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THE EFFECT OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON FIRM VALUE THROUGH FINANCIAL PERFORMANCE AS MEDIATION VARIABLES IN PALM OIL PLANTATION COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

Lessy Noviantika[1], Erlina[2], Abdhy Aulia Adnans[3]
Accounting Study Program, Faculty of Economics and Business, University of North Sumatra
e-mail: lessyn93@gmail.com

Abstract

This study aims to determine the effect of Corporate Social Responsibility (CSR) Disclosure and Good Corporate Governance (GCG) proxied through the Audit Committee, Independent Commissioners and Institutional Ownership on Firm Value through Financial Performance as a mediating variable. The population of this study is all oil palm plantation companies listed on Indonesia Stock Exchange for the period 2016-2020. The sample used in this study amounted to 11 companies. This type of research uses quantitative research methods. Data analysis using Path Analysis approach, with analysis tools using SPSS. The results show that institutional ownership has a negative effect on firm value (Tobin's Q). Audit Committee, CSR Disclosure and Financial Performance have no effect on Firm Value. Independent Commissioner has a positive effect on Firm Value. Institutional ownership has a positive effect on financial performance. However, the Audit Committee, Independent Commissioner and CSR Disclosure have no effect on Financial Performance. Based on the results of the mediation test, it shows that Financial Performance is able to act as a mediating variable between CSR Disclosures, Audit Committees and Institutional Ownership on Firm Value, but Financial Performance is not a mediating variable in the relationship between Independent Commissioners and Firm Value.

Keywords: ***Firm Value, Corporate Social Responsibility Disclosure, Good Corporate Governance, Financial Performance***

1.INTRODUCTION

The era of globalization that continues to progress unconsciously results in a higher level of competition, especially in the business world. This encourages the company to continue to adapt for the sake of survival and business progress. Companies must prepare strategic plans that can improve company performance in order to realize the company's goals, namely maximizing firm value.

A good company is certainly not only trying to increase profits, but the company must also pay attention to the community and the surrounding environment. Especially companies that carry out their business activities in the field of and/or related to natural resources such as oil palm plantation companies. They are required to carry out Social and Environmental Responsibility, this is done to ensure the sustainability of the company's business activities in the future. The implementation of Corporate Social Responsibility (CSR) has even been regulated in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies with derivative rules in the form of Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility. The implementation of CSR in oil palm plantation companies is a mandatory condition, not only the mandate of Law no. 40 of 2007, but it is also the main prerequisite for obtaining ISPO (Indonesia Sustainable Palm Oil) certificate.

CSR disclosure is carried out by managers with the main aim of demonstrating the company's reputation for the company's concern for social and environmental sustainability. However, this CSR disclosure is often misused by managers to carry out earnings management. In order to ensure the implementation of CSR activities that are free from the influence of earnings management, it is necessary to implement Good Corporate Governance (GCG).

The management of CSR disclosure and GCG has a positive impact on a positive image (Firm Value) on the Stock Exchange, but unfortunately the oil palm plantation industry sector continues to experience negative campaigns both from within and outside the country which has resulted in the Indonesia Composite Index (ICI) of the Agricultural Sector, especially oil palm plantations in recent years tends to decline. Based on this, researchers are interested in conducting research on the effect of GCG as proxied through the Audit Committee, Independent Commissioner and Institutional Ownership and CSR Disclosure on Firm Value through Financial Performance as a mediating variable in oil palm plantation companies listed on Indonesia Stock Exchange.

2.LITERATURE REVIEW

2.1. Firm Value

Firm value is the shareholder's perception of the company's success which is often associated with stock prices. Firm value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, since the company was founded until now. High Firm Value is not obtained in a short time, but must go through a long stage until the company can be accepted and trusted by the community. If the company has a good image in the eyes of the public, the company will be able to increase consumer loyalty to the company, so that it will indirectly increase the value of the company (Purawan and Wirakusuma, 2020). Measurement of Firm Value can be done using valuation ratios or market ratios (Indriani, 2019). In this study, the measurement of firm value using the Tobin's Q approach.

2.2. Financial Performance

Corporate financial performance is the company's ability to explain its operations. The company's financial performance is one of the basic assessments of the company's financial condition based on an analysis of the company's financial ratios. Interested parties really need the results of measuring the company's financial performance to see the condition of the company and the level of success of the company in carrying out its operational activities. In measuring the company's financial performance, a certain benchmark can be used, usually the measure used is a ratio that connects two kinds of financial data. There are various kinds of financial ratio analysis used to measure financial performance, one of which is profitability ratio analysis, which is used to measure the extent to which these ratios have an influence on the success of a company. Of all the existing profitability ratios, the Return on Assets (ROA) ratio will be used in this study. This ratio was chosen because it can show the success of management in maximizing the level of profit. ROA shows the ability of management to generate overall profits (Munawir, 2010).

2.3. Corporate Social Responsibility

Regulations regarding CSR in Indonesia are contained in Law no. 40 of 2007 concerning Limited Liability Companies, in which CSR is referred to as Social and Environmental Responsibility. Based on Article 01 Paragraph (3) of Law no. 40 of 2007 concerning Limited Liability Companies, it is explained that the Limitation on Social and Environmental Responsibility is the Company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the Company itself, the local community, and society in general.

CSR is the company's commitment to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing the balance between attention to economic, social and environmental aspects (Maryanti and Tjahjadi, 2013). CSR activities are an obligation for companies that use natural resources. The company's obligation is not only to implement CSR, but also to disclose the implementation of CSR. Disclosure is generally divided into two types, namely, voluntary disclosure and mandatory disclosure. Voluntary disclosure is the

voluntary disclosure of various information related to company activities. Mandatory disclosure is the disclosure of information related to company activities that are mandatory and stated in legal regulations. CSR disclosure or what is often referred to as social disclosure, corporate social reporting or social accounting is a process of communicating the social and environmental impacts of an organization's economic activities to special groups that have interests and to society as a whole (Hery, 2012).

2.4. Good Corporate Governance

Good Corporate Governance (GCG) is a mechanism that balances the actions and choices of managers and the interests of shareholders. GCG is an effort made by all parties with an interest in the company to run their business properly in accordance with their respective rights and obligations (Maryanti and Tjhajadi, 2013). In this study, GCG is proxied through the Audit Committee, Independent Commissioner and Institutional Ownership.

3.CONCEPTUAL FRAMEWORK AND HYPOTHESES

3.1. Conceptual Framework

This research tries to see the role of GCG which is proxied through the Audit Committee, Independent Commissioner and Institutional Ownership and CSR Disclosure on Firm Value through Financial Performance as a mediating variable. The Conceptual Framework in this study can be seen in the following figure :

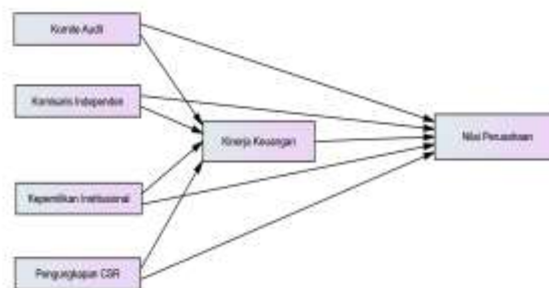

Figure 1. Conceptual Framework

3.2. Hypothesis

Based on this framework, the following hypotheses can be made in the study:

a. The Audit Committee has a positive effect on Financial Performance.
b. Independent Commissioner has a positive effect on Financial Performance
c. Institutional Ownership has a positive effect on Financial Performance
d. CSR disclosure has a positive effect on financial performance
e. Audit Committee has a positive effect on Firm Value
f. Independent Commissioner has a positive effect on Firm Value
g. Institutional Ownership has a positive effect on Firm Value
h. CSR disclosure has a positive effect on firm value
i. Financial Performance has a positive effect on Firm Value
j. Audit Committee has an effect on Firm Value through Financial Performance
k. Independent Commissioner has an effect on Firm Value through Financial Performance
l. Institutional Ownership has an effect on Firm Value through Financial Performance
m. CSR Disclosure has an effect on Firm Value through Financial Performance

4.RESEARCH METHODS

In this study, the method used is a secondary data research method. The sampling technique was carried out using purposive sampling method. The population in this study were all oil palm plantation companies listed on the Indonesia Stock Exchange for the period 2016-2020. The sample used in this study amounted to 11 oil palm plantation companies. The data analysis technique used the Path Analysis approach, with the analytical tool using SPSS. The equations that can be made are :

$$Z = \beta 0 + \beta ZX1 + \beta ZX2 + \beta ZX3 + \beta ZX4 + e1$$

$$Y = \beta 0 + \beta YX1 + \beta YX2 + \beta YX3 + \beta YX4 + \beta YZ + e2$$

Description :
Z= Financial Performance
Y = Firm Value
X1 = Audit Committee
X2 = Independent Commissioner
X3 = Institutional Ownership
X4 = CSR Disclosure
0 = Constant
βZ,βY = Regression coefficient
e1, e2 = Standard error

5.RESULTS AND DISCUSSION

5.1. Research Results

Descriptive Statistical Analysis

Descriptive statistical analysis was used to determine and describe the maximum value, minimum value, mean value and standard deviation of each research variable. The following table is a descriptive analysis of the research :

Table Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Komite Audit	55	2	4	3.04	.270
Komisaris Independen	55	.30	.60	.4013	.10144
Kepemilikan Institusional	55	.435	.972	.71424	.149519
Pengungkapan CSR	55	.46	.98	.7753	.17268
Kinerja Keuangan	55	-.583	.493	.02033	.115317
Nilai Perusahaan	55	.65	2.38	1.1475	.38761
Valid N (listwise)	55				

Source: research results (2022)

Classic Assumption Test

a. Normality test

Based on the results of the Kolmogrov-Smirnov test, it shows that the significance value is 0.165 (0.165 > 0.05), so it can be concluded that the residual data is normally distributed.

b. Multicollinearity Test

Based on the results of the multicollinearity test, it shows that there is no multicollinearity, because each variable of Audit Committee, Independent Commissioner, Institutional Ownership, CSR Disclosure and Financial Performance has a VIF value less than 10 and a tolerance value greater than 0.10.

c. Heteroscedasticity Test

The heteroscedasticity test was carried out by using a scatter plot test. Based on the results of the scatter plot, it appears that the plot that is formed has no pattern. Thus the assumption of non-heteroscedasticity of the regression model has been fulfilled.

d. Autocorrelation Test

Based on the results of the autocorrelation test, the Durbin-Watson number is 1,267, these results indicate that the DW number is between -2 to +2. So it can be concluded that there is no autocorrelation between independent variables.

5.2. Discussion

a. Influence of the Audit Committee on Financial Performance

The results of the study indicate that GCG as proxied by Audit Committee has no effect on financial performance (ROA). The high or low number of audit committees in a company does not affect the company's profitability. The number of audit committees cannot guarantee the effectiveness of the audit committee's performance in supervising the level of company profitability. The formation of an audit committee within a company is only on the basis of compliance with regulations that require that the company must form an audit committee. So that it has an impact on the ineffectiveness of the existence of an audit committee in monitoring the performance of a company. The results of this study are in line with research conducted by Putra and Nuzula (2017) and Rimardhani and Dwiatmanto (2016) which showed that the audit committee had no effect on ROA. There is no influence from the number of audit committees in a company because the role of the audit committee is less than optimal in carrying out the supervisory and controlling functions in the company's management. In addition, in maintaining the quality of financial reports and assisting the board of commissioners has not been fully achieved by the audit committee so that it has not been able to increase the company's profitability.

b. The Effect of Independent Commissioners on Financial Performance

The results showed that it had no effect on financial performance (ROA). High or low number of independent commissioners in a company does not affect the company's profitability. This supports the perception of the ability of the board of commissioners and the board of directors, although together they have not ensured that they are able to increase the ability to return on assets (ROA). In the absence of the ability of this level of leadership, it has an impact on generating returns that are not good enough. The results of this study are in line with the results of research by Zabri (2015) which found that independent commissioners had no effect on financial performance. The high and low proportion of independent commissioners has no effect on the company's financial performance. The appointment of an Independent Commissioner is carried out by a company only to fulfill the regulations that have been set, so that the supervisory function that should be the responsibility of the board members becomes ineffective. The existence of an Independent Commissioner cannot improve the effectiveness of the monitoring carried out by the Board of Commissioners.

c. The Effect of Institutional Ownership on Financial Performance

The results show that institutional ownership has a positive effect on financial performance (ROA). Institutional ownership can minimize agency conflicts between principals and agents. With the supervision from the institutional side, the monitoring of management performance can be optimized to avoid any misappropriation or deviation behavior by management. With the involvement of institutions with the company, the performance of management is increasingly monitored and can minimize the fraud committed so that it can affect the improvement of the company's performance even better. The results of this study are in line with the research of Darwis

(2009) which found that institutional ownership has an effect on company performance. This means that the control function of the owner is very decisive in an effort to improve the company's performance which in turn affects financial performance.

d. The Effect of CSR Disclosure on Financial Performance

The results of hypothesis testing indicate that CSR disclosure has no effect on ROA. This study also shows that the CSR disclosures made by the company were not responded to from a financial perspective by the public or investors. Their response may be positive towards the CSR reporting actions of a company, but the response cannot make the public to become consumers of the company or can not attract the attention of investors to invest in the company, because there may be many other factors that need to be considered. In other words, there is no financial impact from the positive response. The results of this study are also in line with the results of research conducted by Sudaryanti and Riana (2017) which says that CSR disclosure has no effect on financial performance.

e. Influence of the Audit Committee on Firm Value

The results of this study indicate that the audit committee has no effect on firm value. Research conducted by Muryati and Suardikha (2014), Kumalasari (2017) and Puspa et al (2021) also states that the audit committee has no effect on firm value. This is because the large number of audit committees does not guarantee that the performance of the company will improve so that investors assume that the existence of the audit committee is not a factor that can be taken into consideration in appreciating firm value.

f. The Effect of Independent Commissioners on Firm Value

The results of this study indicate that independent commissioners have a positive effect on firm value. According to agency theory, the existence of a corporate governance system can overcome agency conflicts and information asymmetry, resulting in increased firm value, where one of the implementations is the establishment of an independent board of commissioners. This is in line with the research results of Dewi and Nugrahanti (2014) which state that independent commissioners have a positive effect on firm value. The existence of an independent commissioner in a company will reduce fraud in financial reporting and the presence of an independent commissioner is expected to increase the effectiveness of supervision so as to improve the quality of financial reports. With good supervision, fraudulent actions carried out by management in presenting financial statements will be minimized, so that the quality of financial reports is also getting better and can cause investors to believe in investing in the company. If investors believe in investing, then in general the company's stock price will be higher and the value of the company will increase.

g. The Effect of Institutional Ownership on Firm Value

The results show that institutional ownership has a negative effect on firm value. The direction of the regression coefficient of institutional ownership towards the negative firm value indicates that the higher the institutional ownership, the lower the firm value. This result is in line with agency theory which states that managers are rational economic beings who are only tempted by personal desires even though with institutional ownership, managers continue to take opportunistic actions. The results of this study are in line with Mastuti and Prastiwi (2021) which found that institutional ownership has a negative effect on firm value.

h. The Effect of CSR Disclosure on Firm Value

The test results show that CSR disclosure has no effect on firm value. CSR disclosure has no effect on the value of the company because the company has not been able to convey CSR disclosure appropriately to investors so that investors also have not caught it as something that needs attention. The size of the extent of CSR disclosure made by the company, can not affect the increase in the value of the company. Because most companies only focus on financial factors. The

results of this study are in line with research conducted by Silviana and Krisnawati (2020) and Puspa et al (2021) which found that CSR disclosure has no effect on firm value.

i. The Effect of Financial Performance on Firm Value

The results of hypothesis testing indicate that the projected financial performance with ROA has no effect on firm value. This means that the changes shown by ROA will not be followed by a significant increase or decrease in firm value. This can be caused because not all investors only pay attention to company profits in assessing the good and bad of a company in financial performance as shown through ROA, there are still other things that are considered in assessing the good or bad of a company. Thus causing ROA in this study has no effect on firm value.

j. The Effect of Audit Committee on Firm Value through Financial Performance

From the results of the path analysis, it shows that the direct effect of good corporate governance as proxied by the Board of the Audit Committee on firm value is smaller than the effect of good corporate governance as proxied by Audit Committee on firm value through financial performance projected return on assets (ROA). This is because the direct effect value is smaller than the indirect effect (-0.031 < 0.005425). It can be concluded that ROA is a mediating variable for the relationship between the influence of good corporate governance as proxied by Audit Committee on firm value in this study. The results of this study can be interpreted that the more effective the functions of the authority and duties of the Audit Committee, it will tend to improve the company's performance so that the value of the company will also increase.

k. The Influence of Independent Commissioners on Firm Value through Financial Performance

The path analysis results show that the direct effect of good corporate governance projected by the Independent Board of Commissioners on firm value is greater than the effect of good corporate governance projected by the Independent Board of Commissioners on firm value through financial performance projected return on assets (ROA). This is because the direct effect value is greater than the indirect effect (0.401 > - 0.002). It can be concluded that ROA is not a mediating variable of the relationship of the influence of good corporate governance projected by the Board of Independent Commissioners on firm value in this study. Financial performance has not been able to mediate independent commissioners on firm value, meaning that independent commissioners have not been able to play a maximum role in supervising the company, especially the management performance of a company so that it has not been able to create good company performance, which is indicated by profitability and in the end it has not been able to increase firm value.

l. The Effect of Institutional Ownership on Firm Value through Financial Performance

The path analysis results show that the direct effect of good corporate governance projected by institutional ownership on firm value is smaller than the effect of good corporate governance projected by institutional ownership on firm value through financial performance projected return on assets (ROA). This is because the direct effect value is smaller than the indirect effect (-0.480 < 0.00965). It can be concluded that ROA is a mediating variable for the relationship between the influence of good corporate governance projected by Institutional Ownership on firm value in this study. Institutional ownership has an important role in minimizing agency conflicts. The agency conflict has an impact on the emergence of agency costs for the company. One way to reduce agency costs is to increase the number of institutional ownership. The amount of institutional ownership determines the continuity of the company which affects the performance of a company in an effort to achieve company goals by maximizing firm value. This can be done through the controlling rights owned by the institution (Wahyudi and Pawestri, 2006).

m. The Effect of CSR Disclosure on Firm Value through Financial Performance

The results of path analysis show that the direct influence of Corporate Social Responsibility (CSR) Disclosures on firm value is smaller than the effect of Corporate Social Responsibility (CSR) Disclosures on firm value through financial performance projected Return on Assets (ROA). This is because the direct effect value is smaller than the indirect effect (-0.044 < -

0.000375). It can be concluded that ROA is a mediating variable between the relationship of the influence of Corporate Social Responsibility (CSR) Disclosure to firm value in this study.

6.CONCLUSIONS AND SUGGESTIONS

6.1. Conclusion

From the results of the study it was concluded that the Audit Committee and Independent Commissioners and CSR Disclosure had no significant effect on financial performance, while institutional ownership had a positive effect on financial performance. For the Audit Committee, CSR Disclosure and Financial Performance have no significant effect on Firm Value, while Independent Commissioners have a positive effect, while Institutional Ownership has a negative effect. For the mediation results, it is concluded that financial performance is a mediating variable in the relationship between the Audit Committee, Institutional Ownership, CSR Disclosure on Firm Value. Meanwhile, financial performance is not able to mediate the effect of the Independent Commissioner on firm value.

6.2. Suggestions

1. Further research is expected to add other independent variables as factors other than those used in research on firm value. Because the effect of independent variables simultaneously in this study is still low on the dependent variable.
2. This research was conducted on oil palm plantation companies listed on the IDX whose CSR disclosures and implementation of GCG are quite good, further researchers are expected to be able to conduct research on oil palm plantation companies that have not been listed on the BEI because of the lack of awareness of large-scale plantation companies. little impact on social and environmental sustainability.

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