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THE EFFECT OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE

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Abstrak

Studi ini meneliti pengaruh Good Corporate Governance (GCG) dan Corporate Social Responsibility (CSR) terhadap kinerja keuangan perusahaan manufaktur di subsektor makanan dan minuman yang tercatat di Bursa Efek Indonesia periode 2021–2024. Data yang digunakan berupa data sekunder dari laporan tahunan dan laporan keberlanjutan dengan total 98 pengamatan yang disusun dalam bentuk panel data yang tidak seimbang. Metode penelitian menggunakan pendekatan kuantitatif dengan teknik regresi data panel dan pengolahan data menggunakan EViews 14. Hasil penelitian menunjukkan bahwa GCG memiliki pengaruh yang signifikan dengan arah negatif terhadap kinerja keuangan, sedangkan CSR tidak memiliki efek yang signifikan meskipun memiliki arah positif. Secara bersamaan, kedua variabel tersebut juga tidak memiliki pengaruh yang signifikan. Temuan ini menunjukkan bahwa GCG dan CSR belum menjadi penentu utama dalam meningkatkan kinerja keuangan perusahaan.

***Kata kunci**: Good Corporate Governance, Corporate Social Responsibility, Kinerja Keuangan, Regresi Panel Data, Panel Data Tidak Seimbang*

Abstract

This study examines the effect of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on financial performance in manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange for the 2021–2024 period. The data used are in the form of secondary data from the annual report and sustainability report with a total of 98 observations compiled in the form of an unbalanced data panel. The study applies a quantitative approach utilizing panel data regression analysis, with data processed using EViews 14. The findings indicate that Good Corporate Governance (GCG) has a statistically significant effect with a negative direction on financial performance, while Corporate Social Responsibility (CSR) does not exhibit a statistically significant effect even though it has a positive direction. Simultaneously, the two variables also have no significant effect. These findings show that GCG and CSR have not been the main determinants in improving the company's financial performance.

***Keywords**: Good Corporate Governanace, Corporate Social Responsibility, Financial Performance, Data Panel Regression, Unbalanced Data Panel*

1. INTRODUCTION

The evolving global business environment encourages companies to move beyond a sole focus on profit and to incorporate transparency, accountability, and sustainability into their operations. These expectations emerge as stakeholders become more conscious of the social and environmental consequences of corporate activities. Guidelines from Organisation for Economic Co-operation and Development (2015) and Global Reporting

Initiative (2021) standards emphasize the importance of integrating governance and sustainability principles in business strategies.

However, the implementation of these principles has not been fully optimal in company practices. Weaknesses are still found in internal supervision, information transparency, and the implementation of social responsibility that are not consistent (Syahirah et al., 2023). In the perspective of Agency Theory Jensen & Meckling (1976), this condition reflects a conflict of interest that has not been properly managed between management and shareholders. These conflicts can increase agency costs, as well as negatively impact the Company's financial performance.

In this context, the implementation of Good Corporate Governance (GCG) acts as a control mechanism to minimize agency conflicts. Good GCG practices can increase transparency, accountability, and effectiveness of supervision over management (OECD, 2015). With stronger supervision, management's opportunistic behavior can be suppressed, thereby increasing the company's operational efficiency. This efficiency ultimately contributes to the improvement of the company's financial performance (Hunjra et al., 2021).

In addition, Corporate Social Responsibility (CSR) also has a strategic role in improving company performance through a stakeholder approach. Based on Stakeholder Theory, companies must pay attention to the interests of all stakeholders to maintain business sustainability (Freeman, 1984). Good CSR implementation can increase social legitimacy and strengthen a company's reputation. A good reputation will increase investor confidence and consumer loyalty, which ultimately impacts increasing the company's profitability.

However, in practice, the implementation of Corporate Social Responsibility (CSR) in some companies is still symbolic and has not had a real impact on sustainability. Research by Syahirah et al., (2023) shows that CSR is often only used as a formality to comply with regulations. This indicates that CSR is highly dependent on the quality of its implementation in the company's business strategy.

This condition shows that the implementation of GCG and CSR is an important factor in improving company performance. GCG functions as a control mechanism to ensure transparency and accountability, while CSR plays a role in building relationships with stakeholders. This perspective is consistent with Stakeholder Theory, which highlights the importance of addressing stakeholder interests.

In Indonesia, the implementation of GCG and CSR disclosure has become mandatory, especially for companies listed on the Indonesia Stock Exchange and have an impact on the environment and society (Partiwi & Herawati, 2022). The regulation encourages companies to enhance governance quality and increase transparency in reporting social and environmental activities. However, the effectiveness of the implementation of these two aspects on financial performance still shows mixed results.

The relevance of this problem is increasingly seen in the processing industry sector which has a strategic role in the national economy. Based on BPS (2025), the processing industry sector contributes around 18.67% to the Gross Domestic Product (GDP) with the food and beverage subsector being the main contributor. This large contribution is followed by increasing demands on sustainability practices, especially in the management of resources and production waste.

In this context, several previous studies have indicated that (GCG) and (CSR) are associated with financial performance. Research by Kusuma & Yuniati (2024) on manufacturing companies in the food and beverage consumer goods subsector found that GCG and CSR have a positive effect on financial performance because they can increase

transparency and efficiency. In addition, CSR also increases investor reputation and trust, which has an impact on profitability (Freeman, 1984).

Similar findings were also conveyed by Ramadhana & Dharma (2025) in the food and beverage sector as well as showing the positive influence of GCG and CSR on financial performance. This is because companies that are active in social responsibility tend to have good relationships with stakeholders. These conditions contribute to increasing revenue and financial stability of companies.

However, other studies have reported inconsistent results. Research by Yogasuria et al., (2025) on the food and beverage sector and non-durable household products shows that GCG and CSR do not have a significant effect on financial performance. This is due to limited GCG measurement and CSR implementation, which tend to be formalistic and have not had a direct influence on profitability. In addition, the long-term benefits of CSR cause their impact to not always be visible on short-term financial performance.

The inconsistency in prior research findings highlights a notable research gap that warrants further exploration. Accordingly, this study targets manufacturing firms in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. It seeks to empirically investigate the impact of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on firm financial performance within this focused context.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency Theory put forward by Jensen & Meckling (1976) describes the contractual relationship between principal and agent, where the principal delegates decision-making authority to the agent. Differences in interests between both parties may lead to agency conflicts that can negatively influence company performance. Good Corporate Governance (GCG) is a mechanism to minimize these conflicts through increased transparency, accountability, and supervision. The effective implementation of Good Corporate Governance (GCG) can enhance management efficiency, which in turn positively affects the company's financial performance. **Stakeholder Theory**

Stakeholder Theory was first introduced by Freeman (1984) which states that the company is not only responsible to shareholders, but also to all stakeholders such as consumers, employees, suppliers, society, and the government. Stakeholder involvement affects the sustainability and success of the company's operations. Corporate Social Responsibility (CSR) emphasizes meeting expectations stakeholder to increase public legitimacy and trust. Effective CSR implementation can strengthen relationships with stakeholder and contribute positively on the company's financial performance.

The Effect of Good Corporate Governance on Financial Performance

Application Good Corporate Governance (GCG) is believed to be able to improve the quality of company management through the principles of transparency, accountability, and effective supervision (Gusriandari et al., 2022). In perspective Agency Theory, GCG mechanism plays a role in reducing conflicts of interest between management and shareholders so that the decisions taken are more oriented towards improving the Company's performance (Jensen & Meckling, 1976). The effectiveness of this supervision can ultimately improve the company's operational efficiency and profitability (Wahyuningsih & Widowati, 2016).

Several studies indicate that Good Corporate Governance (GCG) positively influenes financial performance. For example, Kusuma & Yuniati (2024) found that the

implementation of good governance can improve Return on Assets (ROA). The same thing was also expressed by Ramadhana & Dharma (2025) which states that the quality of corporate governance is positively correlated with the improvement of financial performance. Drawing from the foregoing discussion, the proposed hypothesis is:

H1: Good Corporate Governance has a positive effect on financial performance.

The Effect of Corporate Social Responsibility on Financial Performance

Corporate Social Responsibility (CSR) is a form of corporate responsibility towards the environment and society that can indirectly increase public reputation and trust (Leonardo & Ratmono, 2023). Based on Stakeholder Theory, companies that are able to meet the expectations of stakeholders will gain stronger social legitimacy (Freeman, 1984). This condition ultimately has an impact on improving the company's financial performance (Agustine & Ratmono, 2024).

Previous research has shown a positive influence of CSR on financial performance Kusuma & Yuniati (2024) states that broader CSR disclosure is able to increase investor confidence and have an impact on profitability. In addition, Agustine & Ratmono, (2024) also stated that CSR can be a strategy to increase the competitiveness of companies. Drawing from the foregoing discussion, the proposed hypothesis is:

H2: Corporate Social Responsibility has a positive effect on financial performance.

The Effect of Good Corporate Governance and Corporate Social Responsibility on Financial Performance

Application Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) simultaneously reflects the management of the company which includes internal and external aspects. In perspective Agency Theory, GCG contributes to minimizing agency conflicts through increased transparency and supervision, while Stakeholder Theory emphasizing the significance of fulfilling the interests of stakeholders through the implementation of CSR.

Previous research has shown that Good Corporate Governance and Corporate Social Responsibility Each has an effect on financial performance. Kusuma & Yuniati (2024) and Ramadhana & Dharma (2025) found that GCG had a positive effect on financial performance, while Santoso & Southnggono (2025) shows that CSR also has a significant effect on financial performance.

The results suggest that each variable contributes to enhancing the firm's financial performance. Therefore, when Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) are implemented simultaneously, they are expected to exert a stronger effect on financial performance. Accordingly, the proposed hypotheses are as follows:

H3: Good Corporate Governance and Corporate Social Responsibility simultaneously affect financial performance.

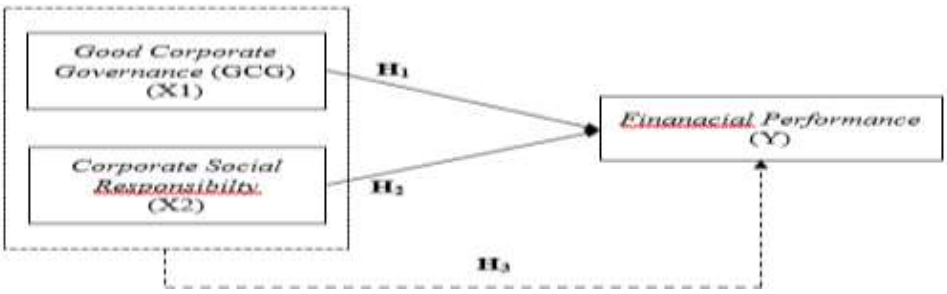

Image 1. Research Framework

Source: Researcher-processed data (2026)

3. RESEARCH METHODS

Data Type and Sources

This study adopts a quantitative approach to examine the effect of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on the company's financial performance. The quantitative approach was chosen because this study emphasizes on testing the relationship between variables that are measured numerically and analyzed using statistical methods (Sugiyono, 2013). This study utilizes secondary data derived from companies' annual reports and sustainability reports, which are obtained from the official website of the Indonesia Stock Exchange (IDX) as well as the respective company websites.

This study utilizes panel data, combining cross-sectional and time-series observations over the 2021-2024 period. This study uses unbalanced panel data (unbalanced panel data), because not all companies have complete data on each observation period. Usage unbalanced panel can still produce consistent and unbiased estimates as long as they meet the assumptions in the regression.

Furthermore, the dependent variable, financial performance proxied by Return on Assets (ROA), is transformed into its natural logarithmic form Ln(ROA) prior to estimation. This transformation aims to improve data normality, mitigate heteroskedasticity, and reduce the impact of extreme values (outliers), thereby ensuring more robust and reliable regression estimates.

Population and Research Sample

The population comprises all food beverage subsector manufacturing firms listed on the Indonesia stock exchange (IDX) from 2021-2024, namely 272 companies. This study applies purposive sampling, selecting samples according to predefined criteria. Following these criteria, the total sample comprises 98 observations.

Table 1. Sampling data details

No	Sample Selection Criteria	Quantity
1.	Food and beverage subsector manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2021-2024	272
2.	Companies that did not disclose Corporate Social Responsibility (CSR) based on the GRI standards in 2021 during the research period	(147)
3.	Companies that suffered losses during the research period	(11)
4.	Companies that do not have annual reports and are not included in the variable criteria	(16)
5.	Total observation sample	98

Source: Data processed by researchers (2026)

Companies that do not meet the study criteria are excluded from the sample for several considerations: 1) The absence of Corporate Social Responsibility (CSR) disclosure in line with GRI standards may result in incomplete variable measurement; 2) Firms incurring losses during the observation period are not included, as they may introduce bias in financial performance assessment, generate extreme values (outliers), and be inconsistent with the assumptions of the data transformation applied; 3) Firms with inadequate annual reporting or those that do not satisfy the variable requirements are excluded because a high level of missing data may weaken the quality and reliability of estimations in an unbalanced panel framework.

Research Variables and Operational Definitions

Financial Performance

Financial performance itself is an overview of the company's level of achievement in achieving strategic goals that have been regulated in the company's strategic planning

(Wahyuningsih & Widowati, 2016). In the food and beverage subsector, financial performance is a critical aspect due to the highly competitive and capital-intensive nature of the industry. This condition shows that the improvement in financial performance is not only influenced by operational factors, but also the quality of corporate governance and social responsibility.

Financial performance can be assessed using several financial ratios, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). However, this study employs Return on Assets (ROA) as the indicator of financial performance because it reflects the company's efficiency in utilizing its total assets to generate profit.

ROA is considered more relevant for use in the manufacturing sector because this industry tends to have large assets, so measuring the efficiency of asset use is important. In addition, ROA can reflect the company's overall operational performance without being influenced by the capital structure. In line with opinion Squirrels (2023) ROA can be used as a measure of the Company's financial performance. The measurement is using the formula:

$$\text{ROA} = \frac{\text{Profit After Tax}}{\text{Total Assets}} \times 100\ \%$$

Good Corporate Governance

Good Corporate Governance (GCG) is a concept that regulates how a company is managed properly and responsibly. According to Krisnawati in Gusriandari et al., (2022), GCG is implemented based on key principles that include accountability, transparency, responsibility, independence, fairness, sustainability. In addition, good corporate governance is believed to make a positive contribution to improving the company's financial performance and value in the long run.

In perspective Agency Theory submitted Jensen & Meckling (1976), the implementation of GCG functions as a control mechanism to minimize agency conflicts and increase the effectiveness of company management. Governance mechanisms are essential to mitigate potential conflicts of interest arising from divergent goals between principals and agents. An effective oversight and control system is expected to enable management to perform its functions more efficiently and in alignment with the company's strategic objectives. Good Corporate Governance in this study, it was measured using the GCG index based on the Decree of BAPEPAM and Financial Institutions in regulation X.K.6 Number: Kep 134/BL/2006 which contains 93 Item Disclosure (Natalia & Zulaikha, 2012). The GCG Index was chosen because it is able to assess the extent of corporate governance disclosure in a more comprehensive, objective, and comparable manner between companies through a content analysis approach with a scoring system of 1 if items are disclosed and 0 if not disclosed, This method allows an assessment of the company's level of compliance with GCG disclosure guidelines in a standardized manner based on BAPEPAM-LK regulations. The measurement is using the formula:

$$\text{GCG Indeks} = \frac{\sum \text{Disclosed Item Score}}{\sum \text{Total Disclosure Items}}$$

Corporate Social Responsibility (CSR)

Corporate Social Responsibility reflect the principles and practices that the company carries out to fulfill its social and environmental responsibilities around its operational areas (Leonardo & Ratmono, 2023). This concept is consistent with Law Number 40 of 2007, which emphasizes the obligation of companies to implement social and environmental responsibility.

Consistent CSR implementation can increase the company's reputation, public trust, and operational stability. In the food and beverage subsector, the implementation of CSR that focuses on product safety, labor welfare, and the environment can strengthen competitiveness and support the improvement of the firm financial performance

Corporate Social Responsibility (CSR) in this research is measured by the CSR disclosure index based on standards Global Reporting Initiative (GRI) which includes social, environmental, and economic indicators, and is measured through Corporate Social Responsibility Index (CSRI) which consists of 117 items in the GRI Standards 2021. Each indicator is given a score of 1 if disclosed and 0 if not, then all scores are compiled into a CSR disclosure index to obtain a total score (Hasanah et al., 2025).

The reason for using CSRI is because this index is able to comprehensively describe the Company's level of compliance with CSR disclosure standards based on GRI Standards, so that it is more representative in measuring the firm's social responsibility. The measurement employs the following formula:

$$CSRI_j = \frac{\sum X_{ij}}{n}$$

Data Analysis Methods

This research employs panel data regression analysis using EViews 14 software. The regression model is designed to examine the effect of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on the company's financial performance. The model specification is expressed as follows:

$$\mathbf{Ln(ROA_{it}) = \alpha + \beta_1 GCG_{it} + \beta_2 CSR_{it} + \varepsilon_{it}}$$

Description:

$Ln(ROA_{it})$	= Financial Performance
α	= Konstanta
B_1, B_2	= Regression Coefficient
GCG_{it}	= Good Corporate Governance
CSR_{it}	= Corporate Social Responsibility
ε_{it}	= Error term

Drawing from the findings of the selection of panel data models through the Chow test, Hausman test, and Lagrange Multiplier test, the most suitable model in this study is Random Effect Model (REM). Before the regression analysis was carried out, this study also conducted a classical assumption test which included a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test. Hypothesis testing was carried out using statistical tests, namely t-test for partial influences, F tests for simultaneous influences, and determination coefficients (R^2) to see the model's ability to explain dependent variables.

4. RESULTS AND DISCUSSION

Results of Panel Data Regression Equation Analysis

The panel data regression model chosen and deemed appropriate for this study is the Random Effect Model. The resulting panel data regression equation in this study is presented as follows:

Ln(ROA)= -0.0938642655734 - 4.66730288369*X1 + 0.694512390156*X2

A constant value of -0.093864 indicates that when all variables are independent, i.e. Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR), considered to have a value of zero, then financial performance (Y) is estimated at -0.093864. This value describes the basic condition of financial performance without the influence of GCG and CSR variables.

Regression coefficient Good Corporate Governance (GCG) of -4.667303 indicates that every increase in one unit of GCG will decrease financial performance by 4.667%, assuming other variables remain the same. A negative sign on this coefficient indicates that an increase in GCG in this model is likely to be followed by a decrease in the firm's financial performance.

Regression coefficient Corporate Social Responsibility (CSR) of 0.694% meaning that each one-unit increase in CSR is expected to increase financial performance by 0.694512, assuming other variables remain constant. This positive coefficient suggests that an increase in CSR is likely to enhance the firm's financial performance.

Classic Assumption Test

Normality test

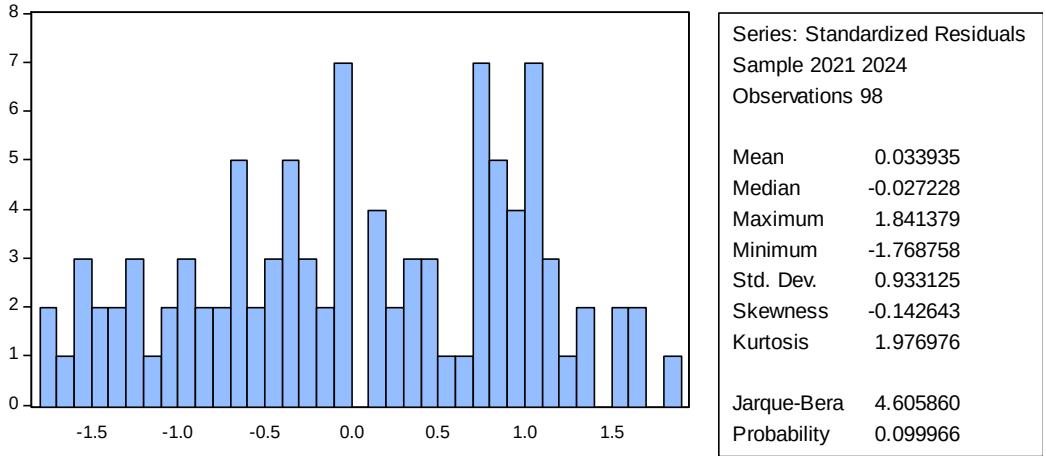

Image 2. Normality Test

Source: EViwes 14 Output Results (2026)

Based on the results of the normality test, the probability value is 0.099966 (p > 0.05), so it can be concluded that the data is distributed normally. Thus, the model fulfills the normality assumption and the analysis can be advanced to the next step.

Multicollinearity Test

Table 2. Multicollinearity Test Results

	X1	X2
X1	1.000000	0.423805
X2	0.423805	1.000000

Source: EViwes 14 Output Results (2026)

Based on the results of the multicollinearity test, the coefficient value between the independent variables X1 and X2 is 0.423805 < 0.80, so it can be concluded that there is no multicollinearity in the regression model. This indicates that each independent variable is not highly correlated with each other and is suitable for use in the model.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	T-Satistic	Prob.
C	0.087432	0.257740	0.3399227	0.7352
X1	0.166491	0.430658	0.386597	0.6999
X2	-0.080463	0.099266	-0.810581	0.4196

Source: EViwes 14 Output Results (2026)

Based on the results of the heteroscedasticity test, it can be seen that the probability value of the variable X1 is 0.6999 (p > 0.05) and the probability value of X2 is 0.4196 (p > 0.05), so it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Durbin-Watson stat	Criteria
1.424955	1.424955 < 1.6296

Source: EViwes 14 Output Results (2026)

Based on the results of the autocorrelation test using Durbin-Watson statistics, the Durbin-Watson value was obtained which was below the DL value, namely DW < DL (1.424955 < 1.6296). This suggests positive autocorrelation in the regression model, implying a correlation between residuals in the current period and those in the prior period.

Uji Hypothesis

Coefficient of Determination Test (R^2)

Table 5. Table of test results R^2

R-squared	0.055347	Mean dependent var	-1.309268
Adjust R-squared	**0.035459**	S.D. dependent var	0.777959

Source: EViwes 14 Output Results (2026)

The results of the determination coefficient analysis showed that the value of the determination coefficient (Adjusted R Square) was 0.035459. This reveals that the explanatory power of the independent variables in explaining variations in financial performance is very low, at only 3.5459%. Meanwhile, the remaining 96.4541% is accounted for by factors beyond the model.

Simultaneous Significance Test (F Test)

Table 6. F Test Results

R-squared	0.055347	Mean dependent var	-1.309268
Adjusted R-squared	0.035459	S.D. dependent var	0.777959
S.E. of regression	0.736651	Sum squared resid	51.55221
F-statistic	2.782989	Durbin-Watson stat	1.424955
Pron(F-statistic)	0.066903		

Source: EViwes 14 Output Results (2026)

Based on the results of the F test, an F-statistic value of 2.782989 was obtained with a Prob (F-statistic) value of 0.066903. The probability value is higher greater than the significance level of 0.05 (0.066903 > 0.05). Therefore, it can be inferred that the independent variables, namely Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR), simultaneously do not significantly influence financial performance Ln(ROA).

Partial Test with T-test (T-test)

Table 7. T Test Results

Variable	Coefficient	Std.Error	t-Statistics	Prob.
C	-0.093864	1.191936	-0.078749	0.9374
X1	-4.667303	2.024247	-2.305698	0.0233
X2	0.694512	0.535683	1.296500	0.1979

Source: EViwes 14 Output Results (2026)

Based on the results of the t-test it is shown that the GCG variable (X1) has a probability value of 0.0233, which is smaller than the significance level of 0.05 (0.0233 <

0.05). Thus, it can be concluded that the GCG variable partially significantly impact financial performance Ln(ROA). The coefficient value of -4.667303 indicates that GCG exerts negative effect on financial performance.

The CSR variable (X2) has a p-value of 0.1979, exceeding the significance level of 0.05 (0.1979 > 0.05). This indicates that CSR does not exert a significant partial influence on financial performance Ln(ROA). However, the coefficient value of 0.694512 shows that CSR has a positive relationship with financial performance.

The Influence of Good Corporate Governance on Financial Performance

Based on the results of the study, the Good Corporate Governance (GCG) variable showed a negative (-4.667303) and significant coefficient (p-value 0.0233 > 0.05). Thus, H1 stating that GCG has a positive effect on financial performance is not proven (H1 is rejected). This result actually shows that GCG has a significant but negative effect on financial performance.

Conceptually, Agency Theory elucidates the relationship between Good Corporate Governance (GCG) and financial performance, positing that governance mechanisms mitigate agency conflicts between managers and shareholders, thereby enhancing efficiency and profitability. Nevertheless, this study's empirical results reveal a negative association between GCG implementation and financial performance. This may occur because GCG implementation is not yet optimal or is only carried out as a formality, so it has not effectively improved the firm's operational performance.

Research is in line with research Anggreini & Hariyanto (2021) which states that the implementation of corporate governance does not always have a positive impact on profitability if it is not accompanied by good operational efficiency. Even in practice, the existence of information asymmetry can open up profit management opportunities that are contrary to GCG principles. Thus, GCG implementation does not necessarily improve financial performance if it is not accompanied by sound managerial practices.

These results are also supported by previous research by Alam & Tariq (2022) emphasized that the influence of GCG on financial performance tends to be seen only in the long term because it is related to increasing reputation, transparency, and investor trust. This is in line with the results of research by Yogasuria et al., (2025) that GCG does not have a significant effect on financial performance. This discrepancy may arise from variations in GCG classification, industry characteristics, and research period.

The Effect of Corporate Social Responsibility on Financial Performance

Based on the results of the study, the Corporate Social Responsibility (CSR) variable showed a positive coefficient (0.694512) yet lacks statistical ssignificance (p-value 0.1979 > 0.05). consequently, the hypothesis positing a positive CSR effect on financial performance is not proven (H2 is rejected). Although it has a positive relationship direction, the influence of CSR on financial performance in this study is not statistically strong enough.

Theoretically, the association between CSR and financial performance is explained by Stakeholder Theory, which states that companies that consider the interests of stakeholders through social and ecological activities can gain legitimacy and enhance their reputation, which in turn may improve financial performance. However, this study empirical results demonstrate indicate that CSR implementation does not have a significant effect on the that CSR implementation lacks a significant impact on firm financial performance.

This condition is understandable because in practice, CSR activities in Indonesia still tend to be voluntary, so many companies consider CSR as an additional burden that has the potential to reduce profits. As a result, the implementation of CSR has not been fully directed as a means to enhance financial performance. This is in line with research (Ayu et al., 2023)

which found that CSR had a negative and insignificant influence on the financial performance of banking companies, because companies still viewed CSR as a cost, not as a long-term investment.

These results are also supported by previous research by Yogasuria et al., (2025) which confirms that the benefits of CSR are more long-term and have not been fully reflected in financial indicators such as ROA. As well as in research Cahyaningrum et al., (2022) which states that CSR is not always a clear benchmark for investors and society. Thus, although CSR exhbits a positive association direction, its influence within the present research is not significant.

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

The results of the simultaneous test (F test) show that Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) together has no significant effect on financial performance (p-value 0.066903 > 0.05). Thus, H3 is rejected. This indicates that the two variables have not been able to adequately explain the variation in financial performance. In addition, the value Adjusted R^2 relatively small (0.035459) indicates that there are still other factors that are more dominant in influencing the company's financial performance.

In perspective Agency Theory, the implementation of GCG should be able to minimize agency conflicts so as to increase efficiency and company performance. Meanwhile, Stakeholder Theory explains that CSR activities can increase support stakeholder which has an impact on financial performance. However, the empirical results of this study show that the two mechanisms have not had a significant influence simultaneously.

This insignificance indicates that the implementation of GCG and CSR has not been effectively integrated into the company's strategy. In practice, GCG tends to be a supervisory formality, while CSR is more oriented towards fulfilling social obligations, so it has not created synergies that are able to improve financial performance.

These findings are consistent with the study by Hunjra et al., (2021) which indicates that fundamental factors such as leverage, firm size, and operational efficiency have a more dominant impact on financial performance compared to non-financial variables. In addition, the research (Fan & Zhou, 2021) stated that GCG and CSR will only have a significant impact if they are integrated into the company's overall strategy.

Thus, the insignificance of the simultaneous influence of GCG and CSR in this study shows that these two variables have not yet become the main determinants of a company's financial performance. It also confirms that although theoretically Agency Theory and Stakeholder Theory supporting a positive relationship, in practice it requires better quality of implementation and integration so that the influence can be realized in real terms.

5. CONCLUSIONS AND SUGGESTIONS

Conclusion

1. This research concludes that Good Corporate Governance (GCG) shows a significant inverse relationship with financial performance, which indicates that the increase in GCG disclosure has not been followed by an increase in performance, allegedly due to implementation that has not been optimal and tends to be formal.
2. Corporate Social Responsibility (CSR) does not significantly effect on financial performance. Although it has a positive influence direction, these results show that the

benefits of CSR have not been directly felt in increasing profitability, as they tend to be long-term and have not been manifested in short-term financial performance.

3. Simultaneously, Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) do not significantly affect financial performance. This shows that these two variables are not yet the main determinants in explaining the firm's financial performance, which is also reflected in the low value of the determination coefficient.

Suggestions

This study is constrained by its relatively brief observation period and the variables used are still limited, so they are not able to explain financial performance optimally. In addition, GCG and CSR measurements are only based on the disclosure index, so they do not fully reflect the quality of implementation in the field. Future studies are recommended to lengthen the observation period in order to obtain more accurate results, use more diverse proxies in measuring financial performance, GCG, and CSR, as well as add factors like firms size, leverage, and operational efficiency. In addition, subsequent research can consider GCG and CSR as control variables or examine their role in the long term to obtain more comprehensive results.

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