

The Role Of Corporate Social Responsibility (CSR) In Mediate The Effect Of Corporate Governance (CG) On Financial Performance

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh (1) Corporate Governance terhadap Corporate Social Responsibility, (2) Corporate Governance terhadap Kinerja Keuangan, (3) Corporate Social Responsibility terhadap Kinerja Keuangan, (4) Corporate Social Responsibility (CSR) berperan dalam memediasi hubungan Corporate Governance (CG) terhadap Kinerja Keuangan yang terdaftar di Bursa Efek Indonesia Tahun 2015-2021. Sampel sebanyak 26 perusahaan dengan 182 data observasi untuk setiap variabel. Metode Uji Asumsi Structural Equation Modeling (SEM) menggunakan program Amos 22. Hasil penelitian ini menyimpulkan bahwa (1) Corporate Governance (CG) berpengaruh dan signifikan terhadap Corporate Social Responsibility (CSR) (2) Corporate Governance (CG) berpengaruh dan signifikan terhadap kinerja keuangan, (3) Corporate Governance (CG) berpengaruh dan signifikan terhadap kinerja keuangan. Social Responsibility (CSR) berpengaruh signifikan dan signifikan terhadap Kinerja Keuangan, dan (4) Corporate Social Responsibility (CSR) berperan memediasi hubungan Corporate Governance (CG) terhadap Kinerja Keuangan.

ABSTRACT

This study aims to analyze the effect of (1) Corporate Governance on Corporate Social Responsibility, (2) Corporate Governance on Financial Performance, (3) Corporate Social Responsibility on Financial Performance, (4) Corporate Social Responsibility (CSR) has a role in mediating the relationship between Corporate Governance (CG) on Financial Performance listed on the Indonesia Stock Exchange in 2015-2021. Sample of 26 companies was obtained with 182 observational data for each variable. Structural Equation Modeling (SEM) Assumptions Test Method using the Amos 22 program. The results of this study conclude that (1) Corporate Governance (CG) has an influence and is significant on Corporate Social Responsibility (CSR) (2) Corporate Governance (CG) has an influence and is significant on financial performance, (3) Corporate Social Responsibility (CSR) has significant and significant effect on Financial Performance, and (4) Corporate Social Responsibility (CSR) has a role of mediating the relationship between Corporate Governance (CG) on Financial Performance.

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INTRODUCTION

One of its roles that is quite close is the role of banking intermediary as an accelerator of economic growth. Financial performance (Financial Performance) as a source of information used to determine company performance. The bank's financial performance has factors that can influence it simultaneously, namely through Corporate Governance (CG) and Corporate Social Responsibility (CSR) of the company. Financial performance (Financial Performance) as a source of information used to determine company performance. One of the most common ratios used to measure a company's financial performance is the profitability ratio which is measured using the Return On Assets (ROA) and Return On Equity (ROE) proxies.

According to the Organization for Economic Cooperation and Development (OECD), Corporate Governance (CG) is a system used by companies to direct and control business activities and regulate the division of tasks, rights and obligations with an interest in company performance both for shareholders, the board of directors, managers and non-shareholder stakeholders. Other research focuses on the influence of Corporate Governance (CG) on Financial Performance directly or indirectly. Besides CG, there is also another important role of CSR strategy in a company to improve its financial performance. Siueia and Wang (2017) show that the banking sector is very important to improve a country's economy, this makes bank managers have to act in a sustainable manner as a form of concern for environmental protection, not just maximizing shareholder returns.

Several previous studies linked the relationship between CSR and financial performance where this relationship gave positive results on financial performance (Wang and Sarkis, 2017). Meanwhile, on the topic of research in the banking sector, several authors also examined the relationship between Corporate Social Responsibility (CSR) and Financial Performance (FP) activities in the banking sector and provided various empirical results. This is also in line with previous research which found a marked difference where CSR can mediate the relationship between Corporate Governance (CG) and Return On Assets (ROA) with a higher proportion than Corporate Governance (CG) and Tobin's Q (Wang and Sarkis, 2017). Thus, from the comparison of previous research, it illustrates that the role of Corporate Social Responsibility (CSR) is very important because it can have an impact and generate a large contribution to the quality of financial performance in companies. In such circumstances, CSR can act as an expansion mechanism that considers the interests of a wider range of stakeholders to fulfill the fundamental objective of maximizing financial performance (Harjoto and Jo, 2011).

Through support from theoretical perspectives that complement existing institutions and stakeholders, this research can assist other research in explaining the relationships that occur between stakeholders and shareholders with a brief explanation through the theories used, namely agency theory, legitimacy theory and stakeholder theory in developing the hypothesis of this study. Therefore, the authors are interested in discussing and conducting research on **"THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN MEDIATED THE INFLUENCE OF CORPORATE GOVERNANCE (CG) ON FINANCIAL PERFORMANCE"** which focuses on the banking sub-sector listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Financial Performance

Measurement of financial performance really needs to be considered because financial performance can be used as a company goal in carrying out and considering company business activities and improving business activities on an ongoing basis. The measurement of the company is in the form of financial performance analysis by comparing the financial reports for the required periods with the required financial report components.

According to Horne, James C (2009: 204), there are five types of financial ratios, namely liquidity ratios, financial leverage, coverage, activity, and profitability ratios. The variables in this study are measured using three indicators, namely Return On Assets (ROA) and Return On Equity (ROE). If

calculated from the value of assets, ROE can show how much net profit the company earns. The higher the ROA, the better the company's financial performance. Meanwhile, the ratio can be measured by the formula:

$$ROA = \frac{\text{net profit after tax}}{\text{total assets}} \times 100$$

$$ROE = \frac{\text{net profit after tax}}{\text{Equity}} \times 100$$

Corporate Governance (CG)

In 1992, the term Corporate Governance (CG) was first introduced. The definition of Corporate Governance (CG) by the Cadbury Committee which is based on stakeholder theory is "A set of rules that define the relationship between shareholders, managers, creditors, the government, employees and internal and external stakeholders in respect to their rights and responsibilities". From the above understanding, Corporate Governance (CG) is a set of rules governing internal and external relations between shareholders, managers, creditors, government, employees and other interested parties relating to their rights and obligations therein (Sutopo, 2018).

Agency Theory

Agency theory according to Supriyono (2018: 63) explains that agency theory is a theory that connects principals (contract givers) and agents (contract recipients) to be able to work together in realizing the goals of the principal through agents. Corporate Governance (CG) upholds the value of balance between the interests of shareholders and managers by reducing conflicts and agency costs. In this theory, agents are empowered to make the best decisions for the company and show good performance to principals.

Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is a form of concern for a company that is not only focused on profit (profit), but also focuses on building human relations (people) with the environment in a sustainable manner (Djamilah et al., 2017). Through the implementation of CSR, companies can improve the company's image which can have an impact on increasing customer loyalty. So this of course will also increase the value of the profitability of the company. The CSR measurement formula is the formula (Barbara: and Suharti, 2008):

$$CSRIj = \frac{\sum X_{ij}}{N_{ij}} \times 100$$

Stakeholder Theory

In stakeholder theory, companies can choose to disclose performance information from their companies both in terms of environmental, social and intellectual openly in order to meet actual conditions to stakeholders (Rokhlinasari, 2015). In addition, according to this stakeholder theory, CSR involvement can improve the performance of a company which makes the company's productivity higher with its internal stakeholders and maintains the company's reputation with its external stakeholders (Gomez-Mejia, 2012).

Legitimacy Theory

According to Dowling & Pfeffer (1975: 131), it is very important to analyze how one organization interacts with its surrounding environment. The legitimacy gained by organizations and the level of societal analysis regarding societal norms and common sense values can limit the actions taken by individual organizations. As a result, CSR programs are the single best way for businesses to gain legitimacy from the general public through pledges and commitments.

METHOD

Population

According to Sugiyono (2019: 130), "The population consists of objects or subjects that have certain quantities and characteristics set by researchers to study and then draw conclusions." In this

study, the population is all banks, totaling 58 banking sub-sectors during 2015-2021 which are listed on the Indonesia Stock Exchange.

Sample

In this study, sampling in this study used purposive sampling, namely determining the sample on the suitability of certain characteristics with the following performance:

1. Banking sub-sector companies listed on the Indonesia Stock Exchange during the 2015-2021 period.
2. Companies that have Corporate Governance and Corporate Social Responsibility (CSR) reports
3. The company publishes an annual financial report or annual report that has been published on the company's website or the website of the Indonesian Stock Exchange.

By looking at some of the criteria above, the number of samples used during 2015-2021 was 26 sample companies from 2015-2021.

Definition Operations

Following is table definition operational in study this:

Table 1. Definitions Operations

Construct latent	Indikator	Rumus
Financial Performance	ROA	$\frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100$
	ROE	$\frac{\text{Net Profit After Tax}}{\text{Equity}} \times 100$
Corporate Governance (CG)	Board of Directors	Number of members of the board of directors
	Board of Commissioners	Number of members of the board of commissioners
	Audit Committee	Number of audit committee members
	Institutional Ownership	$\frac{\text{Number of institutional shares}}{\text{Number of outstanding shares}} \times 100\%$
Corporate Social Responsibility (CSR)	Managerial Ownership	$\frac{\text{Number of managerial shares}}{\text{Number of outstanding shares}} \times 100\%$
	CSR Disclosure	$\frac{\text{Number of CSR Disclosures}}{\text{Number of Items}} \times 100$

Data Collection Instruments and Techniques

To obtain the data needed in this study, researchers used archival data collection techniques from data published by the companies that were sampled. According to Hartono (2015) to obtain secondary data through this technique, the data collection used is data collection techniques in the database. With this technique the writer collects the data needed by studying the literature related to the research problem.

Structural Equation Modeling (SEM) Assumption Test

Before the data were analyzed with AMOS, the outlier test, normality test, multicollinearity test and number of samples were first performed.

1. Sample size

The SEM method requires a large number of samples so that the research results have sufficient credibility (trustworthy results). In Amos the recommended minimum number of data samples is 100 to more.

2. Data Normality

In measuring Amos's output, it is necessary to test the normality of the data by comparing the CR value in the assessment of normality with ± 2.58 at the 0.01 level or by looking at the multivariate values in the range of ± 2.58 .

3. Outliers

Outliers are data conditions that have very different characteristics from the others. Outliers can be extreme values for a single variable or a combination. The AMOS output, Mahalanobis Distance, which has a p level of 0.001, is used to show multivariate outlier evaluation in the Amos SEM test.

Data Analysis Techniques

1. Structural Equation Modeling (SEM) Analysis

According to Singih (2018: 1) Structural Equation Modeling is a tool for multivariate statistical techniques used in research. SEM has 2 combinations, namely factor analysis and regression analysis. This analysis aims to examine the relationship between variables in the research model, both indicators and constructs, or vice versa. The number of variables included in the latent variable can be a problem that causes difficulty in making measurements. Latent variables are variables in which there are manifest variables or indicators so that they can be measured. In addition, SEM is carried out using a two-step approach which is divided into 2 stages, namely the measurement model stage and the structural model stage.

a. Measurement Model Test

1) Test the Validity of the Measurement Model

Test the validity of the measurement model is used to describe the relationship between latent variables and the indicators in it. The analysis carried out is the same as the factor analysis, however, in the measurement model analysis this analyzes more related to relationships. Thus, the main thing that needs to be done by researchers is to first determine several variables that are considered to be able to solve multidimensional problems along with their indicators to be able to confirm the model with confirmatory factor analysis (CFA) techniques (Waluyo & Mm, 2016). The purpose of this test is to find out how precisely the manifest variables can explain the existing latent variables. There are several model testing parameters as follows (Waluyo & Mm, 2016):

a) Chi-Square (X²)

As a fundamental measurement tool for measuring overall fit through Chi-Square (X²), this test was conducted to determine significant differences between the sample covariance matrix and the estimated covariance matrix. The smaller the chi-square value, the better the model is and is accepted based on probability with a cut off value of $p > 0.05$ or $p > 0.10$.

2) Goodness Of Fit Index (GFI) and Adjusted Goodness Of Fit Index (AGFI)

GFI is carried out by giving a less sensitive effect on the number of samples during the decision making process while AGFI is carried out in terms of including the effect of df in the test which is not present in the GFI test. The non-statistical measure of GFI has a range of values from 0 (poor fit) to 1.0 (perfect fit).

3) CMIN/DF or Relative X²

It is an indicator to measure the fit level of a model, resulting from the Chi-Square (CMIN) statistic divided by the Degree of Freedom (DF). The expected CMIN/DF is ≤ 2.0 which indicates acceptance of the model.

4) Tucker Lewis Index (TLI)

The expected TLI value as a reference for accepting a model is ≥ 0.95 and a value close to 1.0 indicates a very good fit.

5) Comparative Fit Index (CFI)

The value of the CFI index which is close to 1 indicates the highest level of model acceptance. CFI is not affected by sample size because it is very good for measuring the level of acceptance of a model (Hulland, 1996). The expected CFI value is ≥ 0.95 .

6) The Root Mean Square Error Of Approximation (RMSEA)

An RMSEA value that is smaller or equal to 0.08 is an index for the acceptability of the model. The RMSEA index can be used to compensate for chi-square statistics in large samples. The RMSEA value indicates the goodness of fit which can be expected if the model is estimated in the population (Hair, et al., 2010). Indices that can be used to test the feasibility of a model are as summarized in table 4 below:

Table 2. Goodness of Fit

<i>Goodness of Fit Indices</i>	<i>Cut – Off Value</i>
X ² Chi-Square	Diharapkan Kecil
Probabilitas	$\geq 0,05$
CMIN/DF	$\leq 2,00$
RMSEA	$\geq 0,08$
GFI	$\geq 0,90$
AGFI	$\geq 0,90$
TLI	$\geq 0,95$
CFI	$\geq 0,95$

Indices that can be used to test the feasibility of a model are as summarized in table 2 below:

$$\text{Construct reliability} = \frac{(\sum \text{std. loading})^2}{(\sum \text{std. loading})^2 + (1-\text{reliabilitas indikator})}$$

$$\text{Variance extracted} = \frac{\sum \text{std. loading}^2}{\sum \text{std. loading}^2 + (1-\text{reliabilitas indikator})}$$

b. Structural Model Test

The structural model is a model that shows the relationship between construct variables that have a causal relationship as well as regarding the structure of the relationship that forms or explains causality between factors/constructs/variables (Waluyo & Mm, 2016). According to Singgih (2018) If the measurement is not said to be fit, it will have an impact on the testing process which should not be forwarded to structural model testing and sample data may possibly be added. However, if the test passes, the process can be continued by testing the structural model or referred to as a two-stage test, namely testing the fit and validity of the capital measurement, then proceed with testing the structural model which consists of two main parts as follows:

- 1) Testing the overall model (overall model fit) of the structural model.
- 2) Testing the structural parameter estimates, namely testing the relationship between exogenous and endogenous constructs or variables in the structural model.

c. Hypothesis testing

The final test of the research is to see if the proposed hypothesis can be answered or not, namely whether the hypothesis (Ha) is accepted or rejected by looking at the conditions

for the CR (Critical Ratio) value above 200 and the probability value (p) obtained compared to the error in rejecting the data (alpha) 0.05. If the P value ≤ 0.05 , then H_a is accepted and if the P value ≥ 0.05 then H_a is rejected.

RESULT AND DISCUSSION

Confirmatory Factor Analysis (CFA)

In SEM it is known as a two step approach which consists of a measurement model and a structural model. The purpose of the measurement model is to find out how precisely the manifest variable can explain the latent variable. If the convergent validity and discriminant validity have been met, then proceed to the second stage, namely the structural model of the company's financial performance to be able to determine the effect of exogenous variables on endogenous variables. The validity of the measurement model can be determined from the goodness of fit (GOF) and the construct validity of CFA. If the measurement model is valid, then it can be continued with an analysis of the relationship between the indicator and the construct. The test equipment used in this model test consists of absolute fit indices, incremental fit indices and parsimony fit indices.

Table 3. Output of CFA Corporate Governance and CSR

Latent	Indikator	SL	SL ²	Error	S.E	C.R	P
CG (Corporate Governance)	Board of Directors*	1,00	1,00	0			
	Board of Commissioners	0,59	0,3481	0,6519	0,55	10,751	000
	Σ	1,59	1,3481	0,6519			
	Construct Reliability	0,79					
	Variance Extract	0,67					
CSR (Corporate Social Responsibility)	Environment	1,31	1,7161	-0,7161	0,178	7,368	000
	Energy	0,57	0,3249	0,6751	0,143	3,956	000
	Labor Health and Safety	0,64	0,4096	0,5904	0,123	5,222	000
	Product	0,48	0,2304	0,7696	0,109	4,428	000
	Community Engagement*	1,00	1,00	0			
	Σ	4	3,681	1,319			
	Construct Reliability	0,92					
	Variance Extract	0,73					

Source: SEM Amos 2023

Based on table 1, it can be concluded that the results of the Corporate governance and CSR measurement model can meet the required values of convergent validity and the indicators can reflect

other latent variables. All indicators have a standardized loading (SL) above 0.3. Thus, the measurement model of Corporate governance and CSR meets the convergent validity requirements. Corporate governance has 2 indicators, namely the Board of Directors (SL=1.00) and the Board of Commissioners (SL=0.59). CSR has 5 indicators, namely Environment (SL=1.31), Energy (SL=0.57), Workforce Health and Safety (SL=0.64), Products (SL=0.48), and Community Involvement (SL=1.00) which means that each indicator has a standardized loading (SL) value as required at the beginning, namely > 0.3.

In addition, other explanations regarding the convergent validity value of CFA Corporate governance and CSR can be fulfilled. The results of the research above show that indicators reflecting Corporate governance and CSR are the right indicators to be used in the structural model. The correlation between Corporate governance and CSR variables ($r = 0.12$) indicates that the two constructs are different because they have a low correlation. A high correlation ($r > 0.7$) indicates that the two constructs are the same, so they cannot be included in the structural model. The findings of this study are consistent with the variance extracted (VE) which has a value of $VE >$ from the squared correlation between the two variables. Corporate governance has a VE value of 0.67 ($0.67 > 0.014$) and CSR has a VE of 0.73 ($0.73 > 0.014$). The two VEs have a value greater than the squared correlation value (r^2) ($r = 0.12$; $r^2 = 0.014$). The value of $VE > r^2$ shows that the construct of Corporate governance and CSR is able to explain the indicators better.

Structural Model and Hypothesis Testing

Structural model is the second step in SEM testing. Structural models can be used to explain exogenous, endogenous and intervening variables. According to Singgih (2018) Structural models are the final stage in SEM testing which explains the relationship between constructs that have a causal relationship. In addition, the structural model also aims to test the fit data model and the relationship between variables contained in the hypothesis. The structural model in this study will prove the following hypothesis:

- H1: Corporate Governance (CG) has significant and significant impact on Corporate Social Responsibility (CSR).
- H2: Corporate Governance (CG) influences and is significant on Financial Performance.
- H3: Corporate Social Responsibility (CSR) has an influence and is significant on Financial Performance.
- H4: CSR has a role in mediating the relationship between Corporate Governance and Financial Performance.

From the results of the statistical output of the structural model, it shows that the model is fit. This study uses df, CFI, GFI, TLI, and RMSEA. The following is the GOF table from the structural model of financial performance.

Table 4. Goodness of Fit Indices of Structural Model

<i>Goodness of Fit</i>			
<i>Indices</i>	<i>Statistic</i>	<i>Cut off Value</i>	<i>Decision</i>
Chi-square	22,898	Lowest	
DF	14		
Probability	0,062	$\geq 0,05$	
GFI	0,97	$\geq 0,90$	Better fit
AGFI	0,90	$\geq 0,90$	Better fit
CFI	0,99	$\geq 0,94$	Better fit
TLI	0,97	$\geq 0,95$	Better fit
RMSEA	0,063	$\leq 0,08$	Better fit

Source : Processed data

The structural model is modified again according to Waluyo (2016: 33) as is the measurement model which is based on modification indices by correlating the latent construct (indicator) which has the highest modification indices value. This is in line with the theory explained by Arbuckle (1996), which discusses how to modify the model by looking at the Modification Indices (MI) value by giving a line to the variable that has the highest value. The theory explains that modification indices (MI) can provide connection recommendations that can reduce the value of the chi-square to make the model fit. The following is the result of the hypothesis testing summary table:

Table 5. hypothesis testing summary

H	Var. Eksogen	Var. Intervening	Var Endogen	Std. Estimasi	S.E	C.R	P	Decision
1	Corporate Governance		Financial Performance	0,013	0,003	4,528	000	Accepted
2	Corporate Governance	Corporate Social Responsibility		0,207	0,036	5,755	000	Accepted
3		Corporate Social Responsibility	Kinerja Keuangan	-3,492	1,465	-2,383	0,017	Rejected

Squared Multiple Correlation (SMC) for financial performance : 0,212

Source : SEM Amos 2023

The structural model shows that the value of corporate governance has significant influence on financial performance ($\beta = 0.013$, $p = 0.00 < 0.05$, t (C.R) = 4.52), so it can be concluded that the first hypothesis is accepted. In addition, Corporate governance also has significant influence on Corporate Social Responsibility (CSR) ($\beta = 0.207$, $p = 0.00 < 0.05$, t (C.R) = 5.75), so it can be concluded that the second hypothesis is accepted. Corporate Social Responsibility (CSR) has a significant negative impact on financial performance ($\beta = -3.492$, $p = 0.01 < 0.05$, t (C.R) = -2.38). The value of the indirect effect of Corporate governance and financial performance mediated by Corporate Social Responsibility (CSR) is calculated to see the results of the sobel test through the online website with the following results.

Table 6. Indirect Effect

Hipotesis	Jalur	Sobel Test		Kesimpulan
		t-Stat	p-Value	
H4	CG -> CSR -> KK	0,207	0,02	Signifikan

Source : Sobel Test 2023

From the table above, it can be seen that the indirect effect of CG on financial performance is mediated by CSR with a p-value of $0.02 < 0.05$, which means that there is a significant influence in this study mediated by CSR.

a. H1: Corporate Governance (CG) has significant and significant impact on Corporate Social Responsibility (CSR).

The results of the study show that corporate governance has a significant and significant effect on financial performance. This is evidenced by ($\beta = 0.207$, $p = 0.00 < 0.05$, t (C.R) = 5.75) so that from these results the first hypothesis is accepted. The significant effect shows that the better the management of the company, of course, can also have an impact with the wider scope of disclosure of corporate social responsibility (CSR) which can have an impact on the better the company's image so that it can improve the company's financial performance.

Board of directors indicators in this study also show that there is a significant influence between the board of directors on CSR. That is, the more the number of boards of directors, the higher the level of CSR disclosure and management. Setiawan's research (2018) shows that the size of the board of directors is important because they are the ones who will be able to provide input for the implementation of CSR. This is reinforced by research conducted by Ramadhani (2021) which also shows that there is a positive effect on the size of the board of directors on CSR disclosure.

In addition, the next indicator used in this study is the board of commissioners which also shows a significant influence on CSR. This is because the board of commissioners has a very important role in a company. If the board of directors is tasked with determining the direction of resource policies and strategies, the board of commissioners is in fact tasked with supervising and providing input to the board of directors. Support from agency theory that a large number of commissioners can facilitate the implementation and disclosure of CSR because the board of commissioners is the highest internal control system. A larger board of commissioners provides greater diversity in terms of expertise and capacity to observe management in the company, including in terms of Corporate Social Responsibility (CSR) (Sun et al., 2010).

This research is in line with that conducted by Harjoto (2011), who said that corporate governance can signify a company's CSR commitment to various stakeholders and can improve the company's reputation for the better. Apart from that, this research is also supported by Okafor (2021) who also says that corporate governance is a mechanism that can effectively carry out CSR. So it can be concluded that Corporate governance and CSR are two things that are aligned and interrelated with one another.

b. H2: Corporate Governance (CG) influences and is significant on Financial Performance.

The results of this study indicate that corporate governance (CG) has significant influence on financial performance ($\beta = 0.013$, $p = 0.00 < 0.05$, t (C.R) = 4.52), so the second hypothesis is also accepted. According to Purbopangestu (2014), if an institution is able to carry out its supervisory function optimally, the company's financial performance can increase. The main purpose of implementing CG is how companies can optimize their financial performance while still paying attention to and prioritizing the interests of their stakeholders. This means that in improving banking financial performance, the role of directors and commissioners is needed in it to be able to attract investors in providing an assessment of higher corporate performance measurements for companies that have implemented CG properly. This is also related to the role and responsibility of the agent in carrying out something that has been entrusted by the client (investor) which will later affect the quality of financial performance. So it can be said that good Corporate Governance (CG) can influence investor confidence which results in better financial performance of the company.

These results are reinforced by research conducted by Iqbal et al (2018) where corporate governance shows a positive influence on financial performance as measured by ROA, ROE, Operating self-sufficiency (OSS), Portfolio yield (PY), and Operating expense ratio (OER). Which is in line with agency theory (agency theory) which explains how Corporate governance (CG) upholds the balance of interests between shareholders and management so

as to reduce agency conflicts and the purpose of this theory is to fulfill the company's desire to maximize and increase shareholder value which can also maximize financial performance

Effective corporate governance (CG) will facilitate the implementation of CSR strategies that can help employees become more aware of the benefits so that they can continue to encourage companies to improve their reputation in maximizing their financial performance. With the role of the board of directors and commissioners in it, it can improve the management and improve the financial performance of the company.

c. H3: Corporate Social Responsibility (CSR) has an influence and is significant on Financial Performance.

The results showed that Corporate Social Responsibility had a negative and significant effect as seen from ($\beta = -3.492$, $p = 0.01 < 0.05$, $t (C.R) = -2.38$), so the third hypothesis was rejected (negative and significant effect). The higher the level of company concern for stakeholders through social responsibility, the lower the company's financial performance. The negative and significant impact relationship between CSR and financial performance indicates that there are other factors that influence CSR disclosure activities carried out by cellular companies so that stakeholders can actually feel less trusting of the company. This can be caused by the company overinvesting which results in an inappropriate allocation of CSR funds.

Based on the legitimacy theory put forward by Dowling & Pfeffer (1975:131), legitimacy theory encourages companies to operate in accordance with established norms in the community where the company is located and then can participate in activities that can increase the trust of outsiders (the public) on the company. In addition, stakeholder theory also states that the success of a company depends on how the company's ability to balance the interests of its stakeholders.

This research is not in line with the results of previous research which actually shows a relationship between corporate social responsibility (CSR) and company performance in some CSR literature that influences CSR and company performance (Blasi et al., 2018). In addition, other research conducted by (Tomas et al., 2019) showed that there was a positive effect of the CSR disclosure index which was much stronger than the negative CSR disclosure index in improving financial performance. This is because CSR disclosure varies between countries so that there are different influences in each country regarding the CSR disclosure index and its effect on the company's financial performance.

d. H4: Corporate Social Responsibility (CSR) has a role in mediating the relationship between Corporate Governance (CG) on Financial Performance.

The results of this study indicate that Corporate Social Responsibility has a role in mediating Corporate governance on financial performance with a p-Value of $0.02 < 0.05$, which means that there is a significant indirect influence in this study mediated by CSR. So it can be concluded that there is an important role played indirectly by CSR in balancing the interests of stakeholders through the disclosure of good corporate governance and can encourage better financial performance for the company.

This result is in line with stakeholder theory where CSR involvement can create higher company performance (productivity) with its internal stakeholders and maintain good reputation values with external stakeholders (Cennamo et al., 2012) so this is certainly can have an impact on the fundamental goal of the company, namely in maximizing its financial performance.

This study uses the Sobel Test at the end as a way of assessing the mediating relationship that occurs between Corporate Governance, Corporate Social Responsibility, and Financial Performance indirectly. In other words, the Sobel test is carried out by examining the indirect effect, the independent variable (X) on the dependent variable (Y) through the mediating variable (Z) using a website analytics calculator which can facilitate measuring the

influence of CSR mediation on independent variables and dependent of this study (Sobel ME, 1982). So that it can produce a p-Value of 0.02 by entering the estimated std value of each variable that has been previously tested using Amos' SEM.

The results of this hypothesis are also strengthened by the existence of research in line with previous research conducted by Jahmane and Gaies (2020) which shows that the mediating role of CSR can positively affect financial performance both directly and indirectly. This is also supported by research conducted by Guangxin et al., (2022) regarding the role of CSR in mediating CG and financial performance in the family and non-family business sector which shows that Corporate governance (CG) positively influences financial performance which is partly mediated by financial performance. Corporate Social Responsibility (CSR) as well as other research conducted by Hunjra et al., (2020) which revealed that CSR has a positive effect on financial performance but the CSR mediating effect tends to produce higher financial performance when combined with religious and cultural aspects.

CONCLUSSION

1. The Overall Measurement Model can meet the assumptions of convergent validity, which means the model can reflect each latent variable. Corporate governance can be measured by X1#1 the Board of Directors and X1#2 the Board of Commissioners with standardized factor loading (SL) of each indicator of more than 0.3 while X1#3 the Audit Committee was expelled because the SL was less than 0.3 and X1#4 Institutional Ownership was excluded because its value was influential when the AVE test was carried out. The company's CSR is measured by X2#1 (Environment), X2#2 (Energy), X2#3 (Occupational safety and health), X2#5 (PRODUCTS), X2#6 (K3) has a value of SL > 0.3 except X2#4 (Labor Environment) so it is excluded from the model. Financial performance is measured by two indicators, namely Y1#1 (ROA), Y1#2 (ROE), both of which have an SL value of > 0.3.
2. The Overall Measurement Model also meets the fit model because the Goodness of fit index (GOF) meets the cut off value requirements.
3. Corporate governance has significant influence on financial performance ($\beta = 0.207$, $p = 0.00 < 0.05$, t (C.R) = 5.75) so that the first hypothesis is accepted. The positive and significant influence shows that the better the management of the company, of course, can also have an impact on increasing the company's financial performance and vice versa.
4. Corporate governance (CG) has significant influence on financial performance ($\beta = 0.013$, $p = 0.00 < 0.05$, t (C.R) = 4.52), so the second hypothesis is also accepted. This is because an institution can be able to carry out its supervisory function to the fullest which can later improve the company's financial performance. The role of directors and commissioners is very important to attract investors in providing an assessment of higher corporate performance measurements for companies that have implemented CG properly.
5. Corporate Social Responsibility has a significant negative with ($\beta = -3.492$, $p = 0.01 < 0.05$, t (C.R) = -2.38), so the third hypothesis is rejected. The results of this study explain that the more CSR disclosures are made, the lower the company's financial performance.
6. Corporate Social Responsibility has the role of mediating Corporate governance on financial performance with a p-Value of 0.02 < 0.05, which means that there is a significant influence in this study mediated by CSR.

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