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The Effect of the Implementation of Good Corporate Governance on the Company's Financial Performance During the Covid-19 Pandemic

(Case Study on Manufacturing Companies in the Goods and Consumer Sector Listed on the IDX for the 2020-2021 Period)

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ABSTRACT

This study aims to determine the effect of implementing good corporate governance on company financial performance during the Covid-19 pandemic. The sampling technique uses purposive sampling measuring 46 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the period 2020 to 2021. The analysis technique used is the random effect model (Ordinary Least Squares). The results of the study show that managerial ownership does not affect the company's financial performance, institutional ownership affects the company's financial performance, corporate social responsibility costs affect the company's financial performance and managerial ownership, institutional ownership, and corporate social responsibility costs simultaneously affect the company's financial performance.

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1. INTRODUCTION

WHO (World Health Organization) officially declared the corona virus or Covid-19 as a global pandemic on March 11, 2020 (Princess, 2020). The Covid-19 pandemic not only has an impact on the health of citizens, but also affects the economy in some countries, especially Indonesia. The spread of this widespread virus outbreak has had an adverse impact on the Indonesian economy, both in terms of investment, trade, and tourism. The Indonesian government issued a Large-Scale Social Restrictions (PSBB) policy. The implementation of the PSBB is listed in Government Regulation of the Republic of Indonesia Number 21 of 2020 concerning Large-Scale Social Restrictions in order to Accelerate the Handling of Corona Virus Disease 2019 (COVID-19) This regulation is an effort to reduce the rate of spread and break the chain of transmission of the COVID-19 outbreak. The existence of this PSBB regulation has caused many industries to be obliged to stop some of their business activities in order to prevent the spread of this covid outbreak

According to Harahap &; Anggraini, (2020) When the emergence of the Covid-19 pandemic in this country, companies are very worried about a decline in the quality of financial performance that will have an impact on the company. Because of this, it is important to evaluate the performance provided by the company to provide information whether the company is operating well during a certain period of time. According to Suryanto &; Refianto, (2019) Company performance is one of the indicators considered important by *stakeholders* company to know the state of the company. The company's financial performance which is a picture of the company's financial condition can be analyzed using financial analysis tools, so it can be seen the good and bad condition of the company that reflects the company's performance in a certain period. This is very important for optimal utilization of resources in the face of environmental changes. The company's good financial performance can adjust to the changes in the environment that will be faced by the company, as at this time the Covid-19 pandemic has spread throughout the world, including Indonesia itself. The current crisis has caused many companies to be unable to face the crisis which eventually many companies have to close their businesses temporarily or permanently, because companies cannot adapt to the current economic crisis.

The company's financial performance can describe the company's level of success in carrying out the company's financial functions. So that shareholders can make financial performance in a company as a benchmark in assessing a company. Financial statements contain important information that can influence the decision making of stakeholders, especially investors and stakeholders. To account for financial reporting, the Company really needs to consider how good corporate governance to be applied to the company. Good corporate governance results in high financial performance within the company, and it can fulfill management responsibilities to stakeholders. The valuation of the company can be based on the annual financial statements of the company being evaluated. Financial statements in general are data that can explain the financial condition of a company that is timeliness. Every company wants its financial statements to be accounted for, therefore implementing good corporate governance is very necessary and companies must really pay attention to it. In general, good corporate governance refers more to management and company regulations enforced by management. *Good Corporate Governance* involves good work principles, work ethics, and integrity. Therefore, good corporate governance aims to facilitate company assessment and avoid stakeholder losses. The manufacturing industry sector is one of the companies considered most affected by the Covid-19 pandemic because manufacturing companies often pass through import and export channels which are used as production processes in production companies that are slightly hampered or not smooth at all.

Nurulrahmatiah &; Pratiwi (2020) certify that the company has applied *Corporate Governance* Well it is a very good step when there is an economic crisis in a country. The financial performance of a company is one of the demands of the Covid-19 pandemic. All companies know that stabilizing and maintaining a company's financial performance is not an easy thing. According to David (2011) If the company gets better at implementing *Good Corporate Governance* Then the company's financial performance will also increase.

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However, based on data contained in the annual report of PT. HM Sampoerna Tbk. points to the fact that, despite the financial performance of PT. HM Sampoerna Tbk. is in decline, the company was awarded *Corporate Governmente* from *The Asia Responsible Enterprise Award* (AREA) 2020 for outstanding achievements in sustainability and responsible entrepreneurship.

Not many industries have been able to survive in the midst of the Covid-19 pandemic. The health crisis and economic slowdown have caused a number of industries to suffer. The tobacco industry was also hit hard by the impact of the Covid-19 pandemic along with the decline in cigarette consumption. The trigger is in addition to health reasons, economic factors due to reduced income. The government's plan to raise excise taxes will further hit the cigarette industry. Reported on katadata.co.id Bayu (2021) revealed that the CISDI survey shows, not only health factors that encourage someone to reduce their cigarette consumption. Of these active smokers, as many as 40% experienced a reduction in working hours and 77% were experiencing financial difficulties. This is in line with the results of the Indonesian Political Indicators survey which states that 72.9% of respondents are experiencing a decrease in income as of August 2021. The figure is up from 66.6% in September 2020. The reduction in cigarette consumption during the Covid-19 pandemic has affected industry performance. In 2020, the contribution of the tobacco processing industry (IPT) to gross domestic product (GDP) was only IDR 85.3 trillion, down 5.78% compared to the previous year. In 2019, the GDP contribution of the IPT sector amounted to Rp 90.5 trillion in 2019, up 3.36% from 2018.

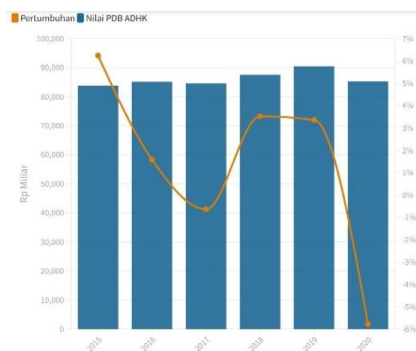

Figure 1.1 Tobacco Industry Performance 2015-2020
Source:

One of the tobacco industries that has experienced the impact of this covid pandemic is PT. HM Sampoerna Tbk. which resulted in a 9.6% decline in industrial sales volume to 276 billion units in 2020. The Company's sales volume in 2020 decreased by 19.3% to 79.5 billion units, reflecting a decline in cigarette industry volume, coupled with a 3.4 basis points decline in market share to 28.8%

Not only the tobacco industry has a downturn due to this covid pandemic, but the pharmaceutical industry has also been hit hard by the impact of the Covid-19 epidemic Quoted in Katadata.co.id news, Fitra (2020) revealed that the Covid-19 pandemic has had a significant impact on business actors, including the pharmaceutical industry. Companies must adapt to creating products needed during a pandemic considering that products that are not related to Covid-19 will decline. The Covid-19 pandemic has significantly paralyzed many business sectors due to limited space for people. However, many parties predict, the pharmaceutical industry is one that is able to grow amid the Covid-19 pandemic. However, Pharmaceutical SOE Holding PT. Bio Farma (Persero) refutes this view because it is not entirely true that the pharmaceutical industry has benefited greatly from the COVID-19 pandemic. The reason is that the domestic pharmaceutical industry still has to bear the burden of costs to bring in raw materials whose prices have increased 3 to 5 times.

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Based on data quoted in kata.co.id news, Fitra (2020) revealed that a private pharmaceutical company, PT Kalbe Farma Tbk (KLBF) experienced a decline in sales of one type of pharmacy. President Director of Kalbe Farma said that sales of prescription drugs decreased because regular (non-covid) patients in hospitals fell. People avoid hospital visits during the pandemic but over-the-counter (OTC) drugs such as vitamins, supplements, herbs have positive growth, so it is a combination of growth. Throughout the first semester of this year, Kalbe Farma's total sales still grew 3.76% to Rp 11.6 trillion. Even so, the growth is lower than the achievement of the first semester of last year which reached 7%. Kalbe has even revised its growth target this year. Last year, Kalbe's sales growth reached 7.4%. At the beginning of the year, the company was still optimistic about setting this year's target of 6-8% and net profit of 5-6%. However, when releasing its financial results for the first half of 2020, Kalbe cut this year's sales target to 4-6%. Kalbe Farma's Corporate Finance Director said that this year's target revision was carried out because it saw the conditions of the Covid-19 pandemic which might be prolonged.

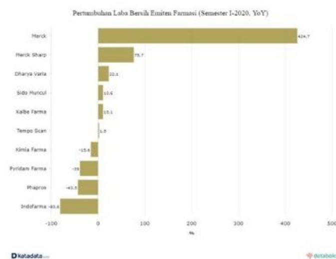

Figure 1.2. Net Profit Growth of Issuers
Source:

Not many industries have been able to survive in the midst of the Covid-19 pandemic. The health crisis and economic slowdown have caused a number of industries to suffer. Reported on katadata.co.id Bayu (2021) Finding that one that still survives is the food and beverage industry. This condition can be seen from its performance which is still growing positively in the past year. In the first quarter of 2021, this industry growth reached 2.45%, one of the highest in the processing industry sector.

Companies that have good financial performance will realize maximum profit value which in turn can improve the quality of the economy in Indonesia. Financial performance is the result of achieving a company measurement that makes the company's financial condition good when carrying out its operations. How to show information about the entry and exit of funds and the effectiveness and efficiency of the company from what has been achieved by a company which sees a good situation for a certain period can be by measuring the company's financial performance (Rahmani, 2020).

Problem Statement

Based on the background of the problems that have been explained regarding the effect of implementing financial performance on the company's financial performance, the formulation of the problem in this study:

1. Does managerial ownership affect the company's financial performance?
2. Does institutional ownership affect the company's financial performance?
3. Do *Corporate Social Responsibility* (CSR) costs affect the company's financial performance?
4. Whether managerial ownership, institutional ownership and corporate social responsibility costs simultaneously affect the company's financial performance.

2. LITERATURE REVIEW

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Agency Theory

Agency Theory is a theory that explains the working relationship between agents and principals. Agency relations describe where one or more persons (principals) appoint other persons (agents) to perform specific work on behalf of the principal, involving delegation of certain decision-making authority to agents (Jensen & Meckling, 1976). The principal as the provider of funds will delegate decision-making authority to the agent and to run the company. The principal hopes the agent will generate a return from the funds they invested. On the other hand, the agent is obliged to manage the company based on the wishes of the principal. As an implication of management accountability to shareholders, in each period, management will provide reports containing company information to shareholders.

3. METHODOLOGY

This research is a causality research with a quantitative approach. Study Casual aims to find out the relationship between variables and how much influence occurs between these variables. This study used secondary data in the form of Financial Report of Manufacturing Companies in the Consumer Goods Industry Sector in 2020-2021. The data is obtained from www.idx.co.id which is the official website of the Indonesia Stock Exchange (IDX) in addition to data is also obtained from the official website of each company.

The independent variable in this study is good corporate governance which is proxied by managerial ownership, institutional ownership, and corporate social responsibility costs, the dependent variable in this study is financial performance measured using ROA (*Return On Assets*), and there is a control variable, namely the size of the company calculated by using Ln total sales. The analysis technique used in this study is the *random effect model (Ordinary Least Sqaures).*

The population in this study is manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period. The sampling method in this study is the method *purposive sampling*, that is, the method carried out because it has some considerations (Abdullah, 2015). The sample in this study has the following criteria:

1. Consumer goods industry manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period
2. Companies that do not have the information needed for research in the period 2020-2021.

Based on *purposive sampling* criteria , a sample of 46 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period was obtained that met the research sample criteria. This study had a research period of two years so that a total of 92 observations were obtained.

4. RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics are carried out to see a picture of a research result in general by looking at the average value, maximum value, minimum value and standard deviation. The dependent variable in this study is the company's financial performance, the independent variable in this study is *good corporate governance* which is proxied by managerial ownership, institutional ownership and *corporate social responsibility costs.* Descriptive statistics on each research variable can be seen in the following explanation.

Table 1. Descriptive Statistics 2020

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	ROA	KM	KI	IBCSR
Mean	0.050	0.116	0.684	0.588
Median	0.042	0.034	0.745	0.009
Maximum	0.493	0.683	0.991	23.933
Minimum	-0.255	0.001	0.005	-0.776
Std.Dev.	0.122	0.169	0.235	3.535
Observations	46	46	46	46

Source: Data processed using eviews 12.

Table 2. Descriptive Statistics 2021.

	ROA	KM	KI	IBCSR
Mean	0.072	0.117	0.679	0.139
Median	0.062	0.034	0.762	0.011
Maximum	0.619	0.683	0.991	3.541
Minimum	-0.289	0.001	0.005	-0.146
Std.Dev.	0.138	0.173	0.241	0.564
Observations	46	46	46	46

Source: Data processed using eviews 12.

Panel Data Regression Determination Method

Table 3. Chow Test Results

Redundant Fixed Effects Tests
Equation: MODEL_FEM
Test cross-section fixed effects

Effects Test	Statistics	d.f.	Prob.
Cross-section F	2.593755	(45,42)	0.0012
Cross-section Chi-square	122.310834	45	0.0000

Source: Data processed using eviews 12.

Based on the results of the Chow Test in table 3, the probability value *of Cross-section* F of 0.0012, which is smaller than 0.05, is accepted while rejected, so it uses a $H_1 H_0$ *fixed effect model*. To make sure the model used is correct or not, the next step is to do the Hausman Test by choosing between *a fixed effect model* or *a random effect model*

Table 4. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: MODEL_REM
Test cross-section random effects

Effects Test	Statistics	d.f.	Prob.
Cross-section Random	3.853618	4	0.4262

Source: Data processed using eviews 12.

Based on the results of the Hausman Test in table 4, the probability value of Chi-Square of 0.4262 which is greater than 0.05 is accepted while rejected, so it uses $\boldsymbol{H_0}$ $\boldsymbol{H_1}$ *random effect model.* Then it is

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necessary to do the Test *Lagrange Multipler* to ensure the right model. Test *Lagrange Multipler* Choose between *random effect model* or *common effect model.*

Table 5. *Lagrange Multipler Test Results*

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	8.110119 (0.0044)	0.871296 (0.3506)	8.981415 (0.0027)

Source: Data processed using eviews 12.

Based on table 5, a significance value of 0.0027 is obtained in the probability value *Breusch-Pagan* Where the value is less than 0.05, it is accepted while rejected. Test Based $H_1 H_0$ *Lagrange Multipler* hence the panel data regression model with *random effect model* Better Darin *Common Effect Model*. Thus the most appropriate model used in this study is *random effect model*.

Classical Assumption Test

Multicollinearity Test

Table 6. Multicollinearity Test

	KI	MILES	IBCSR
KI	1.000000	0.383208	0.016425
MILES	0.383208	1.000000	-0.133997
IBCSR	0.016425	- 0.133997	1.000000

Source: Data processed using eviews 12.

Based on the results of the multicollinearity test in the table, it can be seen that each independent variable has a correlation coefficient of less than 0.80 so that it can be concluded that from each independent variable there are no symptoms of multicollinearity.

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Heteroscedasticity Test

Table 7. Heteroscedasticity Test

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	0.340840	Prob. F(3.68)	0.9860
Obs*R-squared	5.368630	Prob. Chi-Square(3)	0.9800
Scaled explained SS	37.15608	Prob. Chi-Square(3)	0.0007

Source: data obtained using eviews 12.

Based on table 7 it can be seen that the value of Prob. Chi-Square (3) on Obs*R-Squared is 0.9800. The results show that the resulting probability value is greater than 0.05, which is 0.9800>0.05 so that it can be concluded that in this study the data used did not contain symptoms of heteroscedasticity.

Hypothesis Testing

Table 8. *Random Effect Model*

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 08/12/22 Time: 23:47
Sample: 2020 2021
Periods included: 2
Cross-sections included: 46
Total panel (balanced) observations: 92

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.152301	0.173259	-0.879034	0.3818
MILES	0.010907	0.007457	1.462594	0.1472
KI	-0.368933	0.192843	-1.913132	0.0590
IBCSR	0.000332	6.39E-05	5.195896	0.0000
SIZE	0.009428	0.006007	1.569475	0.1202

Root MSE	0.072969	R-squared	0.319852
Mean dependent var	0.036810	Adjusted R-squared	0.288581
S.D. dependent var	0.088963	S.E. of regression	0.075037
Sum squared resid	0.489855	F-statistic	10.22833
Durbin-Watson stat	2.031729	Prob(F-statistic)	0.000001

Source: data obtained using eviews 12.

Based on table 8 hypothesis testing using *random effect model*, the test produces the panel data regression equation as follows:

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ROA = -0.152301 + 0.010907KM – 0.368933KI + 0.000332IBCSR + 0.009428SIZE + ε

In table 8 the value of the managerial ownership coefficient (KM) has a positive or unidirectional direction, then the value of the institutional ownership coefficient (IP) has a negative or non-directional direction and the value of the Corporate Social Responsibility Cost Coefficient (IBCSR). In addition, for the value of the control variable coefficient, namely the size of the company (SIZE) has a positive direction. The regression results of panel data with random effect model have an interpretation of influence between independent variables with dependent variables with significance levels of 1%, 5%, and 10% or α = 0.01; 0,05; 0,10

Based on the test results in table 4.9, the probability value of managerial ownership is 0.1472, which is greater than α = 0.01, it is concluded that accepted and rejected which means that institutional ownership has no effect on the company's financial performance.$H_0 H_a$

H0 : β > 0, Managerial Ownership has no effect on Financial Performance
Ha : β < 0, Managerial Ownership affects Financial Performance

The second hypothesis test is based on the test results in table 4.9, the value of propability in institutional ownership is 0.0590, which is smaller than α = 0.01, it can be implied that rejected and accepted, which means that institutional ownership affects the company's financial performance. $H_0 H_a$

H0 : β > 0, Institutional Ownership has no effect on Financial Performance
Ha : β < 0, Institutional Ownership affects Financial Performance

The third hypothesis testing is based on the test results in table 4.9 probability values at cost *Corporate Social Responsibility* i.e. 0.0000 which is smaller than α = 0.05 then it can be concluded that rejected and accepted which means cost $H_0 H_a$*Corporate Social Responsibility* affect the company's financial performance.

H0 : β > 0, Institutional Ownership has no effect on Financial Performance
Ha : β < 0, *Corporate social responsibility* costs affect Financial Performance

After conducting individual or partial testing, for testing the fourth hypothesis a simultaneous test is carried out. The fourth hypothesis testing is based on the test results in table 8 of probability values (F-statistics) of 0.000001, which is smaller than α = 0.05, it can be implied that the independent variable simultaneously affects the dependent variable or the hypothesis is accepted.

Then in table 8 shows the value of the coefficient of determination or *Adjusted R-Squared* which is 0.288581. The coefficient of determination aims to see the extent of the contribution or percentage of the influence of the independent variable on the dependent variable. These results suggest that a company's financial performance can only be explained or influenced by managerial ownership, institutional ownership and costs *Corporate Social Responsibility* That is 28% so that the remaining 72% can be explained by other variables that were not studied.

The Effect of Managerial Ownership on the Company's Financial Performance

Managerial ownership is the manager or management party that owns company shares. With the manager who owns company shares, it will be able to balance the interests of shareholders with managers so that managers will be more careful in making decisions because the manager will feel every decision taken. From this, it can make managers more motivated in improving the company's financial performance because the ownership structure has capabilities within the company that can affect the company's financial performance.

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However, the test results using panel data regression (OLS) regarding the effect of managerial ownership on the company's financial performance measured using the number of shares owned by management divided by the number of ordinary shares did not significantly affect the company's financial performance in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2021 period. In this study, there were 92 data studied with an average (mean) of managerial ownership of 11.6% in 2020 and 11.7% in 2021. With this average, it shows that at least there are managers who are also owners of the company. This dual management function provides control rights by managers over the company because managers who own company shares can already act as company owners. However, with such low average managerial ownership, management does not yet have strong enough control to control the company. The low shares owned by the company's management result in the management not feeling ownership of the company because not all benefits can be enjoyed by the management which causes the management to be less motivated and low management performance so that it does not affect the company's financial performance.

The results of this test are not in line with *Agency Theory* Where with managerial ownership, the managerial party will make more careful decisions because it will have an impact on itself. The results of the tests conducted reject the agency theory, so that the low proportion of managerial ownership in the company, makes the application of managerial ownership to help unite the interests between managers and owners in order to motivate managers to take actions to improve company performance has not been effective. Then managerial ownership does not have a significant influence on the company's financial performance. The results of this study are in line with research conducted by (Indriati, 2018), (Handayani, 2018), (Suryanto &; Refianto, 2019)) which states that managerial ownership has no effect on the company's financial performance.

The Effect of Institutional Ownership on the Company's Financial Performance

Institutional ownership is share ownership by external institutions such as government institutions, private institutions, domestic and foreign. Institutional ownership has a very large role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in strategic decision making within the company. The greater the ownership of the institution, the greater the voting power and encouragement of the institution to supervise management. As a result, it will provide a greater impetus to optimize the value of the company so that the company's performance will increase. The increase in company performance will later be seen from the financial performance owned by the company.

Institutional ownership is one of the proxies of corporate governance, because if the share ownership owned by the institutional party is more bearable than managerial ownership, the institutional party can control all actions of managers. So that managers cannot act in accordance with their own interests and cooperate between institutional parties to improve the company's financial performance. The assumption of agency theory states that there is a separation between ownership and company management can cause agency problems. Based on this assumption, the separation between ownership and control, managers are able to manage funds provided by investors in generating profits that will be supervised by institutional ownership.

Testing results using regression analysis of panel data show that institutional ownership has a significant effect on the company's financial performance. This is indicated by a probability value of 0.0590. The value is smaller than the specified significance level, which is $\alpha = 0.10$, then H_0 rejected and H_a accepted, which means that institutional ownership affects the company's financial performance.

The results of this study are in line with those conducted (Leatemia &; Mangantar 2019); In this study, it can be seen in tables 4.2 and 4.3 that the average institutional ownership in 2020 was 0.684 and 0.679 in 2021 with research data of 92. Based on this research, institutional ownership does have a very

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high number of share ownership compared to managerial ownership, so institutional ownership can supervise the actions of managers in managing the company, especially in managing funds in order to provide benefits for shareholders. If institutional ownership is smaller, it will trigger agency problems. Agency theory assumes that separation between ownership and management of a company can lead to agency problems. Based on this assumption, the separation between ownership and control, managers are able to manage funds provided by investors in generating profits that will be supervised by institutional ownership. According to Veronika et al. (2022) during the Covid-19 period, institutional ownership is needed to achieve company goals.

Then the existence of institutional ownership can show a mechanism in implementing strong good corporate governance and can be used to monitor company management. The influence of institutional ownership on company management can be very important and can be used to align the interests of management with shareholders (Sekaredi, 2011). The results of this study with institutional ownership will increase the professionalism of work because usually if the owner of the company is in the form of a business entity, it will put greater pressure on company management in improving the quality of work.

The Effect of *Corporate Social Responsibility Costs* on the Company's Financial Performance

In carrying out CSR activities, companies definitely need costs incurred by companies to carry out CSR activities. This fee is used by the company for the company's responsibility costs to the surrounding environment and related to social activities. In addition, companies are starting to realize the importance of CSR costs, apart from the obligations set by the government, also more than that companies feel the need to pay attention to their environment so that their existence experiences sustainability or sustainability which will ultimately improve the company's financial performance.

The test results using panel data regression analysis show that corporate social responsibility costs affect the company's financial performance. This is aimed at a probability value of 0.0000. The value is smaller than the specified significance level which is α = 0.05 and the value is rejected and accepted which means cost $H_0 H_a$ *Corporate Social Responsibility* affect the company's financial performance. The cost of CSR has an influence on the company's performance. This is because companies that incur CSR costs will be covered by the benefits. When companies spend a lot of money on CSR activities, the company will also get returns, because companies that do CSR are considered more open by investors and care more about the environment so that investors are interested in providing capital loans to companies so that the company's performance will increase. Therefore, companies that carry out corporate social responsibility will be able to feel the benefits for the long term. The cost of a company's CSR can come from internal and external. Internal company costs such as employee welfare costs and community costs incurred from external companies.

By spending CSR costs in the field of employee welfare, it will have a positive impact on employee performance because the company provides compensation so that employees will be motivated and more enthusiastic in their work so that the company's goals in the long term can be achieved. In addition, employees will feel well cared for by the company so that employees will be more loyal at work, more optimally effective and efficient at work so that automatically employees can easily improve the quality of company products and be more enthusiastic to promote or sell company products in the community so that it will have an impact on increasing company profits (Pratiwi &; Nugroho, 2013). In addition, the costs incurred by the company for external activities through community fees, these costs are incurred by the company to make donations or donations to the community. When the company makes these donations, the company indirectly maintains and boosts the company's brand image and also the company increases its reputation and good image in the eyes of the public. So that the company will provide good prospects for the survival of the company with increasing product sales growth which will have an impact on the profits received by the company (Yudharma et al., 2016).

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Therefore, companies that incur higher CSR costs will have a positive impact and many benefits for the company such as making the company's relationship with the surrounding community, the environment and also consumers will be better, this allows there will be an increase in sales of the company's products so that it will provide benefits for the company and will also improve the company's performance (Januarti &; Apriyanti, 2005). The results of this study are in line with research conducted by (Dwi &; Handayani, 2018), (Agnelia et al., 2020).

The effect of managerial ownership, institutional ownership and corporate social responsibility costs simultaneously on the company's financial performance

Companies that apply *Good Corporate Governance* A good one will improve the company's financial performance through the creation of a better decision-making process, increased operational efficiency of the company and improved services to stakeholders. With good corporate governance, the decision-making process will take place better so that it will produce optimal decisions, can increase efficiency and create a healthier work culture.

Test results using regression analysis of panel data showed that managerial ownership, institutional ownership and costs *Corporate Social Responsibility* simultaneously affects the company's financial performance. This is intended with a probability value (F-statistic) of 0.000001, which is smaller than α = 0.05. So the application of good corporace governance which is proxied by that managerial ownership, good ownership of the company's financial performance and can provide a good image for the company, can certainly have a good influence and improve the company's financial performance. The results of this study are in line with the results of research conducted by (Yustiara et al., 2021).

5. CONCLUSION

Managerial ownership measured using the number of shares owned by management divided by the number of common shares shows the result that managerial ownership has no effect on the company's financial performance. This is because the low proportion of managerial party share ownership makes the management does not have strong enough control to control the company

Institutional ownership, measured using the number of shares owned by institutions divided by the number of cost shares, shows the result that institutional ownership has an effect on the company's financial performance. This is because with institutional ownership, it will increase the professionalism of work because usually if the owner of the company is in the form of a business entity, it will put greater pressure on company management in improving the quality of work

Cost *Corporate Social Responsibility* which is measured using the BCSR index affects the company's financial performance. This is because when companies spend a lot of money on CSR activities, the company will also get returns, because companies that do CSR are considered more open by investors and care more about the environment so that investors are interested in providing capital loans to companies so that the company's performance will increase. Therefore, companies that carry out corporate social responsibility will be able to feel the benefits for the long term.

Application *Good Corporate Governance* which is proxied by managerial ownership, institutional ownership and corporate social responsibility costs simultaneously affect the financial performance of the company which is proxied by *Return On Asset* (ROA). This is because if the company implements good corporate governance, it will improve the company's financial performance through the creation of a better decision-making process, increased operational efficiency of the company and more services to stakeholders. With good corporate governance, the decision-making process will take place better so that it will produce optimal decisions, can increase efficiency and create a healthier work culture.

Suggestion

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Theoretical Advice

This research uses manufacturing companies in the consumer goods industry sector as research subjects. Different characteristics of each company sector, allowing different research results on other company sectors. So that in future studies can use samples of companies other than the consumer goods industry, such as mining and services. Then this study has a low Adjusted R-Squared value, this shows that there are still other factors that can affect financial performance so it is expected that in future studies should add other independent variables such as *leverage, assets tangibility*, liquidity or other variables that can improve the company's financial performance.

Practical advice

Can assist management in improving company performance and as a consideration for issuers to evaluate, improve, and improve management performance in the future

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