singh & Delios (2017), which states that the existence of information asymmetry and owner interests tends to occur in lower-middle-scale companies. The purpose of earnings management is to improve the company's financial statements so that they become better. Because the companies selected in the sample are large. According to agency theory, when managers tend to prioritize personal interests and not based on company goals, namely maximizing corporate performance in choosing and taking accounting policies that are by the interests of agents, even though these policies are often not the best for the principal, earnings management actions tend to be carried out by managers. However, if the earnings management action does not affect the resulting corporate performance. So the conflict between the principal and the agent does not occur.

GCG on earning management

The sixth hypothesis proposed that GCG hurts earnings management is rejected. These results support the research of Indriani et al. (2019); Nehru (2016), and Sitanggang et al. (2019). Johari et al. (2009), examined the relationship between earnings management which is influenced by board independence, competence, and ownership in Malaysian companies. The resulting research states that good GCG does not affect earnings management. Chi et al. (2015), found that managerial ownership, institutional ownership, and independent board of commissioners do not affect earnings management, this is because large companies in making and reporting their financial condition will be more careful and accurate. After all, they tend to pay more attention to their performance by the public. Meanwhile, the tendency of earning management is carried out by smaller companies to show satisfactory performance results.

CSR mediate the effect of GCG on corporate performance

The sixth hypothesis proposed that CSR can mediate the influence of GCG on corporate performance is accepted, this is in line with research by Daily & Dalton (1992); Djamilah & Surenggono (2017). The public or the public as shareholders of the company not only want high corporate profits but also want the company to play a role in social responsibility. Thus, high GCG will encourage high CSR. Based on the concept of corporate legitimacy theory which focuses on the company's obligation to ensure that they operate within the appropriate framework and norms in the community environment where the company is founded, it can be a very appropriate strategy for the company's future development. In the theory of organizational legitimacy, it must not only pay attention to the rights of investors but in general, it must also pay attention to the rights of the public (Aida & Rahmawati, 2015).

Earning management mediate the effect of GCG on corporate performance

The seventh hypothesis proposed that earnings management can mediate the influence of GCG on corporate performance is rejected. This finding is in line with previous research conducted by Prastiti et al. (2015), which states that the proportion of independent commissioners has an insignificant effect on earnings management actions. This result is also supported by the findings of Rodriguez-Fernandez (2016), and Sitanggang et al. (2019), which found that earnings management was not able to mediate the effect of GCG proxied by the audit committee and the board of commissioners on corporate performance. Following agency theory, the role of independent commissioners can be placed on agency problems that arise between the board of directors and shareholders. The decisions taken are not in the interests of certain parties, and managers act only in the interests of the company and other stakeholders to improve corporate performance (Hamdan & Al Mubarak, 2017). An independent commissioner with high professionalism will make decisions that are more objective and aware of the safety of improving managers. So that the action of earning

management is no longer a big influence on the relationship of GCG to corporate performance because the principles of GCG have united the objectives of the principal and the agent.

5 Conclusion

Based on research findings which state that GCG has a positive effect on corporate performance, this is of course by the concept of stakeholder theory, that the company is not an entity that only operates for its interests but must provide benefits to its stakeholders. By implementing GCG, it means that the company separates duties and responsibilities appropriately within the company so that the performance produced by the company will increase. The increasing corporate performance will certainly provide benefits for company stakeholders. Therefore, these findings support the stakeholder theory. In addition, these findings also support the findings of Chijoke-Mgbame et al. (2019), and Mardnly et al. (2018), which states that the implementation of good GCG in companies will significantly and positively affect corporate performance. The second finding is that CSR has a negative effect on corporate performance, this negative effect is caused by the concept of costs and benefits. Because CSR is considered a burden, and the company's performance benchmark is proxied by the profitability ratio, the two have a negative relationship, in line with Mahrani & Soewarno's (2018), findings. This finding also supports the legitimacy theory which states that the legitimacy theory focuses on the obligation of companies to ensure that they operate within the appropriate framework and norms in the community environment where the company stands, where the company ensures that the activities carried out are accepted as legitimate. So that to carry out obligations to the community, companies must continue to implement CSR.

Based on the results of the study, it was found that GCG affected corporate performance. The implementation of GCG will certainly have an impact on good management conditions, so that when management governance in the company is good internally. Then the company's performance in the company will of course improve. Especially the company's performance in terms of profitability Apart from the profitability side, the implementation of the principles of good GCG will help management to be socially responsible, so the GG concept will not only improve from the economic side but also non-economically. Companies need to implement CSR because it is an investment for companies to increase value. However, management needs to remember that CSR is also included in the cost concept if it is associated with the company's performance in terms of profitability (Bauman & Skitka, 2012). The company's steps to be socially responsible will certainly increase the company's costs so that it will reduce the value of profitability. However, CSR is also very important for companies as an investment in increasing value.

Conflict of interest statement
The authors declared that's they have no competing interests.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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