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CORPORATE INTERNAL GOVERNANCE AND CORPORATE PERFORMANCE: CORPORATE SOCIAL RESPONSIBILITY AS A MODERATION

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ABSTRACT

Purpose - The purpose of this research is to analyze the moderating role of corporate social responsibility in the relationship of internal corporate governance (ICG) and firm performance.

Research Method – The sample consists of 48 companies listed on the Indonesia Stock Exchange from 2017-2021 which are taken by purposive sampling method. Data analysis method used in this study is panel data regress.

Findings - The results show that CEO Power, board independence, managerial ownership, ownership concentration and CSR have no effect on the dependent variable, while board size and audit quality are negatively related to firm performance. The results of the study show that CSR can strengthen the relationship between the board independence, board size and managerial ownership on firm performance, CEO power, ownership concentration and audit quality are not affected by CSR on firm performance.

Implication - CSR practices usually involve corporate governance to participate in social and environmental activities. ICG is an important body to control and monitor the corporate social practices.

Keywords: CSR, ICG, firm performance.

INTRODUCTION

Many companies have been established in Indonesia, but it is not yet known whether their company performance is good and can make the company survive and be stable in the present. Performance assessments need to be carried out to see whether a company's performance is good or bad (Tang & Fiorentina, 2021). Performance-related financial reports are often used as a basis for evaluating company performance, because financial reports can be used to measure the success of a company's operations during a certain period (Syafiqurrahman et al., 2014; Yopie & Robin, 2023)

Issues regarding the performance of listed companies in Indonesia have become a topic of much public discussion. One of them is PT Indo Tambang Raya

Megah Tbk (ITMG) in 2019 which experienced a decline in profits of 49% (CNBC Indonesia, 2019). This is due to the company's net income decreasing and sales expenses increasing.

There is the problem of decreasing performance of PT PP Properti Tbk (PPRO), which experienced a decrease in net profit of 45.23% in the financial report for January-September 2019 (Financials, 2019). PPRO's subsidiary, namely PT Pembangunan Perumahan (Persero) Tbk, also experienced a decline in realty sales in the same period (CNBC Indonesia, 2019). In 2021, there was a decline in company performance at PT Kino Indonesia Tbk (KINO) (investasi.kontan.co.id, 2021). KINO's financial report recorded revenue of IDR 946 billion, which decreased from the previous year's IDR 1.11 trillion.

One of the factors for achieving a good level of company performance is the implementation of internal company management. A well-managed internal corporate governance (ICG) system plays an important role in improving company performance more effectively.

A well-controlled ICG plays an important role in improving the company's image and shareholder trust. One of the ICG bodies that plays an important role in the company is the chief executive officer (CEO). The CEO has a significant contribution in improving company performance, one of which is being responsible for managing company operations.

The ICG organ, namely the composition of the board, which consists of the independence of the board of directors and the size of the board of directors, also plays an important role in company performance. Independent directors uphold the best interests of shareholders, employees, customers and the entire organization. Director independence is the directors not being influenced by internal or external forces, and the board to reach the right decisions. The size of the board of directors consisting of a group of director members is also useful for improving the company. Directors set goals and monitor management's work to ensure they carry out the company's mission in achieving business targets.

Apart from board composition, the ownership structure consisting of managerial ownership and ownership concentration also plays an important role in improving company performance. High management participation in a company can reduce agency problems because management participation in share ownership aligns the manager's interests with the interests of other shareholders, thereby allowing managers to act rationally.

ICG organs are responsible for increasing company profits in various ways, one of which is implementing social responsibility activities or *corporate social responsibility* (CSR). CSR is considered capable of improving the company's image which indirectly also increases company profits (Jizi et al., 2014; Wati & Malik, 2021). CSR serves as an important control mechanism to motivate corporate governance bodies to participate in social practices.

Research on the relationship between ICG and CSR on company performance has been widely studied by previous researchers. However, there are some inconsistent research results, so researchers are interested in further examining the relationship between ICG and CSR on company performance. Like research Lu et al. (2021) who found a significant positive relationship between the independence of the board of directors and company performance. Meanwhile, research results El-Faitouri

(2014) which examines the same variable, produces an insignificant effect between the two variables.

The research samples tested in this study were companies listed on the Indonesian Stock Exchange (BEI) that published their shares and an annual report and sustainability report for 2017-2021. Apart from that, this research also uses CSR as a moderator of the relationship between ICG and company performance to see whether CSR disclosure by companies can strengthen or weaken the relationship between ICG and company performance. In Indonesia, research on the influence of CSR on company performance has been widely studied by previous researchers, but research on the moderating role of CSR in the relationship between ICG and company performance in companies listed on the IDX has not been tested further. Therefore, the author is interested in examining how the relationship between ICG and company performance is moderated by CSR. This research hopes that CSR practices can help company management in improving company performance and reducing the problem of declining company performance, especially companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theoretical review

Agency Theory

This theory was put forward by Jensen and Meckling (1976) to understand the relationship where principals (shareholders) employ agents (management) in carrying out various activities on behalf of the principal and delegate decision-making power to managers. The participation of all board members can create fairness in decision making which increases trust in the company and attracts more investors. The relationship between the agent and the principal is generally related to the information that exists between the principal and the agent which leads more to a conflict of interest between the two parties (Elms & Berman, 1997).

Stakeholder Theory

Stakeholder theory was put forward by Freeman (2001) which supports the role of social responsibility in improving company performance. Jizi et al. (2014) stated that internal corporate governance always looks for ways to increase company profits. Therefore, they consider CSR to improve the company's image, which automatically increases the company's profits.

This stakeholder theory also supports the moderating role of CSR because ICG uses effective ways to save the interests of company stakeholders with the help of CSR. CSR puts pressure on ICG to work for company performance and a positive corporate image. Stakeholder care is very important for corporate governance practices and convincing CSR practices for all stakeholders (Brown & Forster, 2013)

Company performance

Company performance is the success achieved by a business in implementing the tactics implemented through selected strategic initiatives (Nugrahayu & Retnani, 2015). Company performance is a reflection of a company which determines whether the company is able to manage and use its resources wisely (Hendi & Nethania, 2021).

Each company has different performance where good performance can result in higher sales and profits.

Company performance can be measured using various measurement methods. In this research, company performance is measured by measuring economic value added (EVA) and sustainable growth rate (SGR). EVA is a measurement of company profits to assess whether the profits earned by the company can finance the company's capital costs and operational costs in a certain period (Utomo, 2019). Meanwhile, SGR is a measurement of company performance to assess how much the company can grow optimally without using additional capital or debt in a certain period (B. Gunawan & Leonnita, 2015).

Hypothesis Development

The Influence of CEO Power on Company Performance

The CEO is the highest position of the company who has the task of leading and being responsible for the stability of the company. The higher the CEO's power within the company, the greater the influence on good company performance. The power of the CEO is very important for companies in disclosing information that leads to higher profits.

A strong CEO not only works to increase profits, but also for the long-term survival of the company. This means that if the CEO does not have power within the company, it will result in low company performance.

Study by Noval (2015) shows that CEO power has a significant positive effect on company performance. CEOs with higher power can override decisions and avoid interference from top management. When a company needs support and backup by top management to accelerate performance improvements, a strong CEO can also support and make decisions that can positively affect company value.

H1: CEO power has a significant positive effect on company performance.

The Influence of Board of Directors Independence on Company Performance

The independence of the board of directors in the t test results does not have a significant influence on company performance in EVA and SGR measurements. These results reflect that the presence of independent directors in a company cannot influence the increase in company performance. The insignificant influence of the independence of the board of directors could also be due to the ineffective role of independent directors in supervising the actions and decisions taken by other boards of directors. The results of this test are not in line with hypothesis 2 in this study. However, the results of this test are in line with research by Mohan and Chandramohan (2021), Elfaitouri (2014), and Aprilliani and Totok (2018) which shows that the independence of the board of directors does not have a significant effect on company performance.

The Effect of Board of Directors Size on Company Performance

The size of the board of directors is measured by the number of members of the board of directors in the company. Director involvement can create fairness in decision making (Lu et al., 2021). Directors are an important decision-making function for the company, but the size of the board of directors with a large number of members

can influence the decision-making process and the effectiveness of the members of the board of directors.

Based on a study by Kao et al. (2019), the size of the board of directors has a significant negative impact on company performance. Kamardin (2014) believes that if the number of leadership members is more than 10 people, then decision making will be difficult.

In contrast to the views of the researchers above, in Mayur and Saravanan's (2017) research, the size of the board of directors has a significant positive influence on company performance. A study by Mishra and Kapil (2018) also found that there was a significant positive correlation between the size of the board of directors and company performance. The study also shows that the relationship between corporate governance and performance depends on the actions taken to improve performance. H3: The size of the board of directors has a significant negative effect on company performance.

The Influence of Managerial Ownership on Company Performance

Managerial ownership is measured by the size of the company leadership's share ownership. Based on agency theory, conflict between leaders and shareholders occurs because of the separation of control over company activities and ownership of company shares. With share ownership, leaders also act as rulers and controllers of the company, so they are more motivated and careful in improving company performance.

Al-Ghamdi and Rhodes (2015) researched that managerial ownership can have a significant positive effect on company performance. The same research findings by Lestari and Juliarto (2017), Fadillah (2017), as well as Gunawan and Wijaya (2020) shows that managerial ownership is significantly positively related to company performance. Researchers who found a significant negative relationship between these two variables were Listyawati and Kristiana (2019), Ogabo et al. (2021), as well as Andriana and Panggabean (2017).

H4: Managerial ownership has a significant positive effect on company performance.

The Effect of Ownership Concentration on Company Performance

Ownership concentration is measured by the percentage of share ownership by the main shareholder or top 5 shareholders. Based on agency theory, with concentration of ownership, shareholders can more easily monitor management performance in improving the company's sustainability. With the supervision in question, it will help investors to prevent unilateral decision making by management.

Yasser (2017) shows in his research that ownership concentration has a significantly positive relationship with company performance. Research on the significant positive influence of ownership concentration on company performance was also found in the research Detthamrong et al. (2017), Gaur et al. (2015), and Shao (2019).

The results of the research are not in line with the research above, namely research by Wang and Shailer (2015) as well as Rafique et al. (2015). Their study shows that there is no relevant influence between ownership concentration and company performance.

H5: Ownership concentration has a significant positive effect on company performance.

The Influence of Audit Quality on Company Performance

Audit quality is measured by the amount paid by the company for audit services by the auditor. The better audit services provided by auditors do not necessarily guarantee an increase in a company's performance. This is because to obtain accurate audit information, the company must incur a number of costs which can increase the company's burden.

In the other hand, Matoke (2016) believes that audit quality is very helpful in improving company performance. Sattar et al. (2020), Mulyadi, (2017) also argue that audit quality has a significant positive impact on improving company performance. The studies that found an insignificant relationship between the two variables were Tanko and Saman (2019) and Agasha and Monametsi (2020).

H6: Audit quality has a significant negative effect on company performance.

The Influence of CSR on Company Performance

Social responsibility is a form of voluntary corporate contribution in the environmental and social fields to achieve company goals. Disclosure of corporate social responsibility is obtained from the company's annual report and sustainability report. The more disclosure of corporate social responsibility will provide a positive view from stakeholders such as customers and the general public, so that investors are motivated to invest capital in the company. With a lot of capital invested, it will be easier for the company to increase the profits it wants to achieve. Therefore, social responsibility can have a significant positive impact on company performance.

Study Nugroho and Rahardjo (2014) found that social responsibility has a significant positive effect on company performance. Other research that supports the significant positive influence between social responsibility and company performance is research conducted by Adnyani et al. (2020) and Lu et al. (2021).

H7: CSR has a significant positive effect on company performance.

The Moderating Role of CSR in the Influence of Internal Corporate Governance on Company Performance

Company performance can be achieved through social responsibility activities. Javeed and Lefen (2019) argue that social responsibility has a significantly positive relationship with company performance. This shows that implementing social responsibility activities can add to a good reputation for companies that focus on increasing company profits.

According to Javeed et al. (2020), ICG which consists of CEO power, managerial ownership and ownership concentration has an important role in developing social responsibility. Then they also stated that social responsibility plays an important role in company performance. A good ICG system has the potential to carry out social activities for a better company image in the eyes of stakeholders, which leads to increased company profits.

In the other hand, several researchers have proven that the size of the board of directors and the independence of the board of directors also play a role in expressing and implementing social responsibility, as revealed in research Grace and

Odoemelum (2018). Rabbi (2019) examines the relationship between the size of the board of directors and managerial ownership with CSR disclosure in Jordan. The research also states that there is a significant positive relationship between the size of the board of directors and social responsibility. Ownership concentration has a significant positive relationship with social responsibility practices (Prasetio & Rudyanto, 2020). Apart from that, social responsibility practices also play an important role when viewed from the audit side, where the audit process will reveal what the company does in terms of social activities.

H8a: CSR strengthens the relationship between CEO power and company performance.

H8b: CSR strengthens the relationship between independent directors and company performance.

H8c: CSR strengthens the relationship between board size and company performance.

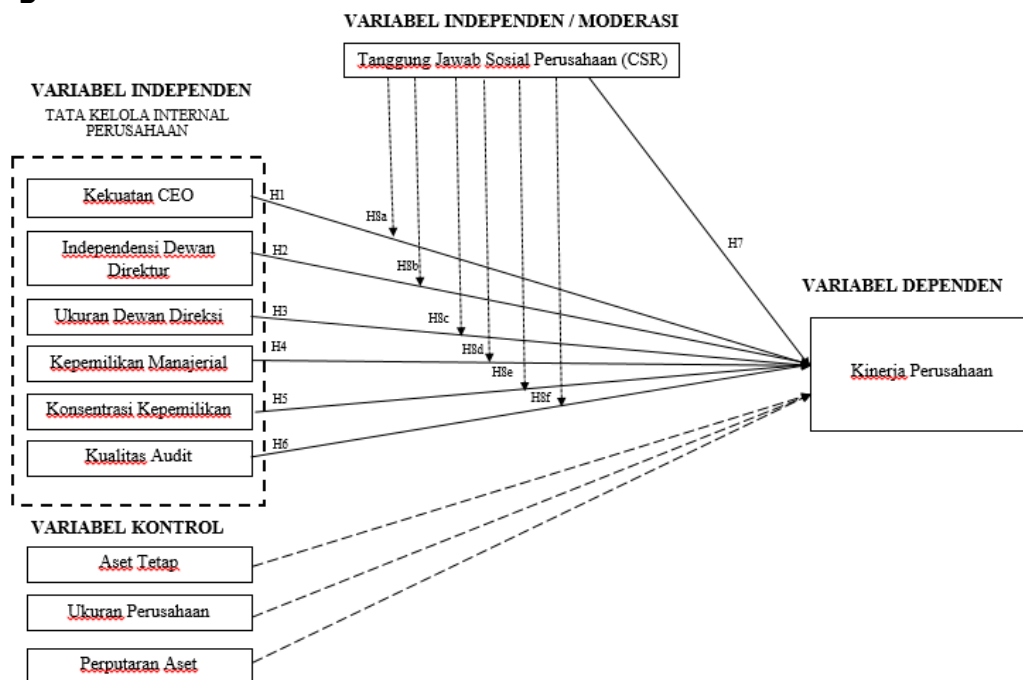
H8d: CSR strengthens the relationship between managerial ownership and company performance.

H8e: CSR strengthens the relationship between ownership concentration and company performance.

H8f: CSR strengthens the relationship between audit quality and company performance.

Research Model

Figure 1 Research Model



Source: Processed Data (2023)

RESEARCH METHODS

The sample data in this research are the annual and sustainability reports of companies listed on the Indonesia Stock Exchange (BEI) with a total sample of 240 data. Research data is downloaded via the website www.idx.co.id and the company's official website. The research sample used was the purposive sampling method. The criteria for selecting sample data in this research include: (1) companies listed on the

IDX consecutively during 2017-2021 (5 years); (2) companies that publish annual reports and sustainability reports using the 2016 GRI (Global Reporting Initiative) standard as a CSR measurement index for 2017-2021; and (3) companies that report audit fees in consecutive annual reports during 2017-2021. Based on the sample selection criteria above, the companies used as research samples were 48 companies which are detailed in the following table:

Table 1. Sample and Research Data

Information	Number of Companies
The company is listed on IDX shares as of December 31, 2021	767
Companies whose shares are not listed in a row during 2017-2021	(219)
Incomplete companies publish annual reports and sustainability reports using the 2016 GRI standards in a row during 2017-2021	(495)
Companies that do not report audit fees in financial statements	(5)
Number of companies as research samples	48
Amount of research data (48 companies x 5 data)	240

Source: Processed data (2023)

The table above shows that 767 companies are listed on the IDX. There were 219 companies whose shares were not listed in a row between 2017-2021 so they were not used as research samples. Apart from that, there were also 495 companies that successively published incomplete annual reports and accountability reports according to the 2016 GRI Standards in 2017-2021. As many as 5 companies did not report audit fees in their financial reports. After carrying out the sampling process, finally 48 companies with a total of 240 data were used as samples in this research.

The panel regression equation from the research model above is presented as follows.

1. $EVA_{it} = \alpha + \beta_1 CEOPOWER_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 OC_{it} + \beta_5 MO_{it} + \beta_6 AQ_{it} + \beta_7 CSR_{it} + \beta_8 PPE_{it} + \beta_9 FS_{it} + \beta_{10} AT_{it} + \epsilon_{it}$
2. $SGR_{it} = \alpha + \beta_1 CEOPOWER_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 OC_{it} + \beta_5 MO_{it} + \beta_6 AQ_{it} + \beta_7 CSR_{it} + \beta_8 PPE_{it} + \beta_9 FS_{it} + \beta_{10} AT_{it} + \epsilon_{it}$
3. $EVA_{it} = \alpha + \beta_1 CEOPOWER_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 OC_{it} + \beta_5 MO_{it} + \beta_6 AQ_{it} + \beta_7 CSR_{it} + \beta_8 CEOPOWER * CSR_{it} + \beta_9 BI * CSR_{it} + \beta_{10} BS * CSR_{it} + \beta_{11} OC * CSR_{it} + \beta_{12} MO * CSR_{it} + \beta_{13} AQ * CSR_{it} + \beta_{14} PPE_{it} + \beta_{15} FS_{it} + \beta_{16} AT_{it} + \epsilon_{it}$
4. $SGR_{it} = \alpha + \beta_1 CEOPOWER_{it} + \beta_2 BI_{it} + \beta_3 BS_{it} + \beta_4 OC_{it} + \beta_5 MO_{it} + \beta_6 AQ_{it} + \beta_7 CSR_{it} + \beta_8 CEOPOWER * CSR_{it} + \beta_9 BI * CSR_{it} + \beta_{10} BS * CSR_{it} + \beta_{11} OC * CSR_{it} + \beta_{12} MO * CSR_{it} + \beta_{13} AQ * CSR_{it} + \beta_{14} PPE_{it} + \beta_{15} FS_{it} + \beta_{16} AT_{it} + \epsilon_{it}$

Research variable

The research variables consist of dependent variables (company performance measured by economic value added (EVA) and sustainable growth rate (SGR)), independent variables (power of the CEO, independence of the board of directors, size of the board of directors, ownership concentration, managerial ownership, audit

quality), independent/moderating variables (social responsibility), as well as control variables (fixed assets or plant, property, equipment (PPE), company size, and asset turnover).

Dependent Variable

Company performance can be measured by measuring economic value added (EVA) and sustainable growth rate (SGR). According to Stewart (1994), EVA is a measurement of company performance that reflects the actual net profit value of a company. In its calculation, EVA consists of 3 main components, including: (1) NOPAT (Net Operating Profit After Tax) or net profit after tax; (2) WACC (Weighted Average Cost of Capital); and CE (Capital Employee). Calculation of company performance using the EVA method is presented as follows:

$$EVA = NOPAT - (WACC \times CE)$$

Information:

NOPAT = net profit after tax

WACC = $(1 - t) \times rd \times (D / (D+E)) + re \times E / (D+E)$

D = total debt / total debt + total equity

E = total equity / total debt + total equity

rd = interest expense / total long-term debt

re = net profit after tax / equity

t = tax expense / net profit before tax

CE = total company equity

Meanwhile, SGR is a measure of company performance which reflects the percentage increase in the company's annual sales based on the company's financial policies. The SGR calculation is based on research previously conducted by Feng *et al.* (2018) presented as follows:

$$SGR = \frac{PM \times (1-D) \times (1+L)}{T - \{PM \times (1-D) \times (1+L)\}}$$

Information:

PM = profit margin

D = dividend payout ratio

L = ratio of total debt to equity.

Q = ratio of total assets to sales.

Independent Variable

The power of the CEO

CEO power data was obtained from the company's annual report in the profile section of the main director or president director. The CEO power formula is measured by the measurement index according to Bhatt V (2020) which is presented in the following table:

Table 2. CEO Power Measurement Index

Power structure	Variable	Definition	Source
Structural strength	CEO duality	If there is a family relationship between the board of directors and commissioners = 1; otherwise = 0	Deviesa and Lemmuela (2017)

The power of ownership	CEO Stock	If the CEO owns company shares = 1; otherwise = 0	Holten and Bøllingtoft (2015)
The power of expertise	CEO tenure	If CEO tenure is longer than average employee tenure = 1; otherwise = 0	Holten and Bøllingtoft (2015)
Prestige power	CEO Education	If the CEO has a Master's degree or above = 1; otherwise = 0	Holten and Bøllingtoft (2015)
Demographic forces	Gender of CEO	If the CEO is male = 1, otherwise = 0	Holten and Bøllingtoft (2015)
CEO power measurement index	The total of five measures of CEO power		

Source: Processed data (2023)

Independence of the Board of Directors

Board independence (BI) is the percentage of the number of independent directors to the number of board of directors in the company (Alqatan et al., 2019). Research data on the independence of the board of directors was obtained from the company's annual report in the profile of independent directors and the number of directors. The formula for calculating the independence of the board of directors according to Zaid et al. (2020) presented as follows:

$$\text{Independensi Dewan Direksi} = \frac{\text{Jumlah direktur independen}}{\text{Jumlah anggota direksi}}$$

Size of the Board of Directors

The size of the board of directors or board size (BS) is the total number of members of the company's board of directors, both internal and external directors (Alshetwi, 2017). Research data on the size of the board of directors was obtained from the annual report in the profile section of the board of directors. The formula for calculating the size of the board of directors according to Vitolla et al. (2020) presented as follows:

$$\text{Ukuran Dewan Direksi} = \text{Jumlah keseluruhan anggota dewan direksi}$$

Concentration of Ownership

Ownership concentration (OC) is the percentage of shares owned by the five main shareholders (Javeed & Lefen, 2019). Ownership concentration research data was obtained from the company's annual report in the composition of major shareholders. Ownership concentration calculation formula according to Javeed et al. (2020) presented as follows:

$$\text{Konsentrasi Kepemilikan} = \text{Persentase kepemilikan lima pemegang saham utama}$$

Managerial ownership

Managerial ownership (MO) is the percentage of shares owned by company management. Managerial ownership research data was obtained from the company's annual report in the shareholding composition section of the board of directors and commissioners. Managerial ownership calculation formula according to Javeed et al. (2020) presented as follows:

$$\text{Kepemilikan Manajerial} = \frac{\text{Jumlah saham yang dimiliki oleh manajemen}}{\text{Jumlah saham yang beredar}}$$

Audit Quality

Audit quality (AQ) is the amount of fees for company financial report audit services paid to public accountants. Audit fee data is obtained from the company's annual report to the public accounting department. Audit quality calculation formula according to Sun et al. (2020) presented as follows:

$$\text{Kualitas Audit} = \text{Biaya audit hukum (audit fee)}$$

Independent/Moderating Variables

In this research, social responsibility or corporate social responsibility (CSR) is used as an independent and moderating variable. CSR research data is obtained from company sustainability reports. CSR disclosure is obtained from the combined score of three measurement indicators which include 13 economic items, 30 environmental items and 34 social items. The CSR measuring standard in this research is the 2016 GRI standard with a total of 77 disclosures. In this research, the company gets a score of 1 if the item disclosed is included in the list of CSR disclosures based on the 2016 GRI standard, and 0 if it is not disclosed. CSR calculation formula according to Muhammad Ikbal (2019) presented as follows:

$$\text{ICSR} = \frac{\sum_{i=1}^n X_i}{N}$$

Information:

ICSR = Index *Corporate Social Responsibility*

n = company item disclosure figure

X_i = 1 if item is disclosed, 0 if not disclosed

Control Variables

Fixed assets (PPE)

Fixed assets are measured by the percentage between the total acquisition price of the company's fixed assets and the number of sales that occurred during the current period. According to Lu et al. (2021) the fixed asset formula is explained as follows:

$$\text{Aset Tetap} = \frac{\text{Plant, Property, Equipment}}{\text{Total penjualan}}$$

Company Size (FS)

Company size is measured using the logarithm of total company assets. According to Javeed et al. (2020), the company size formula is explained as follows:

$$\text{Ukuran Perusahaan} = \text{Natural Log Total asset}$$

Asset Turnover (AT)

Asset turnover is measured by dividing total sales by total assets. According to Javeed et al. (2020), the asset turnover formula is explained as follows:

$$\text{Perputaran Aset} = \frac{\text{Total penjualan}}{\text{Total aset}}$$

RESEARCH RESULTS AND DISCUSSION

Descriptive statistics

The data used in descriptive statistical testing is secondary data obtained from the BEI as the object of this research. Data was collected from annual report data and company sustainability reports from 2017-2021. Next, testing was carried out with the SPSS version 25 application to determine the amount of data that could be used after outliers.

This research examines company performance (FP) with EVA and SGR measurements as dependent variables. The independent variables in this study are CEO power (CP), board of directors independence (BI), board of directors size (BS), managerial ownership (MO), ownership concentration (OC), audit quality (AQ), and social responsibility (CSR). . This research also uses several control variables, including fixed assets (PPE), company size (FS), and asset turnover (AT).

Table 3 Descriptive Statistical Test Results for Ratio Variables

	N	Minimum	Maxim	Average	Std. Deviation
Economic value added (EVA) (in millions)	240	-88,981,214	40,510,346	-3,238,378	9,181,449
Sustainable growth rate (SGR)	240	-38.6956	13.8539	0.1508	2.7716
Independence of the board of directors (BI)	240	0.0000	0.3333	0.0506	0.0908
Size of the board of directors (BS)	240	3,0000	17,0000	6.7875	2.5907
Managerial ownership (MO)	240	0.0000	0.0995	0.0039	0.0148
Ownership concentration (OC)	240	0.3364	0.9887	0.7072	0.1431
Audit quality (AQ) (in thousands)	240	90,000.	997,500,000	9,324,223	64,805,474
Social Responsibility (CSR)	240	0.0130	0.8701	0.3287	0.1501
Fixed assets (PPE)	240	0.0338	23.4395	1.1236	1.9516
Company size (FS) (in millions)	240	2,510,078	1,725,611,128	159,127,487	324,990,990
Asset turnover (AT)	240	0.0047	2.0927	0.5052	0.4500

Source: SPSS Output (2023)

Based on Table 3 above, the number n of 240 indicates the amount of data tested. The average EVA value shows a result of -3,238,378,203,633.427, which means that the sample company is not experiencing economic growth (EVA < 0). The average SGR value shows a result of 0.1508, which means that the sample company

can grow safely at a growth rate of 15.08% with available funding sources and earned income and without incurring additional debt.

The minimum score for independence of the board of directors is 0.0000, because some sample companies still do not have independent directors, the maximum score is 0.3333, on averagemean 0.0506, and standard deviation score 0.0908. The board of directors size variable shows a minimum of 3 people, a maximum value of 17 people on BMRI, an average of 6.7875, and a standard deviation of 2.5907.

Management ownership has a minimum ownership value of 0.0000, a maximum ownership value of 0.0995, an average of 0.0039, and a standard deviation of 0.0148. This is because on average the management of the sample company does not own shares in the company, which can lead to shareholder conflicts in improving company performance.

The average ownership concentration variable is 0.7072. This indicates that as many as 0.7072 shares of the sample company are owned by the main shareholder. The audit quality variable produces the lowest cost of IDR 90,000,000.00 at BJBR, the highest cost is IDR 997,500,000,000.00 at PTPP, the average cost is IDR 9,324,223,667.17, and the standard deviation value is IDR 64,805,474,532. 95.

The CSR variable has the smallest value of 0.0130 in ADHI in 2017, the largest value is 0.8701 in ABMM in 2021, the average value is 0.3287 which is quite bad (< 50%), and the standard deviation is 0.1501. The fixed asset control variable (PPE) has a minimum value of 0.0338, a maximum value of 23.4395, an average value of 1.1236, and a standard deviation value of 1.9516 indicating high variation in the data in the sample.

Meanwhile, the company size (FS) variable shows a minimum value of IDR 2,510,078,000,000.00 in the 2017 MLBI, a maximum value of IDR 1,725,611,128,000,000.00 in the 2021 BMRI, an average value of IDR 159,127.487,224,191.38, and the standard deviation value is IDR 324,990,990,068,592.00.

The final control variable in this research, namely asset turnover (AT), shows a minimum figure of 0.0047 in BUMI in 2017, a maximum figure of 2.0927 in UNVR in 2020, an average figure of 0.5052, and a standard deviation figure of 0.4500. BUMI's AT value is classified as very low because the assets owned are greater than the sales obtained during 2017.

Table 4 Descriptive Statistics Test Results for Dummy Variables

Variable	Category	Frequency	Percent
The power of the CEO	0	5	2.1
	1	24	10
	2	112	46.7
	3	66	27.5
	4	25	10.4
	5	8	3.3

Source: SPSS Output (2023)

Sample data is categorized as 0 if the CEO does not meet the 5 components consisting of CEO duality, CEO share ownership, CEO tenure, CEO education, and CEO gender. Each component is given a score of 1 if the CEO of the sample company meets the criteria for that component. The higher the number of scores produced, the greater the impact a CEO will have on making decisions to improve company performance. The test results above show that only 3.3% of companies meet the CEO strength

criteria, namely ABMM and MEDC. The majority of companies with a percentage of 46.7% only meet 2 CEO strength criteria.

Outlier Test

Table 5 Outlier Test Results

	Model 1 (data)	Model 2 (data)	Model 3 (data)	Model 4 (data)
The amount of data before outliers	240	240	240	240
Number of outlier data	(36)	(3)	(31)	(12)
Amount of research data	204	237	209	228

Source: Secondary data processed (2023)

The outlier test results in model 1 showed 36 outlier data, so the remaining research data in model 1 was 204 data. Furthermore, model 2 shows 3 outlier data, so the remaining research data in model 2 is 237 data. Model 3 shows 31 outlier data, so the remaining research data in model 3 is 209 data. Model 4 shows 12 outlier data, so the remaining research data in model 4 is 228 data.

Chow Test Results

Table 6 Chow Test Results

Model	Effect Test	Prob.	Conclusion
Model 1	<i>Chi-square cross-section</i>	0.0000	<i>Fixed Effect Model</i>
Model 2	<i>Chi-square cross-section</i>	0.0000	<i>Fixed Effect Model</i>
Model 3	<i>Chi-square cross-section</i>	0.0000	<i>Fixed Effect Model</i>
Model 4	<i>Chi-square cross-section</i>	0.0058	<i>Fixed Effect Model</i>

Source: Eviews Output (2023)

Table 6 shows the test results *Chow* with the chi-square probability value. A probability of less than 0.05 indicates that the best panel regression model is FEM. Therefore, selecting the best model from the four above will proceed to the Hausman test.

Hausman Test Results

Table 7 Hausman Test Results

Model	Effect Test	Prob.	Conclusion
Model 1	<i>Random cross-section</i>	0.9428	<i>Random Effect Model</i>
Model 2	<i>Random cross-section</i>	0.0080	<i>Fixed Effect Model</i>
Model 3	<i>Random cross-section</i>	0.9494	<i>Random Effect Model</i>
Model 4	<i>Random cross-section</i>	0.0009	<i>Fixed Effect Model</i>

Source: Eviews Output (2023)

A probability below 0.05 indicates that the best model is FEM, while a probability above 0.05 proves that the best panel regression model is REM. Based on the Hausman test results above, the best model for models 1 and 3 is REM, then for models 2 and 4 is FEM. Therefore, selecting the best model in models 1 and 3 will proceed to the lagrange multiplier test.

Lagrange Multiplier Test Results

Table 8 Lagrange Multiplier Test Results

Model	Effect Test	Prob.	Conclusion
Model 1	Breusch-Pagan	0.0000	Random Effect Model
Model 2	-	-	-

Model 3	Breusch-Pagan	0.0000	Random Effect Model
Model 4	-	-	-

Source: Eviews Output (2023)

The table above displays the test results *lagrange multiplier* using Breusch-Pagan probability values. A probability of more than 0.05 proves that the best panel regression model is CEM, while a probability of less than 0.05 proves that the best panel regression model is REM. Based on the lagrange multiplier test results above, the best model for models 1 and 3 is REM.

F Test Results

Table 9 F Test Results

Model	Prob. (F-statistic)	Conclusion
Model 1	0.0000	Significant
Model 2	0.0054	Significant
Model 3	0.0000	Significant
Model 4	0.0000	Significant

Source: Eviews Output (2023)

If the probability value is greater than 0.05, then the results show that the independent variable does not have a significant effect on the dependent variable. Then if the probability value is less than 0.05, then the results show that the independent variable influences the dependent variable significantly. The probability value of the F test in the 4 models above has a value of less than 0.05. This indicates that all independent variables in the four models have a significant effect on the dependent variable.

t Test Results

Table 10 T test results (Model 1 and Model 2)

	Model 1		Model 2	
	Coefficient	Prob.	Coefficient	Prob.
CP	5.3400	0.6035	0.0385	0.4206
BI	-1.3800	0.0962	0.4754	0.6381
BS	-1.7500	0.0047	0.0277	0.6977
M.O	9.4300	0.4226	-14.8231	0.6282
O.C	-5.1000	0.6490	0.0594	0.0026
I	-34.4048	0.0237	0.0000	0.9328
CSR	1.2200	0.8100	-0.7950	0.9475
PPE	9.9100	0.4567	-0.0351	0.1692
F.S	-5.9000	0.0023	0.5931	0.2808
AT	8.3400	0.0525	-0.7494	0.3898

Source: Eviews Output (2023)

The Influence of CEO Power on Company Performance

The influence of CEO power shown in Table 4.9 does not have a significant impact on company performance in the EVA and SGR measurements. The results of this test are not in line with hypothesis 1 in this study. However, the results of this test are supported by the results of tests carried out by Claxton et al. (2015), Noval (2015). Testing of CEO power as proxied by CEO duality, CEO tenure, CEO share ownership, CEO education, and male CEO has not been able to provide significant results for company performance.

Kaur and Singh (2018) explained in his research that a CEO's education does not have a significant influence on company performance. High or low education does not necessarily determine that a CEO has good skills in improving company performance (Zandi et al., 2015). Tien et al. (2013) testing that a short or long CEO tenure does not guarantee that the CEO controls information about the company, so that the decisions taken may not necessarily affect increasing profits. Company performance is not influenced by the CEO's gender diversity, but is more determined by the CEO's abilities (Gunawan & Wijaya, 2021).

The Influence of Board of Directors Independence on Company Performance

The independence of the board of directors in the t test results does not have a significant influence on company performance in EVA and SGR measurements. These results reflect that the presence of independent directors in a company may not necessarily influence the increase in company performance. Lack of understanding about the company can also be one of the reasons independent directors are less able to monitor company management in improving company performance. The results of this test are not in line with hypothesis 2 in this research. However, the results of this test are in line with research by Pranata et al. (2019), Mohan and Chandramohan (2021), and Elfaitouri (2014) which shows that the independence of the board of directors has no relevant effect on company performance.

The Effect of Board of Directors Size on Company Performance

The effect of the size of the board of directors shown in the t test results is significantly negative on company performance (EVA measurement). Kamardin's (2014) research states that increasing the number of directors makes it difficult for companies to make decisions. The results of this test are also in line with research by Rashid (2018), Mohan and Chandramohan (2021), and Yilmaz and Buyuklu (2016). The results of this test are in line with hypothesis 3 in this study.

The SGR measurement shows that the size of the board of directors is not significantly related to company performance. These observation results are in line with research by Kao et al. (2019) and Honi et al. (2020). This reflects that management decision making in improving company performance is not influenced by the large or small number of board of directors in the company.

The Influence of Managerial Ownership on Company Performance

Based on the results of the t test, it is known that company performance is not significantly influenced by managerial ownership, both in EVA and SGR measurements. The average share ownership of managers in sample companies is still very small, so management ownership does not affect company profits. The results of this test are not in accordance with hypothesis 4 of this study, but these results are in accordance with the research of Adnyani et al. (2020), Ogabo et al. (2021), and Andriana and Panggabean (2017).

The Effect of Ownership Concentration on Company Performance

The t test results in Table 10 show that ownership concentration and company performance do not have a significant effect on the EVA measurement. These results indicate that the increase in a company's performance is not influenced by the large

or small percentage of major share ownership. This is because the company always strives to act fairly to all investors without distinguishing between the portion of shares owned. Although the results of this test are not in accordance with hypothesis 5 in this study, these results are in line with the research results of Wikartika and Akbar (2020).

In measuring SGR, the test results show that ownership concentration has a significant positive effect on company performance. The results of this test are in accordance with hypothesis 5 of this study. The results of this test are also consistent with the research results of Wang and Shailer (2015), Lu et al. (2021), and Feng et al. (2018). This shows that concentrated and stable ownership can influence effective company performance. By separating ownership and control, it is hoped that management can improve company performance through the expertise and knowledge possessed by management.

The Influence of Audit Quality on Company Performance

Audit quality has a significant negative effect on company performance in the EVA measurement presented in Table 10. This reflects that audit quality as measured by audit fees reduces company performance. The greater the audit costs incurred by the company, the more the company's burden will increase. The results of the EVA measurement t-test are in accordance with hypothesis 6 of this study, so hypothesis 6 is accepted. However, the results of this test contradict the research of Sattar et al. (2020), Masood and Afzal (2016) and Matoke (2016) who state that audit quality has a significant positive effect on company performance.

SGR measurements show that company performance is not significantly influenced by audit quality. These results indicate that audit fees do not affect the increase in a company's performance. The results of this test are in line with the research results of Susanti et al. (2018) and Tanko and Saman (2019).

The Influence of CSR on Company Performance

Judging from Table 10, CSR does not have a significant effect on company performance by measuring EVA and SGR. The results of this test are in accordance with research by Septiyana et al. (2020) and Mustafa and Handayani (2016) who found that CSR disclosure did not have a significant effect on company performance. This reflects that CSR disclosure by a company does not guarantee investor interest in investing capital, where it is the company's obligation to report CSR activities in the annual report as stipulated in Financial Services Authority (OJK) Regulation Number 51 of 2017. Hypothesis 7 which states that there is a significant positive influence of social responsibility on company performance is rejected in this test by measuring EVA and SGR.

The Moderating Role of Social Responsibility in the Relationship between Internal Governance and Company Performance

Table 11 T test results (Model 3 and Model 4)

	Model 3		Model 4	
	<i>Coefficient</i>	<i>Prob.</i>	<i>Coefficient</i>	<i>Prob.</i>
CP	7.0300	0.6841	2,2000	0.0000
BI	-2.7700	0.1003	-6.2300	0.0049
BS	-3.1400	0.0029	-1.2800	0.0000
M.O	-2.5400	0.1389	-9.3400	0.0923

O.C	2.1400	0.1809	1.2700	0.0189
I	-71.9337	0.0726	4.2400	0.0000
CSR	-7.6500	0.0200	1.5800	0.0501
CPXCSR	-1.4200	0.7273	-6.0200	0.0000
BIXCSR	3.7000	0.4919	-2.6300	0.6000
BSXCSR	4.9200	0.0436	3.5100	0.0000
MOXCSR	7.4600	0.0500	-2.9600	0.0026
OCXCSR	-3.3800	0.2614	7.4600	0.3478
AQXCSR	84.1589	0.4814	-1.7100	0.0000
PPE	1.0100	0.4534	9.1100	0.3612
F.S	-5.0200	0.014	-2.1000	0.0459
AT	8.5400	0.0532	-6.8600	0.6072

Source: Eviews Output (2023)

Based on Table 11, the test output shows that social responsibility cannot influence the relationship between CEO power and company performance with EVA measurements. This shows that the presence or absence of CSR practices in the company will not affect the CEO's power in improving company performance. Meanwhile, by measuring SGR, it was found that social responsibility weakened the positive significant relationship between CEO power and company performance. This reflects that social responsibility practices are less able to monitor the CEO's strong role in making decisions to improve company performance. These two test results contradict hypothesis 8a in this study, so hypothesis 8a is rejected.

Furthermore, it is shown in Table 11 that CSR does not affect the relationship between BI and FP (EVA and SGR). Even though CSR is a practice that companies must disclose, it cannot help independent directors in realizing good ICG to improve company performance. The test results are not in accordance with hypothesis 8b, so hypothesis 8b which states that CSR strengthens the relationship between BI and FP with EVA and SGR measurements cannot be accepted.

Then the test results in Table 11 also show the role of CSR in strengthening the significant negative relationship between BS and FP with EVA and SGR measurements. This reflects that CSR activities will reduce the function of many members of the board of directors in improving company performance. Disclosure of CSR by a large board of directors will lead to disputes between members of the board of directors in deciding what CSR practices will be carried out to improve company performance. These two test results are inconsistent with hypothesis 8c which states that social responsibility strengthens the relationship between board of directors size and company performance. Therefore, hypothesis 8c cannot be accepted.

Table 11 shows that CSR can strengthen the negative significant relationship between MO and FP (EVA). This reflects that the company's CSR activities will increase company expenditure, so that company management is worried about reducing the value of investment in the company. The SGR measurement shows that CSR weakens the relationship between MO and FP. This shows that CSR disclosure does not guarantee public interest in investing capital, so that management shares do not increase and company performance does not increase. These two test results prove that hypothesis 8d cannot be accepted.

Judging from Table 11, CSR cannot influence the influence of OC on FP with EVA and SGR measurements. This shows that CSR disclosure does not guarantee concentrated ownership in improving company performance. Although CSR disclosure can help shareholders control management performance, it can allow fraud of CSR

funds by management, so that company performance cannot improve. The two test results above contradict hypothesis 8e which reveals that CSR strengthens the relationship between ownership concentration and company performance, so the hypothesis is rejected.

Regarding the relationship between AQ and FP, the test results in Table 11 show that CSR cannot influence the relationship between the two variables with EVA as a measure of FP. This shows that CSR disclosure cannot influence the quality of company audits in improving company performance. Table 11 also shows that CSR cannot strengthen the relationship between AQ and FP with SGR measurements, but can weaken the significant positive relationship between the two. CSR disclosures will take up time in internal and substantial control testing by auditors, so that audit procedures for CSR disclosures cannot be carried out properly. This results in audit information being inaccurate, so that company performance cannot be improved optimally. The test results of the two models are not in accordance with hypothesis 8f in the research.

Adjusted R Square (R2) Test Results

Table 12 Adjusted R Square (R2) Test Results

Model	Adjusted R2	Percentage
Model 1	0.1952	19.52%
Model 2	0.0764	7.64%
Model 3	0.1990	19.90%
Model 4	0.5037	50.37%

Source: Eviews Output (2023)

Adjusted R Square used to test the percentage of suitability of the model, which is the influence of the independent variables, namely ICG and CSR on company performance. The results of the Adjusted R Square test in model 1 show an Adjusted-R2 value of 0.1952, which means that ICG and CSR can explain FP with EVA measurements worth 19.52% and the other 80.48% cannot be explained in this research.

Furthermore, the Adjusted R Square test in model 2 presents an Adjusted-R2 value of 0.0764, this indicates that ICG and CSR can explain FP with SGR measurements worth 7.64%, while the other 92.36% is not explained in the research.

In model 3, the test results show an Adjusted-R2 value of 0.1990. These results indicate that the independent variables and moderating variables can explain the dependent variable with an EVA measurement of 19.90%, while the other 80.10% is not explained in the research. These results also indicate that the presence of the CSR moderating variable in the relationship between ICG and company performance (EVA) can increase the percentage of model suitability by 0.38%.

And the final Adjusted R Square test results in model 4 show an Adjusted-R2 figure of 0.5037, which means that the independent variables and moderating variables can explain 50.37% of the dependent variable by SGR measurement, while the other 49.63% cannot be explained by this research. The Adjusted R Square results also indicate that the CSR moderating variable can strengthen the relationship between ICG and company performance (SGR) by 50.37%.

CONCLUSIONS AND RECOMMENDATIONS

The research shows the results that ownership concentration has a significant positive effect on company performance, while CEO power, independence of the board of directors, managerial ownership, and CSR do not affect the dependent variable, then the size of the board of directors and audit quality have a significant negative relationship with company performance. The research results show that CSR weakens the positive significant relationship between CEO power and audit quality on company performance. In addition, CSR cannot influence the significant negative relationship between board of directors independence and company performance. CSR cannot influence the positive significant relationship between ownership concentration and company performance. The research results also show that CSR strengthens the negative significant relationship between board size and company performance. CSR strengthens the insignificant relationship between managerial ownership and company performance.

The limitation of this research is that not all companies listed on the IDX were included as research data. This is due to the incomplete information required in this research regarding reports presented by a number of entities. The limitations found are that apart from ICG and CSR organs, there are still many other indicators that can influence improving business performance which are not explained in this research.

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