Inovasi
Jurnal Ilmiah Ilmu Manajemen
Vol. 11, No. 2, December 2024

P-ISSN 2356-2005
E-ISSN 2598-4950

The Mediation Effect of Financial Performance on CSR Disclosure and GCG on Firm Value during the Pandemic

Nazillatul Ismi Quranni[1], Dista Amalia Arifah[2]
Universitas Islam Sultan Agung, Semarang, Indonesia
nazillatulismi@std.unissula.ac.id[1], distaamalia@gmail.com[2]

Submitted: 09th August 2024 | **Edited**: 08st Oct 2024 | **Issued**: 01st Dec 2024

Cited on: Quranni, N. I., & Arifah, D. A. (2024). The Mediation Effect of Financial Performance on CSR Disclosure and GCG on Firm Value During The Pandemic. *INOVASI: Jurnal Ilmiah Ilmu Manajemen, 11*(2), 457-470.

Abstract
This research aims to determine the effect of CSR Disclosure and CGC with profitability as a mediating variable on company value. This research was conducted to see how CSR and GCG affect company value during the pandemic. To test this variable, researchers used a population of all companies registered with the Kompas100 companies listed on the Indonesia Stock Exchange (BEI) in 2020. Using purposive sampling, the total sample taken was 86 companies. Hypothesis testing is carried out using descriptive analysis methods with multiple linear regression techniques. The research results show that CSR disclosure does not significantly affect financial performance and company value. The results also show that GCG positively and significantly affects financial performance and company value. Financial performance also influences company value but cannot mediate CSR Disclosure and GCG on company value.
Keywords: CSR; GCG; Profitability; Firm Value

INTRODUCTION

Business development triggers competition between companies to create the right business strategy to maintain company survival and increase company value. The success of the company can be seen if it can utilize existing wealth efficiently without reducing the positive image of the company. Later, the company's value will become one aspect of the assessment of the company's performance and its prospects in the future. Public assessment of the company is very meaningful in the era of the COVID-19 pandemic which presents business uncertainty. This business turmoil makes companies vulnerable to economic changes and unfavorable events. During a crisis, companies must innovate to maintain the reputation or value the company which will have an impact on the sustainability of business life (Dwiedienawati et al., 2021).

One company that implements this strategy is PT Bank Rakyat Indonesia (Persero) Tbk, which builds the company's positive reputation through the Corporate Social Responsibility (CSR) program. BRI implements CSR through the BRI Peduli program as a form of effort to overcome non-natural disasters due to COVID-19. BRI assisted in the form of supporting equipment for the Emergency Hospital for Handling Corona Virus Disease 2019 (COVID-19) Wisma Atlet Kemayoran (BRI, 2020). Communicating CSR programs carried

P-ISSN 2356-2005
E-ISSN 2598-4950

out by companies to the beneficiaries of the program can build positive values during the COVID-19 pandemic (Nurjanah, 2021). This statement is supported by research conducted by (Ajayi & Mmutle, 2020) which states that CSR communication can be used to achieve better firm value.

Discussions about CSR and its effect on firm value are also found in research (Ghahroud et al., 2020), (Kapita & Suaranda, 2018), (Siddiqui et al., 2023), (Curras-Perez et al., 2023) and (Yadav et al., 2018) which states that CSR significantly has a positive effect on firm value. (Rothenhoefer, 2019) this research shows that positive activities related to CSR have a positive effect on value, while not doing positive activities related to CSR has a negative effect on firm value.

Apart from CSR, GCG also affects financial performance. This was stated by (Wahyudi et al., 2021) and (Suryaningtyas & Rohman, 2019) which stated that the GCG mechanism has a positive effect on financial performance. The pandemic era requires those responsible for Corporate Governance to manage the crisis and deal with the impact of the ongoing crisis (Myeza et al., 2023). An effective corporate governance mechanism will protect investors, maximize firm value, and increase confidence in the capital market. Research conducted by (Eriqat et al., 2023) corporate governance variables the audit committee, have a significant positive effect on firm value. Other research results conducted by. Other research results conducted by (Ghuslan et al., 2021), (Kapita & Suaranda, 2018), and (Lusmeida & Berlinda, 2022) state that Good Corporate Governance has a significant positive effect on firm value.

Apart from CSR and GCG disclosure, financial performance as measured by operating profit or profitability measurement (Return on Assets) also has a significant positive effect on firm value. This statement is supported by (Wahyudi et al., 2021) which states that financial performance is one of the factors seen by potential investors to determine investment. According to (Suryaningtyas & Rohman, 2019), the variable that significantly mediates the relationship between GCG and firm value is financial performance as measured by the profitability ratio. Positive financial performance indicates that the total assets used to operate can provide profits for the company, the better the financial performance, the company's value will also increase which will make investors interested in investing in the company. This statement contradicts the research (Putra & Wirawati, 2020) which states that financial performance cannot mediate the relationship between good corporate governance and LQ45 firm value listed on the IDX in 2017-2018.

This research refers to (Kapita & Suaranda, 2018) which explains that there is a positive relationship between CSR and GCG on firm value. The differences between this research and previous research are: First, the previous study used a population of manufacturing companies listed on the Indonesia Stock Exchange (IDX) while this study used all sectors of companies listed on the Indonesia Stock Exchange (IDX). Second, previous research used the 2014-2016 reporting year, while this study uses one reporting period in 2020. The year was chosen because it was the worst era of the COVID-19 pandemic crisis. Third, there is the addition of one mediating variable, namely profitability. Based on research (Suryaningtyas & Rohman, 2019). his company uses a population sample of companies that participated in the CGPI (Corporate

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E-ISSN 2598-4950

Governance Perception Index) ranking in 2012-2016 with a total sample size of 83 companies. The results of the sobel test state that financial performance is able to mediate the effect of corporate governance on firm value significantly.

LITERATURE REVIEW

Signalling Theory

Signaling Theory is an information asymmetry between one party and another where the management has more information about the company's prospects. To prevent information asymmetry, companies must provide signals to investors in the form of information about the company's advantages. Information about CSR and GCG can be seen as a good news signal to create sustainability development and a good company prospect. CSR and GCG are expected to increase value through stock price increases.

Firm Value

Firm value is a public assessment of whether a company is good or bad, which is seen from disclosure, reporting quality, company performance, and others. Published information will provide signals for investors in making investment decisions. If the information contains a positive value, it is expected that the market will react positively as well. That management action will enhance the company's value and reputation among investors.

CSR Disclosure

CSR (Corporate Social Responsibility) is the idea that companies should play a positive role in society by considering the environmental and social impacts of every business decision. Currently, companies do not only focus on presenting financial reports, but also non-financial reports such as sustainability reports. This presentation is the impact of customers who increasingly expect responsible behavior from the companies they do business with. This statement is following the signaling theory, where companies will present more complete information to get a better reputation.

Good Corporate Governance

GCG (Good Corporate Governance) is rules that regulate relationships between shareholders, managers, and other interested parties to balance rights and obligations. The theory that explains this phenomenon is the signaling theory. This theory explains how information asymmetry can be reduced using one party (manager) providing information signals to other parties (stakeholders). This signal is in the form of information about management's efforts to realize the owner's wishes expressed in the financial statements.

Financial Performance

Financial performance is the result of the company's economic activities to generate profits. Signal theory states that companies with good performance provide good signals to the public to encourage investors to invest. This study uses Return on assets (ROA) to measure financial performance. A high ROA means that the profit generated by the company is also high.

Previous Research and Hypothesis Formulation

CSR Disclosure and Financial Performance

CSR activities can be a promotional tool for companies. Although it incurs costs, CSR activities can improve the company's image which will increase consumer loyalty. Increasing consumer loyalty over a relatively long time can

P-ISSN 2356-2005
E-ISSN 2598-4950

increase sales of the company's products or services, thereby improving financial performance. The results of the study from (Uci Rosalinda et all., 2022; Pratiwi et all., 2021; and Ghahroud et al., 2020) also revealed that CSR disclosure has a significant positive effect on the company's financial performance. The more CSR items disclosed, the better the financial performance.

CSR Disclosure and Firm Values

CSR that the entity runs is part of business ethics, responsibility to the community, protecting the environment, and other social actions that are believed to shape the company's image in the community. This statement is supported by (Curras-Perez et al., 2023) in his research where Economic, Social, and Environmental CSR has a positive effect on consumer perception of company trust. Company trust will have a positive effect on the company's value. The same is stated by (Ajayi & Mmutle, 2020; Usman, 2020; Bianchi et al., 2019; Curras-Perez et al., 2023; Rothenhoefer, 2019; and Aguilera-Caracuel et al., 2017) that improving social performance has a positive impact on company value.

Performance

CSR disclosure will improve financial performance because investors tend to entrust their capital to companies that provide information about their social responsibility. The company's behavior will have a positive impact which in the long term will be reflected in the increase in profits and company value. (Ohee, 2021) in her research which stated that financial performance can mediate the relationship between CSR disclosure and company value. When financial performance improves, corporate social responsibility can increase the company's value. Improved financial performance attracts investor investment, thereby indirectly increasing the value of the company.

Good Corporate Governance and Financial Performance

Improving financial performance can be realized, one of which is by prioritizing *good corporate governance* (GCG). GCG is needed to provide good development to the performance of a company which makes the company have a long survival. In other words, GCG influences financial performance. This statement is supported by (Uci Rosalinda et al., 2022), (Wahyudi et al., 2021) and (Suryaningtyas & Rohman, 2019), and (Tamba & Adiwibowo, 2021) which states that the GCG mechanism has a positive effect on financial performance.

Good Corporate Governance and Firm Values

GCG is a set of systems within the company that function to create value for stakeholders. GCG can reduce risk, and enable faster and safer growth for entities. GCG can also increase value and foster stakeholder trust. This statement is by previous research conducted by (Kapita & Suaranda, 2018) on 144 manufacturing companies listed on the IDX in 2014-2016 with the results of Good Corporate Governance significantly having a positive effect on the company's value.

The Effect of GCG on Firm Value Mediated by Financial Performance

The influence of GCG on company value can be mediated by financial performance variables measured by profitability ratios (Suryaningtyas & Rohman, 2019). Positive financial performance shows that the total assets used to operate can provide profits for the company. The better the performance

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means successful governance so that the company's value also increases, which will make investors interested in investing in the company. This statement is also supported by (Darniaty et al., 2023), (Mahromatin et al., 2023), and (P. A. Sari & Khuzaini, 2022) where financial performance can mediate the influence of Good Corporate Governance on company value.

Company Performance and Firm Values

The performance of financial statements is the result of an accounting process that is used as a means of communication between financial data or company activities and interested parties (Pratiwi et al., 2021). The nominal in financial statements plays a role in making decisions, designing strategies, and estimating the risk of business failure. (Ohee, 2021) in his research stated that financial performance has a positive impact on the value of the company. Good performance will attract investors to buy shares, thereby increasing the price and value of the company.

METHODS

Data Collection Method, Population and Sample

This type of research is quantitative research with all companies listed on the Indonesia Stock Exchange (IDX) from all sectors as a population. This population selection is because effects the pandemic has not only on certain sectors, but all types of companies have felt the impact. The data used is secondary data obtained from financial statements, annual reports, and sustainability reports of companies listed on the IDX. The researcher used each report in the 2020 period cause the year was the worst era of the COVID-19 pandemic crisis.

The purposive sampling method is used as a sampling technique to determine samples with certain criteria that have been determined by the author.

Operationalization and Measurement of Variables and Testing Models

The dependent variable in this study is firm value. Firm value is the evaluation of the company that customers make on products or services, and the company's activities. In this study, firm value is measured using Tobin's Q ratio because it is considered more rational considering that the elements of liability are also included as the basis for calculation. The better value of Tobin's Q indicates that the company has good prospects and growth value. The version of Tobin's Q used refers to research (Kapita & Suaranda, 2018).

The first independent variable in this study is Corporate Social Responsibility Disclosure (CSRD). CSR disclosure is a way for companies to gain public trust which is now increasing dynamically. This study measures CSR based on the Global Reporting Initiative (GRI) referring to the instruments used by (Nilhasanah, 2021) and (Mutira, 2019). CSR is measured by a variable dummy using 79 items, 9 items for economic indicators, 30 items for environmental indicators, and 40 items for social indicators. The second independent variable in this study is Good Corporate Governance (GCG). GCG is a principle that directs and controls companies to achieve a balance between rights and liability. GCG was measured using 14 composite index scores based on research (Ghuslan et al., 2021) with ten board characteristic scores and four audit committee scores. The mediating variable in this study is financial

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E-ISSN 2598-4950

performance calculated by Return on asset (ROA) because a high ROA means a high profit. This can have an impact on the increase in the value of the company because the high ROA shows that companies use their assets efficiently and are predicted to provide profits for investors (Darniaty et al., 2023).

This study uses descriptive analysis with multiple linear regression techniques. Multiple linear regression analysis aims to test the influence between independent variables on dependent variables, the influence of independent variables on mediating variables, and the influence between mediating and dependent variables. The multiple linear regression equation is formulated as follows:

1. Hipotesis Model I

$$Z = \alpha + \beta 1.X_1 + \beta 2.X_2 + e$$

Information:
Z = Financial Performance as Dependent Variables
A = Constanta
β = Regression coefficient
X1 = Variable independent CSR Disclosure
X2 = Variable independent Good Corporate Governance
e = Error Standard

2. Hipotesis Model II

$$Y = \alpha + \beta 1.X_1 + \beta 2.X_2 + \beta 3.Z + e$$

Information:
Y = Company Value as dependent variable
A = Constanta
β = Regression coefficient
X1 = CSR Disclosure Independent Variable
X2 = Variable independent Good Corporate Governance
Z = Financial Performance Mediation Variable
e = Error Standard

RESULTS

Descriptive Analysis

Based on the Annual Report and Sustainability Report of Kompas100 companies in 2020, a description of the variables in the study was obtained. The description can be seen in the following table which contains the number of samples, the minimum value of the sample, the maximum value, the average value, and the standard deviation of each variable.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSRD	86	0.13	0.92	0.3784	0.17402
GCG	86	0.57	1.00	0.7508	0.10263
ROA	86	-0.45	0.60	0.0215	0.09804
Firm Value	86	0.19	13.25	1.2102	1.77698
Valid N (listwise)	86				

Source: Secondary Data processed by IBM SPSS Statistics 26, 2024

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E-ISSN 2598-4950

CSR Disclosure

Based on 86 samples, the minimum value of CSR disclosure is 0.13 owned by PT Bank OCB NISP Tbk with only 11 disclosures out of 79 total scores. PT Merck Tbk owns the maximum score of 0.92 with a disclosure of 73 out of 79 total scores. The average disclosure is 0.38 or 30 scores. The standard deviation of this variable is 0.17, which is smaller than the average, meaning that the data is less varied.

Good Corporate Governance

Based on 86 samples, the CGC minimum value is 0.57 or only reports 8 out of 14 total items. There are 4 companies with a minimum value: PT Ace Hardware Indonesia Tbk, PT Kimia Farma (Persero) Tbk, PT Pan Brothers Tbk, and PT Petrosea Tbk. The maximum value owned by PT Bank CIBM Niaga Tbk and PT Vale Indonesia Tbk with a perfect score (1.00) or a complete score of 14. The average disclosure of 86 companies is 0.75 or 10 items. The standard deviation of this variable is 0.10 which is smaller than the average, meaning that the data is less varied.

Financial Performance

Based on 86 samples, the minimum value of financial performance is -0.45 owned by PT Waskita Beton Precast Tbk. This value is influenced by the company's loss 4.7 trillion in 2020. The maximum value owned by PT FKS Food Sejahtera Tbk is 0.60 because the company earns a profit of 1.2 trillion with 2 trillion total assets. The average financial performance of 86 samples was 0.02. The standard deviation on this variable is 0.09, which is more than the average value, meaning that the data has varied.

Firm Value

Based on 86 samples, the minimum value of the company's value is 0.19 owned by PT BPD Jawa Timur Tbk. This value is influenced by the equity market value which is only 10 trillion with 83 trillion total assets. The maximum value is owned by PT Jasa Marga (Persero) Tbk with an equity market value of 32 trillion. This value is much larger when compared to 2 trillion total assets. The standard deviation in this variable is 1.77, which is bigger than the average value means that the data has varied.

Multiple Linear Regression Analysis Test

The analysis test was used to determine the influence of GCG and CSR *Disclosure* on Financial Performance and the influence of GCG, CSR *Disclosure*, and Financial Performance on Company Value.

Table 2. Multiple Linear Regression Analysis Test Results Model I

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-0.158	0.082		-1.919	0.058
CSRD	0.005	0.06	0.009	0.084	0.933
GCG	0.237	0.102	0.248	2.321	0.023

Source: Secondary Data processed by IBM SPSS Statistics 26, 2024

Based on the results of the multiple linear regression analysis test of model I, it was obtained that the CSR Disclosure didn't have a significant effect on the financial performance. Meanwhile, the CGC has a significant effect on Financial Performance. With an α (constant) of −0.158, the regression coefficient of CSR Disclosure ($\beta 1.\ X_1$) is 0.005, meaning that if CSR Disclosure

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increases as much as one, then Financial Performance will increase by 0.005. The regression coefficient of GCG (β2.X_2) is 0.237, meaning that if GCG increases as much as one, then Financial Performance will increase by 0.237.

Table 3. Multiple Linear Regression Analysis Test Results Model II

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-1.644	1.479		-1.112	0.269
CSRD	-0.728	1.057	-0.071	-0.689	0.493
GCG	4.063	1.849	0.235	2.198	0.031
Firm Value	3.694	1.928	0.204	1.915	0.052

Source: Secondary Data processed by IBM SPSS Statistics 26, 2024

Based on the results of the multiple linear regression analysis test of model II, it was obtained that the CSR *Disclosure* didn't have significant effect on the Company Value. Meanwhile, the CGC and Financial Performance have a significant effect on the Company's Value. With an α (*constant*) of −1.644, the regression coefficient of CSRD (β1. X1) is – 0.728, meaning that if CSRD decreases as much as one, then the Company's Value will increase by – 0.728. The regression coefficient of GCG (β2. X2) is 4.063, meaning that if GCG increases by one, then the Company's Value will increase by 4.063. The regression coefficient of Financial Performance (β3. Z) is 3,694, meaning that if the Financial Performance increases as much as one, then the Company's Value will increase by 3,694.

T Test (Hypotesis Test)

T Test is used to determine the influence of CSR *Disclosure,* and GCG on Company Value with Financial Performance as a mediating variable. Based on the results of the statistical test in Table 3, the significance of CSR Disclosure is 0.933 > 0.05, thus the results of H_0 are accepted and H_1 is rejected with the conclusion that CSR *Disclosure* doesn't have a positive effect on Financial Performance. Meanwhile, the significance of GCG was 0.023 < 0.05 thus the results of H_0 were rejected and H_4 was accepted with the conclusion that GCG had a positive effect on financial performance.

Based on results of statistical test in table 4, the significance of CSR Disclosure 0,493 > 0,05 thus the results of H_0 are accepted and H_2 is rejected with the conclusion that CSR *Disclosure* doesn't have a positive effect on Financial Performance. The above results show the significance of GCG 0,031 < 0,05 thus the results of H_0 were rejected and H_5 was accepted with the conclusion that GCG has a positive effect on the Company's Value. Significance of Financial Performance 0,05 ≤ 0,05 thus the results of H_0 were rejected and H_7 accepted and it can be concluded that financial performance has a positive effect on the Company's Value.

Sobel Test

Examining the effect of CSR Disclosure (X1) on Company Value (Y) through Financial Performance as a mediating variable (Z). And to test the influence of GCG (X2) on Company Value (Y) through Financial Performance as a mediating variable (Z). The following are the results of mediation testing using an online sobel measuring tool on the *AndielSoper.com* website.

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E-ISSN 2598-4950

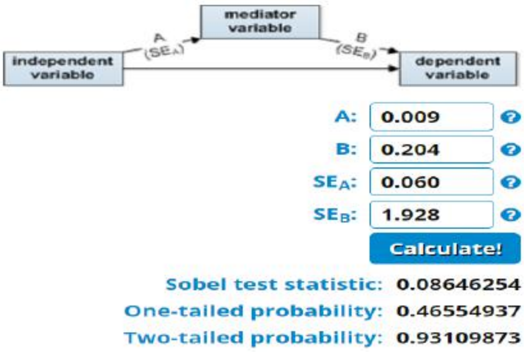

Figure 1. Sobel Model I Test Results

Source: Secondary Data processed by IBM SPSS Statistics 26, 2024

Based on the results in figure 2, a One-tailed probability of 0.465 and a Two-tailed probability of 0.931 were obtained. Both > 0.05 thus the results of H_0 were accepted and H_3 rejected. Therefore, it can be concluded that Z Variable (Financial Performance) cannot mediate the influence of X_1 (CSR Disclosure) on Y (Company Value).

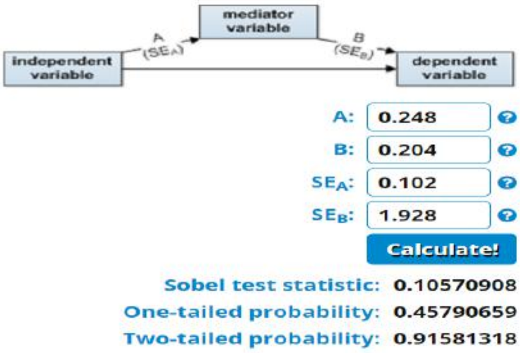

Figure 2. Sobel Model II Test Results

Source: Secondary Data processed by IBM SPSS Statistics 26, 2024

Based on the results in Figure 3, a One-tailed probability of 0,457 and a Two-tailed probability of 0,915. Both > 0.05 thus the results of H_0 were accepted and H_6 rejected. Therefore, it can be concluded that Z Variable (Financial Performance) cannot mediate the influence of X_2 (GCG) on Y (Company Value).

The Effect of Corporate Social Responsibility (CSR) Disclosure on Financial Performance

Based on the study's results, CSR *Disclosure* has a non-significant positive effect on financial performance, which means that hypothesis 1 is rejected. The lowest number of CSRDs was owned by financial companies, PT Bank Maybank Indonesia Tbk and PT Bank OCBC NISP Tbk with a total disclosure of 10 and 11 out of 79 items. One of the reasons financial companies tend to have a low amount of disclosure is that they do not significantly impact the environment and nature. This number is far from manufacturing or mining companies that directly impact nature and the environment, such as PT Merck Tbk (manufacturing) and PT Bukit Asam Tbk (mining) with a total of 73 and 62 items disclosed.

This can happen because no standardization regulates CSR disclosure in companies in Indonesia. consequently, even though all samples carried out

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E-ISSN 2598-4950

CSR activities, not all were reported clearly and in detail in their sustainability reports. Investors ended up not paying much attention to the CSRD carried out by the company. The results of this study do not support the signaling theory, which states that companies that present more complete information will get a better score than those who do not disclose. This does not apply to financial performance because it is generally the financial ratio that will be a consideration in assessing performance. The results of this study do not support the research from (Uci Rosalinda et al., 2022), (Pratiwi et al., 2021), and (Ghahroud et al., 2020) which show that CSRD has a significant positive effect on the company's financial performance.

The Effect of Corporate Social Responsibility (CSR) Disclosure on Company Value

In this study, Corporate Social Responsibility (CSR) has a negative effect on the Company's Value, which means that hypothesis 2 is rejected. The company's value or reputation is not affected by the disclosure of *Corporate Social Responsibility*. Because to get or obtain good grades is not only about disclosing CSR. Good company performance has more impact on company value. The findings of the study do not support *the signaling theory*, which states that companies tend to present more complete information in the form of CSR to attract investors and increase the company's value or reputation. In this study, the company's value was not significantly influenced by CSR. The results of this study do not support the research from (Ajayi & Mmutle, 2020; Bianchi et al., 2019; Curras-Perez et al., 2023; Rothenhoefer, 2019), that CSR has a positive effect on the company.

The Effect of Corporate Social Responsibility (CSR) Disclosure on Corporate Value Mediated by Financial Performance

Based on the results of the sobel test, it is known that there is an insignificant positive effect between GCG on Company Value through Company Performance which means hypothesis 3 is rejected. Financial Performance does not mediate the relationship between CSR and Corporate Value. This can happen because to gain a reputation and get good performance, companies do not only carry out CSRD. There is no guarantee that when disclosing CSR, performance will increase and the company's reputation will be affected.

Investors don’t make CSRD the main aspect to be assessed, because in general, the main assessment is about improving financial performance every year. Although the Company has a high CSRD but loses in that period, then the performance will decline and not get a good company reputation. This case can be found at PT ABM Investama Tbk, a company that reported 48 CSR items but suffered a loss of 531 billion so the financial performance had the lowest value of -0.45. This result also had an impact on the company's value, which was recorded at only 0.54. The results of the Sobel test don’t support the research (Ohee, 2021) which suggests that financial performance can mediate the relationship between CSR disclosure and company value. Based on research test results, CSRD cannot attract investors that have an impact on Financial Performance and indirectly cannot increase the company's value.

The Influence of Good Corporate Governance on Financial Performance

Based on research test results, GCG has a significant positive effect on Financial Performance, which means that hypothesis 4 is accepted. This means

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E-ISSN 2598-4950

that high GCG increases financial performance. GCG provides better supervision by stakeholders over the company's management. This will make managers work well so that shareholders assess their performance better and will ultimately improve financial performance.

This result is supported by the signaling theory, information asymmetry can be reduced by the way one party (manager) gives a signal to the other party (stakeholder). This signal contains information about what management has done to realize the wishes of stakeholders. Signals sent well to investors will improve financial performance. These results support the research (Rosalinda et al., 2022), (Wahyudi et al., 2021), (Suryaningtyas & Rohman, 2019), and (Tamba & Adiwibowo, 2021) which states that the GCG mechanism has a positive effect on financial performance.

The Effect of Good Corporate Governance on Firm Value

Based on the results of the research test, GCG has a significant positive effect on the Company's Value, which means that hypothesis 5 is accepted. This means that high GCG increases firm value. GCG appraisal will motivate management to make decisions on behalf of the principal when agent interests conflict with principal interests. The management has detailed information about the state of the company. For this reason, detailed supervision of management actions by stakeholders is needed

The findings of this study support the signaling theory. Regarding the principle of transparent GCG, management with more complete information will be encouraged to convey this information to investors. Management actions will reduce information asymmetry to increase the company's value. The information is a signal to increase the company's prospects and value presented through the annual report. The results found support the research by (Eriqat et al., 2023) that the corporate governance variable, namely the audit committee, has a significant positive effect on the company's value. Other research results conducted by (Ghuslan et al., 2021), (Kapita & Suaranda, 2018), and (Lusmeida & Berlinda, 2022) reveal that Good Corporate Governance has a significant positive effect on company value.

The Effect of Good Corporate Governance on Firm Value Mediated by Financial Performance

Based on the sobel test, it was found that there was an insignificant positive effect between GCG on Firm Value through Company Performance which means hypothesis 6 was rejected. Financial Performance cannot mediate the influence of GCG on Firm Value. Based on research results, GCG has a positive and significant effect on Company Value. However, financial performance cannot be an intermediary as to why GCG affects the Company's Value.

Although Financial Performance is positively and significantly influenced by GCG, it is unable to mediate it on the Company's Value. This is because Financial Performance may not necessarily be able to increase the Company's Value when GCG disclosure is low. The results of this study support the research (Putra & Wirawati, 2020) on LQ45 companies in 2017-2018. The results of the study show that financial performance is not able to mediate the relationship between GCG and company value. The researcher suspects that financial performance is not able to mediate the relationship between GCG and

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E-ISSN 2598-4950

company value because GCG which is proxied by managerial ownership and institutional ownership has a low value so it is not able to have good financial performance which will later have an impact on the company's value.

The Effect of Financial Performance on Firm Value

Based on the research test result, Financial Performance has a significant positive influence on the Firm Value, which means that hypothesis 7 is accepted. This means that the higher the Financial Performance increases the firm value. Financial statements are a communication medium between financial data and stakeholders. The nominal disclosed in these financial statements have an important role in making decisions, designing strategies, determining success targets, estimating the risk of business failure, and as an actualization of the company. This is because either profit or loss can reflect the company's performance. The company's better performance will be a signal for investors in making investment decisions and then can provide added value for the company.

The results of this study support previous research conducted by (Ohee, 2021) which stated that financial performance has a positive impact on company value. This result is in line with signal theory, the company's financial performance can be a positive signal for investors. In the profitability realized by the company, investors can interpret it as a good prospect for the company in the future. Investors will be interested in buying the company's shares, which will cause the stock price to rise and the company's value to rise.

CONCLUSION

The high or low CSR *Disclosure* cannot affect financial performance. CSR *Disclosure* also does not affect the firm value, meaning that active and positive social roles in the environment around the company have not been able to improve financial performance or shape the firm value to the community. CSR disclosure in Indonesia is mandatory based on the Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies (Republic of Indonesia, 2007). However, in its implementation, this disclosure is only limited to aborting obligations. No standardization regulates CSR disclosure in companies in Indonesia. As a result, even though all samples carried out CSR activities in their operational activities, not all were reported clearly and in detail in their sustainability reports.

Good Corporate Governance disclosure has a positive effect on financial performance. Good Corporate Governance also has a positive effect on the firm value. This shows that the stakeholder's control function is important to improve the firm performance. GCG will effectively protect investors, and increase confidence in the capital market so that the company's value will also increase. Financial Performance has not been able to mediate the effect of CSR Disclosure on Firm Value. Financial Performance also does not mediate the effect of GCG on the Firm Value. There is a direct influence of GCG on Financial Performance. However, Financial Performance cannot mediate GCG against the company's value.

P-ISSN 2356-2005
E-ISSN 2598-4950

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