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The Effect of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on Financial Performance

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Abstract
This study aims to analyze the effect of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on the financial performance of food and beverage subsector companies listed on the Indonesia Stock Exchange during 2022-2024. Financial performance is measured using Return on Assets (ROA), while CSR is measured using the disclosure index based on GRI Standards 2021. GCG is proxied by the proportion of independent commissioners and the number of audit committee members. This study uses a quantitative approach with secondary data obtained from annual reports, financial statements, and sustainability reports. The sample was selected using purposive sampling and analyzed using multiple linear regression. The results show that CSR has a positive and significant effect on ROA. Meanwhile, independent commissioners and audit committees have no significant effect on ROA. These findings indicate that CSR disclosure can support financial performance, while GCG mechanisms require more effective implementation to improve company profitability.

Introduction

The food and beverage industry are one of the strategic subsectors that plays an important role in supporting national economic growth. This subsector contributes to the Gross Domestic Product (GDP), job creation, increased product added value, and industrial innovation development. In Indonesia, food and beverage companies listed on the Indonesia Stock Exchange have shown quite rapid growth alongside the increasing consumption needs of the public (Waluyo, 2024). However, this growth also comes with various challenges, especially related to social responsibility, environmental impact, consumer health, and corporate governance. Food and beverage companies have a close relationship with the community because their products are widely consumed. Therefore, companies are not only expected to make a profit but also need to pay attention to the impact of their operational activities on the environment and society.

Some common issues in this subsector include managing production waste, the use of raw materials, emissions, food safety, and consumer education. This becomes evident in the Okko Bread recall by BPOM (2024) due to the use of preservatives that violated regulations. This case proves that negligence in food safety can damage a business's reputation and drastically lower the company's value. Therefore, the growing public attention to healthy consumption pushes companies to implement responsible and transparent business practices.

Corporate Social Responsibility (CSR) is one-way companies show their commitment to running their business ethically and sustainably. CSR reflects a company's responsibility towards economic, social, and environmental aspects (Prakoso, 2023). In food and beverage companies, CSR can take the form of programs like waste reduction, using sustainable raw materials, energy efficiency, consumer health education, and social activities for the local community. Good CSR disclosure can boost stakeholder trust, strengthen a company's reputation, and potentially support better financial performance.

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Besides CSR, another important factor in maintaining a company's sustainability is Good Corporate Governance (GCG). GCG is a corporate management system that emphasizes the principles of transparency, accountability, responsibility, independence, and fairness. Proper implementation of GCG is expected to reduce conflicts of interest between management and shareholders (Dewi et al., 2025). Moreover, GCG can also improve the quality of oversight and encourage more effective decision-making. In this study, GCG is measured through the proportion of independent commissioners and the number of audit committee members. Independent commissioners play a role in providing objective oversight of management, while the audit committee ensures the quality of financial reporting and the effectiveness of the company's internal controls.

Stakeholder theory explains that a company is not only responsible to its shareholders but also to other parties who have an interest in the company's activities, such as employees, consumers, the community, government, and the environment (Freeman, 1984). In the context of this study, stakeholder theory is used to explain the relationship between Corporate Social Responsibility (CSR) and financial performance. Good CSR practices show that the company pays attention to stakeholders' interests through social, environmental, and economic activities. Extensive CSR disclosure can boost trust, reputation, and stakeholder support for the company. This situation has the potential to drive improved company financial performance, particularly in the food and beverage subsector.

According to Jensen & Meckling (1976), Agency Theory is a theory that explains the relationship between principals and agents. The principal is the party that assigns tasks to the agent to carry out a service on behalf of the principal, including delegating authority and decision-making from the principal to the agent. Meanwhile, the agent acts as the party that has the authority in decision-making, so the principal is the one who evaluates the information. In practice, the separation between ownership and management of a company can led to conflicts of interest because management has the opportunity to make decisions that don't always align with the owners' interests. To reduce these conflicts, a monitoring mechanism is needed through the implementation of Good Corporate Governance (GCG). In this study, GCG is proxied through the proportion of independent commissioners and the number of audit committees. Independent commissioners play a role in objectively overseeing management policies, while the audit committee helps ensure the quality of the company's financial reporting and internal controls.

Corporate Social Responsibility (CSR) is a company's responsibility toward economic, social, and environmental aspects. CSR is not only seen as a social obligation but also as a company strategy to maintain business sustainability and build good relationships with stakeholders. In food and beverage sub-sector companies, CSR can be implemented through waste management, energy efficiency, the use of sustainable raw materials, consumer education, and social activities for the surrounding community. In this study, CSR is measured using a disclosure index based on the 2021 GRI Standards. Lestari (2020) and Prakoso (2023) found a positive effect of CSR on the financial performance of food and beverage companies in Indonesia, and Butar et al. (2024) showed an increase in ROA, ROE, and EPS through CSR, supporting this positive relationship.

Good Corporate Governance (GCG) is a corporate governance system that emphasizes the principles of transparency, accountability, responsibility, independence, and fairness. A good GCG implementation can help companies increase supervision, reduce conflicts of interest, and maintain stakeholder trust. In this study, GCG was measured using two indicators, namely the proportion of independent commissioners and the number of audit committees. Independent commissioners function to provide objective oversight of management, while audit committees play a role in supervising the financial reporting process to be more transparent and accountable.

The relationship between GCG and financial performance can be explained through agency theory. This theory explains the potential for conflicts of interest between the company owners as principals and the management as

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agents. Implementing GCG through independent commissioners and audit committees is expected to reduce those conflicts of interest. Good oversight mechanisms can also improve the company's management efficiency and effectiveness.

Yuniarsih et al. (2025) showed that the comprehensive implementation of GCG has a positive effect on financial performance through managerial ownership and independent commissioners, even though the audit committee variable was found to be insignificant. Along the same lines, Setiawan & Setiadi (2020) found that the presence of independent commissioners and institutional ownership has a significant positive effect on Return on Assets (ROA). The differences in research results regarding the influence of the audit committee provide motivation for this study to re-examine the role of GCG through two main indicators, namely the proportion of independent commissioners and the number of audit committee members. Therefore, the hypothesis formulated is:

H_1: Corporate Social Responsibility affects financial performance
H_2: Good Corporate Governance, represented by independent commissioners, affects financial performance
H_3: Good Corporate Governance, represented by the audit committee, affects financial performance

Methodology

This research uses a quantitative approach with an empirical method. This approach is used to test the influence of Corporate Social Responsibility (CSR), Good Corporate Governance proxied by independent commissioners, and audit committees on the financial performance of companies. The data used in this study are secondary data. The data were obtained from annual reports, financial statements, and sustainability reports of food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The population in this study is food and beverage subsector companies listed on the Indonesia Stock Exchange. The sample was determined using purposive sampling, which is the selection of samples based on specific criteria that align with the research objectives. The sample criteria in this study are food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2022–2024 period, publishing complete annual reports, and having data related to CSR disclosure, independent commissioners, and audit committees. Based on the established purposive sampling criteria, a total of 260 observation data were obtained from food and beverage sub-sector companies with a three-year observation period (2022–2024).

The dependent variable in this study is financial performance, which is measured using Return on Assets (ROA). ROA is used to indicate the company's ability to generate profits from the total assets it owns. The independent variables in this study consist of CSR, independent commissioners, and the audit committee. CSR is measured using a disclosure index based on the 2021 GRI Standards. Independent commissioners are measured by comparing the number of independent commissioners to the total board of commissioners, while the audit committee is measured based on the number of audit committees in the company. The analysis method used is multiple linear regression with the help of a statistical data processing application. The analysis technique used to determine the effect of each independent variable on financial performance is multiple linear regression (Ghozali, 2021; Syarifuddin and Saudi, 2022).

Results and Discussion

The results of descriptive statistical data processing are shown in Table 1. Multiple linear regression analysis was used to test the effect of Corporate Social Responsibility (CSR), Independent Board of Commissioners, and Audit Committee on financial performance, which is proxied by Return on Assets (ROA). After the data were confirmed to meet all the classical assumption tests, multiple linear regression analysis and hypothesis testing were carried out, including the F-test, coefficient of determination (Adjusted R^2), and t-test (Sugiyono, 2023). The results of these tests are presented in Table 1 through 4.

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Table 1. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
CSR	260	.247863	.965812	.68622640	.130187843
KI	260	.33	.67	.4097	.08668
KA	260	0	5	2.98	.392
ROA	260	-.4887841	.9435689	.046362185	.1152561513
Valid N (listwise)	260				

Descriptive statistical results show that financial performance, measured by return on assets, had an average for food and beverage subsector companies of 0.046 during 2022–2024. This indicates that the financial performance of companies in the food and beverage subsector is relatively low. The average CSR value is 0.6862, with a minimum of 0.2478 and a maximum of 0.99658. The average value of independent commissioners is 0.4097, with a minimum of 0.33 and a maximum of 0.67. The average audit committee value is 2.98, with a minimum of 0 and a maximum of 5. Profitability, measured by return on assets, has an average value of 0.04636, with a minimum of -0.4887 and a maximum of 0.9436.

Table 2. Multiple Linear Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.025	.049		-.512	.609
	CSR	.211	.040	.326	5.336	.000
	KI	-.090	.058	-.093	-1.540	.125
	KA	-.013	.013	-.060	-.987	.325

Based on the results of the multiple linear regression analysis, the regression model can be stated as follows:
ROA = -0,25 + 0,211 CSR – 0,090 KI – 0,013 KA

Table 3. F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.211	3	.070	11.536	.000[b]
	Residual	1.531	251	.006		
	Total	1.742	254			

The F test is done using ANOVA. Table 3 shows an F significance value of 0.000, which proves that the regression model is suitable to use.

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.348[a]	.121	.111	.0780936910

From Table 4, it shows that the coefficient of determination is 0.111 or 11.1%, which means that the independent variables, consisting of Corporate Social Responsibility, Independent Commissioners, and Audit Committees, contribute 11.1% in explaining the variations in the dependent variable, while the remaining 88.9% are influenced by factors outside the independent variables studied.

Discussion

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The test results show that Corporate Social Responsibility (CSR) has a positive and significant effect on financial performance. This is indicated by a significance value of 0.000, which is less than 0.05, as well as a positive regression coefficient of 0.211. Therefore, the first hypothesis (H1) is accepted. These results indicate that the higher the level of CSR disclosure done by the company, the higher the financial performance proxied by Return on Assets (ROA). Good CSR disclosure can improve the company's image, encourage customer loyalty and increase investor confidence. This finding aligns with stakeholder theory, which states that companies need to pay attention to the interests of all parties involved in the company's activities. When a company can meet stakeholders' expectations through CSR activities, it will gain support that can contribute to improved financial performance. The results of this study support research by Butar et al. (2024), Prakoso (2023), and Lestari (2022), which found that CSR has a positive effect on a company's financial performance. These findings show that CSR not only serves as a form of social responsibility but also as a strategy to create economic value for the company.

Independent commissioners do not have a significant impact on financial performance, with a significance value of 0.125, which is greater than 0.05, and a regression coefficient of -0.090. Thus, the second hypothesis (H2) is rejected. These results indicate that the proportion of independent commissioners in a company has not yet been able to make a real impact on increasing ROA. The presence of independent commissioners does not necessarily directly influence the company's operational effectiveness or profitability. From an agency theory perspective, independent commissioners act as a supervisory mechanism aimed at reducing conflicts of interest between management and shareholders. However, the effectiveness of this function is not only determined by the number of independent commissioners but also by their independence, competence, and active involvement in corporate decision-making. This finding aligns with research by Putri (2024) as well as Kholilah and Ramadhina (2024), which found that independent commissioners do not have a significant impact on financial performance. The results indicate that the presence of independent commissioners does not necessarily improve company performance if their supervisory function is not running optimally.

The Audit Committee does not have a significant impact on financial performance, with a significance value of 0.325, which is higher than 0.05, and a regression coefficient of -0.013. Thus, the third hypothesis (H3) is rejected. This result suggests that the number of audit committee members has not been able to directly contribute to improving the company's profitability. The presence of an audit committee in a company does not necessarily lead to an increase in ROA if its supervisory functions are not carried out effectively. According to agency theory, the audit committee plays a role in helping the board of commissioners oversee the financial reporting process and the company's internal control system. Therefore, the effectiveness of the audit committee is more determined by the quality of supervision, the competence of its members, and the execution of audit functions rather than just the number of members a company has.

The results of this study support the research by Fazila et al. (2024) and Setiawan and Setiadi (2020), which showed that the audit committee does not have a significant effect on financial performance. These findings suggest that the presence of an audit committee needs to be complemented by the implementation of effective oversight functions in order to contribute to improving company performance. Overall, the study shows that Corporate Social Responsibility (CSR) has a positive and significant impact on the company's financial performance, while Independent Commissioners and the Audit Committee do not have a significant effect. This indicates that corporate social responsibility plays a more tangible role in enhancing financial performance compared to corporate governance mechanisms represented by independent commissioners and audit committees.

Conclusion

This study shows that Corporate Social Responsibility (CSR) disclosure plays an important role in supporting the

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financial performance of companies in the food and beverage subsector. It confirms that social and environmental responsibility is not just a matter of compliance but can also be a company strategy for building trust and increasing economic value. On the other hand, the Good Corporate Governance (GCG) mechanisms measured through independent commissioners and audit committees haven't shown a strong impact on financial performance. This finding suggests that corporate governance needs to be applied more substantially, not just to meet formal structure requirements. So, companies should improve the quality of CSR disclosures and strengthen the effectiveness of oversight functions in corporate governance. Future research could add other GCG indicators or use a longer observation period to get more comprehensive results.

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