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FINANCIAL PERFORMANCE IMPROVEMENT INFLUENCED BY GOOD CORPORATE GOVERNANCE THROUGH COMPANY VALUE

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Abstract

This research is a quantitative study with an explanatory approach, namely an approach that generates hypotheses based on hypotheses in previous studies. The data used in this study are primary data that researchers obtained from 300 Sinarmas employees spread throughout Indonesia. The data obtained were collected and analyzed using the smart PLS 4.0 analysis tool. The result in this article show that the Good Corporate Governance variable can have a positive relationship direction and a significant influence on Company Performance. The results of the third table above show that the better the Good Corporate Governance owned by a company can increase employee welfare, improve the company's financial stability, and ultimately improve Company Performance. These results are because the company's P-Values value is below the significance level of 0.05, which is 0.000. In the next column, the P-Values value in this article can also be said to be proven because the same thing is that the P-Values value is below the significance level of 0.05, which is 0.000 smaller than direct testing. Thus, it can be concluded that the Company Value variable can moderate the influence of the Good Corporate Governance variable on Company Performance.

Keywords: *Financial Performance, Good Corporate Governance, Company Value*

INTRODUCTION

According to (Zarkasyi 2008) corporate governance is "a system, process, and set of regulations that regulate the relationship between various stakeholders". Meanwhile, according to the World Bank, corporate governance is a collection of laws, regulations and rules that must be met that can encourage the performance of company resources to work efficiently, producing sustainable long-term economic value for shareholders and the surrounding community as a whole (Pasorong 2012). The Forum for Corporate Governance in Indonesia (FCGI) defines corporate governance as "a set of regulations that determine the relationship between stakeholders, management, creditors, government, employees and other internal and external stakeholders". Based on the theory that has been presented, it can be concluded that corporate governance is a system and regulation used to regulate and determine the relationship between various stakeholders in the company.

The importance of enforcing good corporate governance is a commitment to achieving the company's goals that have been set. In its application to implement GCG in a company, principles are needed so that GCG can be implemented properly (Huda 2011). As described by the OECD (Organization for Economic Cooperation and Development) which has tried to develop several principles that can be used as references by both the government and business actors in regulating the mechanism of relations between stakeholders. The principles developed by the OECD, there are five important things in Corporate Governance, namely (Fharaswati 2020): 1. Fairness (Justice) Guaranteeing the protection of the rights of shareholders, including the rights of minority shareholders and foreign shareholders, and ensuring the implementation of commitments with investors. 2. Transparency (Transparency) This principle of transparency requires open, timely, clear and comparable information concerning the financial condition, company management, and company ownership for interested parties (stakeholders). The principle of transparency is used in implementing the decision-making process and disclosure of material and relevant information about the company. 3. Accountability The basic principle of accountability for a company is to be able to account for its performance in a transparent and fair manner. Explain the roles and responsibilities, and support efforts to ensure the balance of management and shareholders, as supervised by the board of commissioners. 4. Responsibility Responsibility is defined as responsibility. The basic principle of responsibility, in principle, the company must comply with laws and regulations and carry out responsibilities to the community, ensuring compliance with applicable regulations and provisions as a reflection of compliance with social values. 5. Independence The company believes that independence is a must so that the company's organs can function properly and be able to make good decisions for the company. Each company organ will carry out its duties in accordance with applicable laws and GCG principles. Apart from the company's organs, there should be no parties who can interfere with the management of the company. It is expected that management can be carried out independently so that each company organ does not dominate each other.

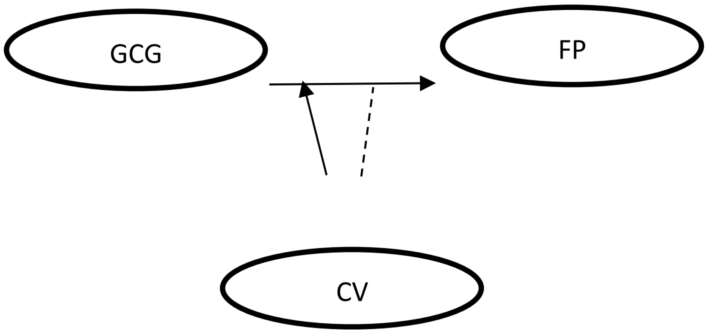
Researchers believe that these five things can have a positive relationship direction and a significant influence on Company Performance. There are a number of previous studies (Marietza 2020); (Churniawati 2020)& (Onoyi 2021)showing that the Good Corporate Governance variable can have a positive relationship direction and a significant influence on Employee Performance. In contrast to the studies (Marietza 2020);

(Churniawati 2020)& (Onoyi 2021), this article adds the Company Value variable as a moderating variable.

METHODS

Figure 1

Model



Noted:
GCG: Good Corporate Governance
FP: Financial Performance
CV: Company Values

The exposure of the third table above shows that this article aims to analyze the effect of Good Corporate Governance on Company Performance. This objective is in line with the three previous studies, namely (Marietza 2020); (Churniawati 2020) & (Onoyi 2021). Unlike the three studies above, this article adds the Company Value variable as a moderating variable which is believed to be able to strengthen the effect of the Good Corporate Governance variable on Company Performance (Jonathan Sarwono 2016). This research is a quantitative study with an explanatory approach, namely an approach that generates hypotheses based on hypotheses in previous studies (Abdurahman 2016). The data used in this study are primary data that researchers obtained from 300 Sinarmas employees spread throughout Indonesia (Sugiyono 2019). The data obtained were collected and analyzed using the smart PLS 4.0 analysis tool with the following hypothesis.

Hypothesis:

H1: The Influence of Good Corporate Governance Financial Performance
H2: Company Values Can Moderates The Influence of Good Corporate Governance Financial Performance

RESULTS AND DISCUSSIONS

Background Analysis

Corporate governance is closely related to how a company manages its business. Effective corporate governance can be the capital to gain and maintain stakeholder trust. Poor corporate governance can lead to failure in a company. Good governance or what is commonly called Good Corporate Governance (GCG) can create a conducive environment that supports the formation of company efficiency and reduces the risks faced (Sutedi 2011).

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Validity Test

If using the smart PLS 4.0 analysis tool, then the stage that each academic must do first is the validity test stage which has the function of testing each questionnaire distributed to 300 Sinarmas employees. Based on this, here are the results of the validity test in this article (Hair 2010):

Table 1

Validity Test

Variable	Question Item	Loading Factor
Good Corporate Governance (X1)	Good Corporate Governance can affect Company Performance	0.897
	Good Good Corporate Governance can make employees happy	0.889
	Good Good Corporate Governance can make employees happy	0.908

	Good Good Corporate Governance can make the company's financial stability good	0.928
Financial Performance (Y)	Company Performance can be influenced by Good Corporate Governance	0.946
	Company Performance can be influenced by company values	0.958
	Company Performance can be influenced by employee welfare	0.962
	Company Performance can be influenced by the Company's Financial Stability	0.975
Company Values (Z)	Company Values can affect Good Corporate Governance	0.986
	Company Values can affect Company Performance	0.988

Validity Test > 0.70

Reliability Test

After passing the validity test stage, the next stage that must also be passed is the reliability test stage which functions to ensure each variable used in this study. This study uses three variables, namely the Good Corporate Governance variable as the Independent variable, the Financial Performance variable as the Dependent variable, and the Company Value variable as the moderating variable (Sarstedt et al. 2014):

Table 2

Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted

Good Corporate Governance	0.932	0.892	Reliable
Financial Performance	0.946	0.905	Reliable
Company Values	0.967	0.925	Reliable

Reliability Test > 0.70

Path Coefisien

The last stage that can be used in this article is the Path Efficiency stage which functions to prove whether each hypothesis used in this article is valid according to the researcher's prediction or not. Therefore, the following are the results of the Path Coefficient in this article (Hair 2010):

Table 3

Path Coefisien

	Variable	P-Values	Noted
Direct Influence	GCG->FP	0.009	Accepted
Indirect Influence	CV* GCG->FP	0.000	Accepted

Significant Level < 0.05

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CONCLUSION

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