

# The Effect of Good Corporate Governance on Net Profit Margin with Corporate Social Responsibility as a Mediating Variable in Processed Food & Beverages Companies Listed on the Indonesia Stock Exchange in 2020-2023

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## ABSTRACT

**This study aims** to examine and analyze the influence of the board of commissioners, audit committee, managerial ownership, and institutional ownership on financial performance, using net profit margin as a proxy, in food and beverage companies listed on the Indonesia Stock Exchange from 2020 to 2023, with corporate social responsibility as a mediator.

**This type of research** is quantitative descriptive study, with employed a purposive sampling technique. The sample size was 17 companies with 68 observations. The data were then processed using eViews version 12.

**The results** indicate that an independent board of commissioners (X1) has a positive but insignificant effect on net profit margin, the audit committee has a negative but insignificant effect on net profit margin, managerial ownership (X3) has a positive but insignificant effect on net profit margin, and institutional ownership (X4) has a significant and positive effect on net profit margin. Furthermore, corporate social responsibility is proven to be able to mediate the relationship between the independent board

of commissioners (X1) and the audit committee (X2) on the company's net profit margin, but is not proven to be able to mediate the relationship between managerial ownership (X3), institutional ownership (X4) on the company's net profit margin.

**Keywords:** Independent board of commissioners, Audit committee, Managerial ownership, Institutional ownership, Net profit margin, Corporate social responsibility

## INTRODUCTION

Increasing economic developments force companies to continuously improve their performance through innovation to survive and advance in business competition, aiming to achieve their goals. One of the primary goals of a company is to consistently increase profits to ensure its future viability (Sasaki et al., 2023). Corporate finances are a strong foundation for building a business (Budiyono et al., 2023). If not managed effectively, they will negatively impact and hinder all planned company activities. Implementing quality control processes is also essential to ensure the company's financial health on a regular basis. To ensure this, companies must

implement optimal governance. Financial performance refers to how well an entity, such as a company, manages its financial aspects (War & Barlis, 2023). Poor corporate governance can, among other things, lead to a decline in a company's net profit margin. This decline can ultimately impact the quality and value of its stock, resulting in weakened investor confidence, which can

lead to a perceived lack of security in their investments. This perception arises from a decline in the company's net profit performance, which could be due to weak management controls. In this research, researchers try to present data on the growth of companies in the Food and Beverages sector, along with data on net profit and share prices for several of these companies.

**Table 1. The Phenomenon of Companies Experiencing Declining Profits in 2023**

Code	Net Profit in Millions of Rupiah			
	2020	2021	2022	2023
CEKA	181.812	187.066	220.704	153.574
COCO	2.738	8.532	6.620	-50.445
HOKI	38.043	12.804	1.797	-1.465
IBOS	1.187	4.029	7.059	6.686
KEJU	121.000	144.700	117.370	80.342
ROTI	168.610	281.341	432.220	333.291
SKBM	5.415	29.560	86.221	1.496
TGKA	478.557	481.097	478.138	457.037
ALTO	-10.480	-8.899	-16.052	-25.910
BEER	5.952	10.005	14.058	3.475
DLTA	123.465	188.049	230.209	199.094

**Source: Indonesia Stock Exchange**

Although the average net profit of companies in the Food & Beverages sector generally showed an increase in 2023, a number of companies experienced a decline in financial performance, as measured by net profit in 2023. As shown in Table 1.2, 11 of the 29 companies (37.93%) in the Food & Beverages sector experienced a decline in net profit in 2023. In fact, PT. Wahana Interfood Nusantara Tbk (Code: COCO), PT. Buyung Poetra Sembada Tbk (Code: HOKI), and PT. Tri Banyan Tirta Tbk (Code: ALTO) actually experienced losses in 2023. This phenomenon indicates that, although the average net profit in the Food & Beverages sector overall increased in 2023, several companies are still struggling to improve their financial performance, particularly in generating profits. One of the components of Good Corporate Governance is an independent board of commissioners, consisting of commissioners who are impartial to the directors and shareholders. An independent board of commissioners reports to shareholders and is tasked with overseeing company management.

Independent commissioners can oversee management policies and practices with greater objectivity and thoroughness because they are not connected to company management.

Research conducted by Handayani et al. (2024); and Kasmila (2024) successfully indicated that financial performance is significantly impacted by an independent board of commissioners. Similarly, research conducted by Zahara & Suryono (2023) found that a company's financial performance is positively and significantly impacted by an independent board of commissioners. Furthermore, a company's financial performance is considered to be impacted by a factor known as the audit committee. A company's audit committee is tasked with overseeing its financial statements, supervising and assessing its internal and independent audit procedures, and assessing its risk procedures and control environment (Almomani et al., 2023). A strong audit committee is a component of Good Corporate Governance, which helps ensure that financial statements are prepared

honestly, transparently, and in accordance with relevant standards by overseeing and assessing the company's accounting policies, procedures, and practices. Previous research conducted by Handayani et al. (2024); and Almomani et al. (2023) demonstrated that a company's financial performance is significantly impacted by the audit committee. A company's financial performance is also suspected to be impacted by another factor called managerial ownership. The situation that occurs when a company manager owns shares or a direct interest in the company where they work, allowing them to significantly influence the organization's financial performance is known as managerial ownership (Ahmed & Yahaya 2024).

High levels of institutional ownership can encourage institutional investors to monitor companies more closely to prevent managers from prioritizing their personal interests over those of the company's owners. Institutions with larger shareholdings than other shareholders are better able to monitor management practices and ensure that management refrains from actions that could harm shareholders. In this regard, external parties can exert greater control over the company if their institutional ownership increases. Research conducted by Kasmila (2024) indicates that financial performance is significantly impacted by institutional ownership.

Similarly, Damayanti & Puspitosari (2024) found that financial performance is significantly impacted by institutional ownership. As a novelty in this study, the researcher used an additional mediating variable. The relationship between two variables in a causal relationship can be altered and influenced by a variable called the mediator. Corporate social responsibility serves as the mediating variable in this study. CSR practices can also impact a company's financial performance. As businesses grow, the increasing exploitation of natural resources requires awareness to minimize these negative impacts. CSR is essential for fulfilling responsibilities to shareholders and

other stakeholders, building and maintaining good relationships with various stakeholders, and improving the company's financial performance. Management must actively investigate relationships with all stakeholders to develop effective business strategies. CSR disclosures that focus on stakeholder needs will improve financial performance (Velte, 2020).

## **LITERATURE REVIEW**

### **Stakeholder Theory**

According to stakeholder theory, companies are accountable to employees, suppliers, the community, and the government, among other stakeholders, in addition to shareholders. Therefore, implementing Good Corporate Governance (GCG) is crucial to ensure fair treatment for all stakeholders. Companies can use Good Corporate Governance as a framework to guide their interactions with stakeholders, ensuring long-term value creation for all parties. Companies can enhance stakeholder trust and support by implementing a number of good governance principles and ensuring that the interests of all parties are considered. Independent boards of commissioners, audit committees, managerial ownership, and institutional ownership of the business are examples of Good Corporate Governance practices. With sound operational conditions and effective governance, companies can improve their financial performance and market reputation. Therefore, in this study, stakeholder theory is linked to increased net profit margin performance. With the implementation of Good Corporate Governance, it will attract more investors and increase investor interest in investing, because investors will feel confident that the company can manage risks and utilize opportunities optimally, so that GCG is considered to be able to strengthen relationships with all stakeholders, as well as contribute to the survival and growth of the company.

### **Signaling theory**

Signaling theory was first proposed by Michael Spence in 1973. Lasau & Sofian (2022) state that signaling theory is a theory that explains various actions taken by a company to provide guidance to investors regarding the company's view of its business prospects and provide information about the company's internal conditions. If the information provided is positive, it will elicit a positive response from investors. However, if the information provided is negative or unfavorable, it will send a negative signal to investors and result in an unfavorable response from external parties (Cristofel & Kurniawati, 2021). Signaling theory can be a theory that strengthens the relationship between Good Corporate Governance and a company's net profit margin performance. Because good GCG can send a positive signal to stakeholders, in this case, investors. This condition can attract investors' interest in investing in the company. Investment activities themselves will certainly increase a company's ability to generate net profit margin, as investment activities are one of the factors that increase a company's revenue. Investors will perceive that the company has good governance processes, thereby reducing financial risk. In the context of CSR, signaling theory explains how companies convey information about their efforts to address social and environmental issues. Information published as an announcement will provide a signal to investors in making investment decisions (Jogiyanto, 2013). If the announcement contains positive value, it is expected that the market will react when it is received.

### **Net Profit Margin**

(Mayangsari, 2023) explains that a company's financial performance is defined as its financial condition assessed based on ratios that determine whether its goals are achieved or not within a specific time period. Partners need to know the estimated results of financial indicators to understand the functional status and level of achievement of the company. An indicator of a company's

financial health is its financial performance which is determined by how well the company generates money (Mutai & Miroga, 2023). In this study, the company's financial performance was measured using the net profit margin ratio, which is a financial ratio that measures the net profit margin value in a company will affect the increase in profit growth because the high level of sales effectiveness carried out by a company will optimize profits which will increase the company's profit growth. The percentage of net profit obtained by a company.

### **Independent Board of Commissioners**

The board of commissioners is responsible for general and/or specific oversight based on the articles of association. The board of commissioners also provides advice to the board of directors on matters in the best interests of the company and aligned with specific goals and objectives. Ensuring that Good Corporate Governance (GCG) practices are implemented by the company is the responsibility of the board of commissioners, who also provide advice to the board of directors (Aibar-Guzmán, et al., 2023). Independent commissioners, who are part of the company's oversight structure, are tasked with ensuring that company practices and policies comply with Good Corporate Governance guidelines.

### **Audit Committee**

Dewi & Eriandani (2022) explain that companies use audit committees as one of several governance tools to improve the quality of their financial reports and audits. The involvement of audit committees within the framework of Good Corporate Governance (GCG) is crucial for enhancing internal oversight within an organization and optimizing the system of checks and balances, ultimately intended to provide the best protection for stakeholders (Al Farooque et al., 2020). Having an audit committee composition that complies with the guidelines implemented by the IDX will be a positive signal that can ultimately increase investor confidence, thereby improving the

investment process and driving the company's NPM performance.

### **Managerial Ownership**

A manager who owns shares in a company is said to have managerial ownership; in other words, the manager is a shareholder in that company (Alim & Assyifa, 2019). This condition is reflected in the financial statements through the manager's percentage ownership of the company's shares (Kirimi, 2024). The notes to the financial statements will disclose this information because it is crucial for those who use the financial statements. Management share ownership aligns the manager's position with that of the shareholder. A company's financial performance can be impacted by several factors, such as managerial ownership. The greater the managerial ownership, the better the company's performance, and the more motivated managers are to provide their best for the company.

### **Institutional Ownership**

Institutional ownership occurs when large financial organizations, such as insurance companies, pension funds, investment firms, or collective investment funds, own a portion of a company. Institutional ownership typically has a greater impact on a business than individual shareholders due to its size and significance (Ahmed & Yahaya, 2024). Ali et al. (2024) explain that institutional ownership is involved in monitoring the company's investment progress to reduce the possibility of fraud and exert a high degree of control over management actions. Institutional investors are divided into two categories: active and passive investors. The goal of active investors is to participate in managerial decision-making, while passive investors aim to avoid excessive involvement. The presence of these organizations can be a useful monitoring tool for companies. One strategy to mitigate agency conflict is institutional ownership (Velte, 2024). With an efficient monitoring system, institutional ownership can exert control over management. High levels of

institutional ownership will encourage institutional investors to increase their monitoring efforts to prevent managers from acting opportunistically and reduce the number of management frauds that could harm shareholders. To achieve the best financial performance for the business, management is inspired to work harder through efficient supervision of the institution.

### **Corporate social responsibility**

Corporate social responsibility (CSR) is a company's commitment to sustainable economic responsibility, emphasizing economic, social, and environmental aspects. The Triple Bottom Line (3P) concept explains the three main pillars of CSR implementation: profit (economic aspect), people (social aspect), and planet (environmental aspect) (Elkington & Rowlands, 1997). CSR can be defined as a form of responsibility that creates a positive impact through corporate activities related to the environment, consumers, employees, communities, and stakeholders (Fatmawati & Fauzan, 2021).

CSR as a form of corporate responsibility to stakeholders, aims to enhance positive impacts across economic, social, and environmental aspects. Consistent CSR implementation can create a positive impression and public trust among stakeholders, thus serving as an important foundation for building a company's reputation. CSR provides valuable information that companies can use to signal to stakeholders. This, in turn, creates a positive signal in the form of trust that enhances the company's image and enhances its reputation. If CSR can be implemented well, stakeholders will fully support the company's goals to improve performance and generate profits (Massubagiyo & Widyawati, 2022).

## **RESEARCH FRAMEWORK & HYPOTHESIS**

### **Research Framework**

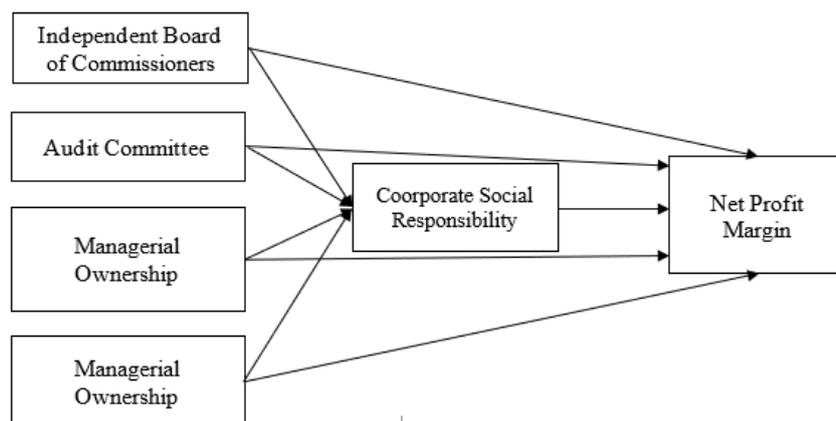


Figure 1: Conceptual Framework

### Hypothesis

- H1: An independent board of commissioners has a significant effect on net profit margin in the Food & Beverages sector.
- H2: An audit committee has a significant effect on net profit margin in the Food & Beverages sector.
- H3: Managerial ownership has a significant effect on net profit margin in the Food & Beverages sector.
- H4: Institutional ownership has a significant effect on net profit margin in the Food & Beverages sector.
- H5: Corporate social responsibility has been shown to mediate the relationship between an independent audit committee and net profit margin in the Food & Beverages sector.
- H6: Corporate social responsibility has been shown to mediate the relationship between the board of commissioners and net profit margin in Food & Beverages sector companies.
- H7: Corporate social responsibility has been shown to mediate the relationship between institutional ownership and net profit margin in Food & Beverages sector companies.
- H8: Corporate social responsibility has been shown to mediate the relationship between managerial ownership and net profit margin in Food & Beverages sector companies.

### MATERIALS & METHODS

The research conducted is a causal associative study with the aim of determining

the causal relationship between variables (Sugiyono, 2017). This study uses a quantitative methodology based on a deductive-inductive approach. All food manufacturing companies listed on the Indonesia Stock Exchange from 2020 to 2023 serve as the population in this study. A portion of the population size and composition is represented by the sample (Sugiyono, 2017). Purposive sampling is a technique used to draw samples in this study, where this technique is carried out by determining the sample criteria to be used according to the type of data required in the study.

### STATISTICAL ANALYSIS

#### Descriptive Statistical Analysis

The characteristics of the sample used and the variables in the study were described using descriptive statistical analysis. Ghazali (2018) explained that sample size, range, minimum value, and maximum value are some of the elements included in descriptive statistical analysis. By describing data, descriptive statistics make information easier to understand and clearer. The analysis was conducted to determine which variables to test in each hypothesis, as well as how these variables are distributed and profiled.

#### Classical Assumption Test

Classical assumption tests are a series of statistical tests performed on linear regression models, particularly those using the Ordinary Least Squares (OLS) method, to

ensure that the model is valid, unbiased, and produces accurate and reliable estimates.

## Hypothesis Testing

### 1. Hypothesis Testing Using the Autoregressive Distributed Lag Model

The ARDL (Autoregressive Distributed Lag) model is a dynamic model in econometrics. The ARDL model can examine the influence of dependent and independent variables over time, including the influence of past dependent variables on current dependent values. The ARDL model is a combination of the AR (Autoregressive) and DL (Distributed Lag) models. The AR model uses one or more past data points for the dependent variable among the independent variables (Gujarati & Porter, 2012). The DL model, on the other hand, is a regression model involving both current and past (lagged) data points for the independent variables (Gujarati & Porter, 2012). The results of the ARDL test in this study will later

provide answers to the results of the F test, T test, and R2 test on the research data.

### 2. Mediation Test

A mediation test is a test to determine whether a mediating variable can significantly mediate the relationship between the independent and dependent variables. Mediation tests can be conducted using the Sobel test, the combined significance test for mediation, or mediation analysis. The Sobel test tests the strength of the indirect effect of the independent variable (X) on the dependent variable (Y) through the mediating variable (M).

## RESULT

### Descriptive Statistical Analysis Result

Ghozali (2018) explained that sample size, range, minimum value, and maximum value are some of the factors included in descriptive statistical analysis. In this study, the descriptive test results obtained are as follows:

Figure 2: Descriptive Statistical Analysis Result

	DEKOM_X1	KAUDT_X2	KMNJ_X3	KINST_X4	NPM_Y	CSR_MED
Mean	0.375357	0.028358	0.028997	0.764239	0.039997	0.043964
Median	0.333300	0.030000	0.000000	0.792100	0.091400	0.001600
Maximum	0.666700	0.030000	0.252500	1.000000	0.321000	1.298400
Minimum	0.000000	0.010000	0.000000	0.364300	-2.350100	-0.122000
Std. Dev.	0.105112	0.005104	0.068369	0.175531	0.362834	0.176795
Skewness	-0.766776	-3.011956	2.584533	-0.672851	-5.094876	5.789715
Kurtosis	6.504155	10.63845	8.169517	2.600599	31.72494	39.82920
Jarque-Bera	40.84456	264.1852	149.1954	5.500796	2593.327	4160.904
Probability	0.000000	0.000000	0.000000	0.063902	0.000000	0.000000
Sum	25.14890	1.900000	1.942800	51.20400	2.679800	2.945600
Sum Sq. Dev.	0.729203	0.001719	0.308501	2.033543	8.688790	2.062929
Observations	67	67	67	67	67	67

Source: Data processing by the author, with eviews 12

Based on Table 5.1, it can be seen that:

- The minimum value of the independent board of commissioner's variable (X1) is 0.0000, indicating that one company, PT Indo Boga Sukses Tbk, did not have an independent board of commissioners in 2020. Furthermore, the maximum value of 0.6667 indicates that the highest number of independent board commissioners was 2, out of a total of 3

- boards of commissioners. The average value of 0.3771 indicates that most companies in the sample had more than 1 independent board of commissioners, out of a total of 3 boards of commissioners.
- The minimum value of the audit committee (X2) is 0.0100, indicating that there are companies with only 1 audit committee. The maximum value of 0.0300 indicates that the sample

companies have the largest number of audit committees, at 3. The average value of 0.0282 indicates that most companies in the sample have a relatively good audit committee structure. This reflects the companies' compliance with good corporate governance, particularly in terms of internal oversight.

- c. The minimum value of managerial ownership (X3) is 0.000, indicating that some companies have shares wholly owned by institutions or the public without any managerial ownership. The maximum value of 0.2525 indicates that some companies have shares owned by company managers amounting to 25% of the outstanding shares. The average value of 0.02975 indicates that the average percentage of managerial ownership in the sample companies is quite low, at 2.9%. This indicates that the majority of share ownership is held by institutions and the public.
- d. The minimum value of institutional ownership (X4) is 0.3643, indicating that institutional ownership is the lowest at 36%, with the remainder held by the public or company management. The maximum value of 1.0000 indicates that some companies are 100% owned by institutions, both foreign and local. The average value of 0.7626 indicates that the average institutional ownership of company shares is 76%, greater than the average managerial ownership. This indicates that institutional ownership tends to be high, as in some situations, internal corporate oversight is the most important aspect implemented by companies.
- e. The minimum net profit margin (Y) value is -2.3501, indicating that some sample

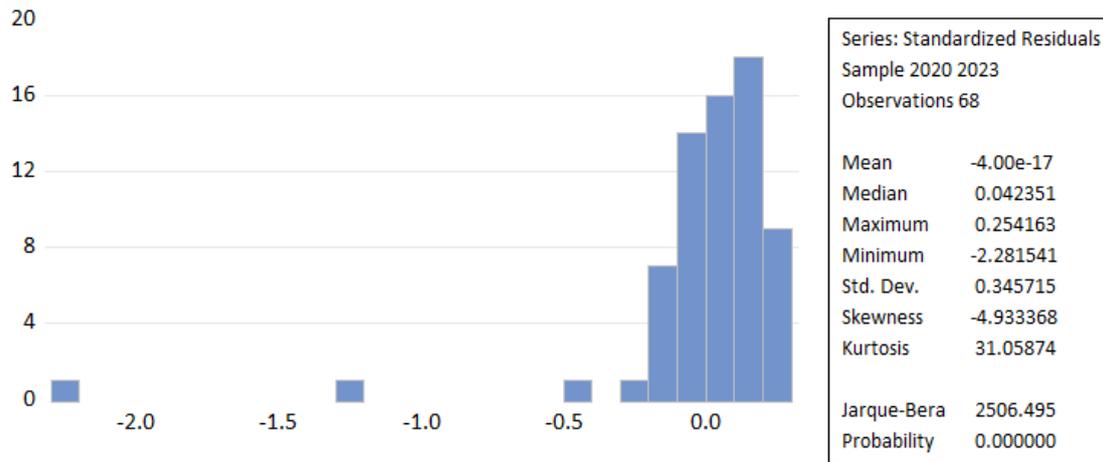
companies experienced a decline in revenue, thus decreasing their ability to generate net profit margins. The maximum value of 0.3210 indicates that some companies were able to generate the highest net profit margin of 32% in the current year. The average value of 0.0407 indicates that the average sample companies' ability to generate net profit was 4%.

- f. The minimum value of Corporate Social Responsibility is -0.1220, this shows that there are companies that spend the lowest CSR costs of -122%, or costs incurred by the company are equivalent to 122% of the company's losses, because there are companies that experience net profit losses. The maximum CSR value obtained is 1.2984, which shows that there are companies that spend quite high CSR costs of 1.298%, with an average CSR value of 0.0439, which shows that the average company's ability to spend CSR costs is 4% of the company's profits.

### **Classical Assumption Test Results**

The classical assumption tests in this study included normality, multicollinearity, and heteroscedasticity tests. Based on the normality test conducted in this study, the results showed that the Jarque-Berra significance value was  $0.0000 < 0.05$ , indicating that all research variable data used were normally distributed. The following table shows that all VIF values were  $< 10$ , indicating that the data used were free from multicollinearity. The results of the heteroscedasticity test in this study indicate that the probability values for all variables were  $> 0.05$ , indicating that all data variances were free from heteroscedasticity.

Figure 3 : Normality Test Result



Source: Data processing by the author, with eviews 12

Figure 4 : Multicollinearity Test Result

	X1	X2	X3	X4
X1	1.000000	-0.285115	0.079880	-0.423167
X2	-0.285115	1.000000	0.032540	0.475142
X3	0.079880	0.032540	1.000000	-0.254154
X4	-0.423167	0.475142	-0.254154	1.000000

Source: Data processing by the author, with eviews 12

Figure 5 : Heteroscedasticity Test Result

Sample: 2020 2023  
 Periods included: 4  
 Cross-sections included: 17  
 Total panel (balanced) observations: 68  
 Iterate weights to convergence  
 Convergence achieved after 5 weight iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.104279	0.085845	1.214731	0.2290
X1	-0.066097	0.094029	-0.702941	0.4847
X2	1.479039	2.080622	0.710864	0.4798
X3	-0.247828	0.158121	-1.567328	0.1220
X4	-0.029101	0.072245	-0.402804	0.6885

Weighted Statistics

R-squared	0.054223	Mean dependent var	0.268916
Adjusted R-squared	-0.005826	S.D. dependent var	0.296476
S.E. of regression	0.265885	Akaike info criterion	-1.063390
Sum squared resid	4.453780	Schwarz criterion	-0.900191
Log likelihood	41.15528	Hannan-Quinn criter.	-0.998726
F-statistic	0.902972	Durbin-Watson stat	1.304815
Prob(F-statistic)	0.467734		

Source: Data processing by the author, with eviews 12

Based on Figure 5.5, the following hypothesis test results are obtained:

- a. The t-statistic for the board of commissioners (X1) lag 0 is 0.3787181

with a probability of  $0.3384 > 0.05$ , indicating that X1 has a positive, insignificant effect on net profit margin

- (Y) in the 2024 observation period, therefore H1 is rejected.
- The t-statistic for the audit committee (X2) lag 0 is -11.03376 with a probability of  $0.1964 > 0.05$ , indicating that X2 has a negative, insignificant effect on net profit margin (Y) in the 2024 observation period, therefore H2 is rejected.
  - The t-statistic for the managerial ownership variable (X3) with a lag of 0 is 0.826611 with a probability of  $0.1565 > 0.05$ , indicating that X3 has a positive but insignificant effect on net profit margin (Y) in the current period, thus H3 is rejected.
  - The t-statistic for the institutional ownership variable (X4) with a lag of 0 is 0.605602 with a probability of  $0.0294 < 0.05$ , indicating that X4 has a significant positive effect on net profit margin (Y) in the previous two years, thus H4 is accepted.
  - The board of commissioners (X1), audit committee (X2), managerial ownership (X3), and institutional ownership (X4) variables simultaneously have been shown to have a significant positive effect, with an F-statistic of 5.996163 with a probability of  $0.000142 < 0.05$ .
  - The adjusted R-squared value obtained is 0.274572, so it can be stated that the net profit margin (Y) is influenced by the board of commissioners (X1), audit committee (X2), managerial ownership (X3) and institutional ownership (X4) by 27.45%, and as much as 72.55% is influenced by other variables not included in this study.

### Mediation Test Results

The results of the mediation test using path analysis in this study are as follows:

Figure 6: Mediation Test Results

Input:		Test statistic:	Std. Error:	p-value:
a	0.136114	Sobel test: 0.57223377	0.07123751	0.56716361
b	0.299488	Aroian test: 0.4704329	0.08665319	0.63804576
s <sub>a</sub>	0.213399	Goodman test: 0.79325931	0.05138863	0.42762676
s <sub>b</sub>	0.231189	Reset all	Calculate	

Input:		Test statistic:	Std. Error:	p-value:
a	-0.392375	Sobel test: -0.77060331	0.15249299	0.4409421
b	0.299488	Aroian test: -0.65478794	0.17946513	0.5126043
s <sub>a</sub>	0.409291	Goodman test: -0.98266453	0.11958466	0.32577257
s <sub>b</sub>	0.231189	Reset all	Calculate	

Input:		Test statistic:	Std. Error:	p-value:
a	8.295096	Sobel test: 0.98107916	2.53219293	0.32655371
b	0.299488	Aroian test: 0.87606373	2.83573174	0.38099539
s <sub>a</sub>	5.521323	Goodman test: 1.13597183	2.18692193	0.25596835
s <sub>b</sub>	0.231189	Reset all	Calculate	

Input:		Test statistic:	Std. Error:	p-value:
a	-0.368635	Sobel test: -1.09996508	0.10036842	0.27134734
b	0.299488	Aroian test: -1.01854781	0.10839134	0.30841769
s <sub>a</sub>	0.177020	Goodman test: -1.20465666	0.09164583	0.22833587
s <sub>b</sub>	0.231189	Reset all	Calculate	

Source: Path analysis by the author

Based on Figure 6, it can be stated that:

- a. The P-value obtained is 0.5671, with a Sobel test t-statistic of 0.5722. Therefore, it can be stated indirectly that the CSR variable (M) is proven to mediate the effect of the board of commissioners (X1) on the net profit margin (Y). Hypothesis 5 is accepted.
- b. The P-value obtained is 0.3265, with a Sobel test t-statistic of 0.9810. Therefore, it can be stated indirectly that the CSR variable (M) is proven to mediate the effect of the audit committee (X2) on the net profit margin (Y). Hypothesis 6 is accepted.
- c. The P-value obtained is 0.4409, with a Sobel test t-statistic of -0.7706. Therefore, it can be stated indirectly that the CSR variable (M) is not proven to mediate the effect of the managerial ownership variable (X3) on the net profit margin (Y). Hypothesis 7 is rejected.
- d. The p-value obtained is 0.2713, with a Sobel test t-statistic of -1.0999. Therefore, it can be indirectly stated that the CSR variable (M) is not proven to mediate the effect of institutional ownership (X4) on net profit margin (Y). Hypothesis 8 is rejected.

## **DISCUSSION**

### **The Influence of the Board of Commissioners on Financial Performance**

Based on the statistical test results in the previous sub-chapter, it can be seen that there is an insignificant positive relationship between the board of commissioners and financial performance, as proxied by net profit margin. This condition could be caused by several factors, such as the ineffective implementation of independent board practices in overseeing and advising the board of directors on the company's operational activities. In corporate practice, an independent board of commissioners should offer an objective perspective when making strategic decisions, taking into account stakeholder interests (Usmany et al., 2024). This can help prevent irregularities or decisions that are detrimental to the company

and its stakeholders, by considering the long-term interests and sustainability of the company (Khairunnisa et al., 2022). The results of this study align with stakeholder theory, which illustrates that the presence and decisions of stakeholders regarding a company can impact operational support, which ultimately impacts profit generation and increases the company's net profit margin (Donaldson & Preston, 1995). Therefore, the role of the independent board of commissioners as part of company management must be carried out optimally to ensure that stakeholders maintain their trust in the company. The results of this study align with research conducted by Handayani et al. (2024) and Kasmila (2024), which successfully indicated that financial performance is significantly positively impacted by an independent board of commissioners.

### **The Influence of the Audit Committee on Financial Performance**

Based on the statistical test results in the previous sub-chapter, it can be seen that there is an insignificant negative relationship between the audit committee and financial performance, as proxied by net profit margin. This finding aligns with research conducted by Halizah et al. (2023) and Sarah Wangi et al. (2023), which stated that a company's financial performance is negatively influenced by the audit committee. In corporate activities, the existence of an audit committee is expected to provide more comprehensive oversight of the company, thus allowing the company to report revenue, assets, liabilities, and profits accurately, in accordance with the company's actual performance, without any manipulation of earnings data. In addition to its oversight function over financial statements, the audit committee also plays a crucial role in identifying and mitigating financial risks faced by the company. The audit committee helps uncover and address potential misuse of funds, regulatory violations, or weaknesses in the company's internal control system (Wuwur et al., 2023). This

description illustrates the critical role of a strong audit committee in a company. Through these efforts, the audit committee can directly contribute to the oversight of the company's financial performance by ensuring compliance, accuracy, and efficiency in the management of the company's financial resources. If not implemented properly, the presence of an audit committee can actually have a negative impact on the company, including its financial performance.

### **The Effect of Managerial Ownership on Financial Performance**

Based on the statistical test results in the previous sub-chapter, it can be seen that there is a positive, insignificant relationship between managerial ownership and financial performance, as proxied by net profit margin. This finding aligns with stakeholder theory, which argues that managers tend to focus on factors that lead to higher performance based on what is actually measured (Kaplan and Norton 1992; Ssachs and Riihli 2011). Managerial ownership is expected to positively impact company performance, including net profit margin (NPM), through the process of aligning the interests of managers and shareholders. Furthermore, external factors such as market conditions, cost policies, capital structure, and company operational efficiency can have a more dominant influence on net profit levels than managerial ownership itself. This finding aligns with the research findings of Dewi et al. (2023). Hulu (2023) and Sarina et al., (2022), who stated that managerial ownership should encourage managers to improve the company's financial performance, because the greater the proportion of shares owned by managers, the higher the profits they will get from their existing share ownership.

### **The Effect of Institutional Ownership on Financial Performance**

Based on the statistical test results in the previous subchapter, it can be seen that there is a positive relationship between

institutional ownership and financial performance, as proxied by net profit margin. When a company has a large proportion of institutional investors, management actions are subject to closer scrutiny, encouraging managers to pay more attention to stakeholder interests and avoid actions that would harm company owners (Christina & Lenggogeni, 2024). When institutions own a larger share, they have a greater voice and power to drive improvements in the company's financial performance. These findings align with research (Cinthya, 2022; Juni et al., 2023; Sarina et al., 2022; Sutrisno & Riduwan, 2022), which suggests that institutional ownership can positively impact a company's financial performance.

In corporate practice, a high level of institutional ownership can lead to greater oversight by investors, thus inhibiting opportunistic managerial behavior because this increased oversight makes management more cautious in making decisions that could hinder company growth. This is in line with signaling theory, which states that the greater the institutional ownership of a company, the greater the incentive to optimize its value, thereby increasing its net present value (NPM).

### **The Role of Corporate Social Responsibility as a Mediating Variable Between Independent Boards of Commissioners on Financial Performance.**

A statistical mediation test shows that Corporate Social Responsibility (CSR) can act as a mediating variable between the board of commissioners and a company's financial performance. CSR is one of the most important components of a company's business sustainability. Companies with environmental and social relationships are required to disclose CSR information to build a positive corporate image and increase company value. Currently, public recognition of CSR is significant, making it crucial for companies to pay attention to and address social impacts. Therefore, companies need to be more assertive in their

decision-making processes, including conveying CSR information clearly and meaningfully to stakeholders. This is in line with the statement that a company's survival and development depend heavily on its ability to achieve its desired goals and distribute economic, social, and political benefits to the communities that are the source of its strength (Pratama & Deviyati, 2022). In this case, CSR is a form of commitment from the board of commissioners to comply with the company's business practices, which are not only profit-oriented but also concerned with environmental and social interests. CSR implementation also represents a form of positive corporate governance performance reflected by the company, so in this case, CSR can mediate the board of commissioners' influence on the company's financial performance.

#### **The Role of Corporate Social Responsibility as a Mediating Variable Between Audit Committee on Financial Performance.**

Statistical mediation tests show that Corporate Social Responsibility (CSR) can act as a mediating variable between the audit committee and a company's financial performance. These results align with stakeholder theory, which states that good GCG implementation can improve financial performance by increasing stakeholder trust, which in turn enhances the company's reputation and attracts investors. Good CSR can also increase stakeholder trust, thus positively impacting financial performance. According to Pambudi (2022); Setiawan et al. (2018), and Habib et al. (2022), environmental performance has a positive effect on financial performance. Companies with good environmental performance can improve their integrity and reliability. CSR can act as a mediator because these activities can generate positive signals and increase stakeholder trust, including investors, consumers, and the public. This increased trust can enhance the company's reputation,

attract investors, and ultimately positively impact financial performance.

In the Food & Beverages sector, audit committees are part of corporate governance and play a crucial role in overseeing the integrity of financial reports, the effectiveness of internal controls, and regulatory compliance. Through effective oversight, audit committees can encourage companies to implement CSR programs that are not merely formalities but also provide added economic and reputational value. In this sector, CSR focuses on issues such as food safety, waste management, sustainable raw material use, employee well-being, and contributions to local communities.

#### **The Role of Corporate Social Responsibility as a Mediating Variable Between Managerial Ownership on Financial Performance.**

The statistical mediation test shows that Corporate Social Responsibility (CSR) cannot act as a mediating variable between managerial ownership and company financial performance. In this case, CSR can be considered a priority that is neglected by company managers. This may occur because company managers often perceive CSR as a component that increases the company's financial burden, leading to concerns that this will create financial risks for managerial shareholders. These results align with the stakeholder theory proposed by Freeman (1994), which emphasizes that company performance is influenced by interested parties. Therefore, companies tend to prioritize stakeholders, including shareholders, by avoiding fatal financial risks that could result in losses for shareholders. In practice, CSR is considered a burden that can reduce company profits, which in turn can reduce the profits distributed to shareholders. In this case, CSR cannot mediate the effect of managerial ownership on company profits (Puspita & Yasa, 2020). In Food & Beverages companies, the inability of CSR to mediate the effect of managerial ownership on NPM suggests that managerial ownership

orientation is more focused on internal efficiency and operational control goals, rather than on expanding social responsibility. Managers who also act as owners tend to be more concerned with efficient resource use, reducing production costs, and increasing immediate profit margins, so they may view CSR activities as an additional cost that does not provide significant short-term financial impact.

### **The Role of Corporate Social Responsibility as a Mediating Variable Between Institutional Ownership on Financial Performance.**

The statistical mediation test shows that Corporate Social Responsibility (CSR) has not been proven to act as a mediating variable between institutional ownership and corporate financial performance. Institutional ownership can improve financial performance through increased oversight and reduced agency costs, without involving CSR as an intermediary. Other studies have stated that CSR can have a direct influence on financial performance, but not always through increased oversight provided by institutional investors. The results of this study are supported by research by Putri & Mulyani (2024) which states that CSR cannot mediate the relationship between Institutional Ownership, Managerial Ownership, Board of Commissioners, and Audit Committee on financial performance. This contradicts signaling theory and stakeholder theory, which emphasize the interests of stakeholders (shareholders, management, etc.) in corporate decision-making, while ignoring the potential for CSR to influence other stakeholders such as the community, consumers, or the environment. Institutional investors tend to be passive and inactive in contributing to CSR costs. Consequently, CSR within a company is not a top priority for them. Consequently, CSR cannot mediate the effect of institutional ownership on corporate profits (Sari & Novita, 2021). In the context of Food & Beverage companies, CSR costs are also highly sensitive to operational costs. CSR

programs are perceived as requiring high costs and a considerable timeframe to produce a tangible financial impact. Therefore, these activities tend to be viewed as increasing costs and not as investments that increase profitability. Therefore, CSR cannot effectively mediate the relationship between institutional ownership and NPM performance.

### **Limitation**

One limitation of this study lies in the selection of sample companies, which were only food and beverage companies. Access to the companies' annual financial reports also presented challenges, so the researcher limited the observation years in selecting the research data. Therefore, the researcher recommends that future researchers pursuing similar research topics expand the range of company sectors included in the sample, allowing for a more diverse discussion of good corporate governance practices across various corporate sectors.

### **CONCLUSION**

Based on the statistical test results and the description of the findings, it is concluded that:

1. The independent board of commissioner's variable (X1) has a positive but insignificant effect on the company's net profit margin (hypothesis 1 is rejected).
2. The audit committee variable (X2) has a negative but insignificant effect on the company's net profit margin (hypothesis 2 is rejected).
3. The managerial ownership variable (X3) has a positive but insignificant effect on the company's net profit margin (hypothesis 3 is rejected).
4. The institutional ownership variable (X4) has a positive but significant effect on the company's net profit margin (hypothesis 4 is accepted).
5. The corporate social responsibility variable is proven to mediate the relationship between the independent board of commissioners (X1) and the

company's net profit margin (hypothesis 5 is accepted).

6. The corporate social responsibility variable is proven to mediate the relationship between the audit committee (X2) and the company's net profit margin (hypothesis 6 is accepted).
7. The corporate social responsibility variable cannot mediate the relationship between managerial ownership (X3) and the company's net profit margin (Hypothesis 7 is rejected).
8. The corporate social responsibility variable cannot mediate the relationship between institutional ownership (X4) and the company's net profit margin (Hypothesis 8 is rejected).

#### Declaration by Authors

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