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Influence of Information Technology (IT) on Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on Financial Performance

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ABSTRACT: With all its conveniences and benefits, the use of information technology is expected to help companies carry out their duties and improve their performance; the use of information technology to communicate has a positive influence on coordination. In this study, a re-examination of several companies in Bandung was carried out to correct the weaknesses of previous studies. This research uses quantitative research by using statistical or computational mathematics. The sample in this study is a manufacturing company listed on the Indonesia Stock Exchange (IDX) in the 2016– 2020 period. The researcher determines the model in this study using the purposive sampling technique, selecting the specific criteria. Where the manufacturing population is 178 companies. The analytical tool used in this research is Path Analysis. The results of the descriptive study show that in general information technology, the role of IT in CSR and GCG on the company's financial performance is considered good. Furthermore, based on the results of hypothesis testing, it is known that information technology has a significant effect on the company's financial performance and simultaneously has a substantial impact on its economic performance.

KEYWORDS: Corporate Financial Performance, Information Systems, Information Technology

INTRODUCTION

Information technology (IT) has many influences and roles in human life. The development of IT develops in line with human development. Jobs that previously required considerable physical abilities are now relatively able to be replaced by automated machine tools. Work systems that use robots have converted human muscle power with great magnification and acceleration. Not to forget the discovery of various new formulations of various computer capacities, which seem to have shifted the position of the human brain's ability in various fields of science.

There are four types of technology whose development is relatively prominent: manufacturing, transportation, communication, and information technology. Of the four types of technology that have developed rapidly, information technology has a dominant impact on the world of finance and business. This is because information technology provides ease in business activities filled with uncertainty. Therefore, information technology is significant for business managers as a tool for making business decisions at various functions and managerial levels, especially in improving the company's financial performance.

Ease of access to this information will foster transparency in the working community. Subsequent developments show that the world of information is no longer a demand for companies or organizations but a need to show the work of the company or organization entity. Within the scope of information systems, user needs for information systems must be well detected by system designers, including in the Information Systems (IS) department, so that the system implemented in an organization can meet the needs of the users concerned. Meeting the needs of these users will be able to provide satisfaction to users of information system services and motivate them to do their jobs optimally. One way for an organization or company to compete with its competitors is to use a sound information system. Few organizations or companies spend large amounts of money investing in these information systems. The success of information system development is highly dependent on the conformity of expectations between system analysts, users (users), sponsors and customers (Szajna and Scammel, 1993).

Likewise, organizations devote significant funds to CSR activities as an innovative stimulus for value creation, preservation, and a means to respond to changes in stakeholder culture to create an excellent corporate image by paying attention to CSR, and investors will look to the company (Hou, 2019). The next step to achieve success is with good governance or the implementation of GCG to improve its financial performance. Regarding the company's financial performance, information

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technology provides convenience in processing, managing and presenting financial information with the support of an information system. With the involvement of information technology, CSR and GCG can run more effectively and efficiently. This paper aims to determine how the influence of information technology in CSR and GCG on the company's financial performance.

STUDY OF THEORY

Legitimacy Theory

Ghozali and Chariri (2007) reveal the definition of legitimacy theory as a condition or status that exists when a company's value system is in line with the more extensive social value system of which the company is a part. Legitimacy theory focuses on interactions between the company and the community.

Legitimacy theory states that organizations continuously try to ensure that they carry out activities by societal boundaries and norms (Deegan et al., 2002). Community legitimacy is a strategic factor for the company to develop the company in the future. This can be used as a vehicle for constructing the company's strategy, especially related to efforts to position oneself in an increasingly advanced society (Nor Hadi, 2011). Firms usually seek to legitimize and maintain relationships within the broader social and political environment in which they operate; without such legitimacy, they will not survive, regardless of how well they perform financially (Gray et al., 1995) in Lanis and Richardson (2012). This explains that the company must maintain its relationship with the environment and the surrounding community because its survival depends on this relationship.

Agency

Theory The concept of agency theory, according to Anthony and Govindarajan (2005: 269), is that an agency relationship exists when one party (the principal) hires another party (the agent) to perform a service and, in doing so, delegates decision-making authority to the agent. For example, shareholders are the principal in a corporation, and the CEO is their agent. Shareholders employ the CEO to act in the interests of the principal.

One of the critical elements of agency theory is that principals and agents have different preferences or goals. Agency theory has the assumption that each individual is solely motivated by their interests, causing a conflict of interest between the principal and the agent. For example, the principal is encouraged to enter into a contract to prosper with his company's profitability, which is constantly increasing. Eisenhardt (1989) in Ujiyantho and Bambang (2007) states that agency theory uses three assumptions of human nature, namely: 1) Humans are generally self-interested, 2) Humans have limited thinking power regarding future perceptions (bounded rationality).) 3) Humans always avoid risk (risk-averse).

About agency problems, corporate governance, which is a concept based on agency theory, is expected to function as a tool to give investors confidence that they will receive a return on the funds they have invested. Corporate governance is concerned with how investors believe that managers will benefit them, believe that managers will not steal or embezzle or invest in unprofitable projects related to the funds or capital invested by investors, and is related to how investors control managers (Shleifer and Vishny, 1997) in Ujiyantho (2007).

Financial Performance

Financial performance is the determination of specific measures used to measure the success of an organization or company in generating profits (Sucipto, 2018). Financial performance indicators commonly used are financial ratios, while the most frequently used financial ratio is profitability because high profitability in a company reflects the company's success (Hamim, 2019). Profitability is the company's ability to earn profits within a certain period. A profitability ratio is a ratio that describes the company's ability to make profits through all capabilities and existing sources such as sales activities, cash, capital, number of employees, number of branches and others (Syafri, 2008). One form of the profitability ratio is Return on Assets (ROA), which estimates the company's ability to generate profits by using the total existing assets.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is an action or effort taken by a company to improve the welfare of its stakeholders to increase the company's profitability as a form of corporate responsibility and concern for the community and the environment where the company is located. The existence of a company ideally is beneficial for the surrounding community. The basic principle of CSR is to empower local communities to be free from poverty.

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Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is needed to provide progress on the performance and longevity of a company. The company will lose the opportunity (Opportunity) to be able to continue its business activities (Going Concern) smoothly; on the other hand, companies that have implemented Good Corporate Governance can create value for the community, suppliers, distributors, and government and are more attractive to investors so that it has a direct impact on business continuity the company (Wardani, 2017).

Good corporate governance has five goals for companies in Surya and Yustiavandana (2008:68), namely:

1. Facilitating access to domestic and foreign investment.
2. Get a cheaper cost of capital 14.
3. Provide better decisions to improve the company's economic performance.
4. Increase the confidence and trust of stakeholders in the company.
5. Protect the directors and commissioners from lawsuits.

Commissioner Independent

An independent commissioner is a member of the board of commissioners who has no financial, management, shared ownership and family relationship with other members of the board of commissioners, directors and/or controlling shareholders or other associations that may affect their ability to act independently. Independent commissioners have an essential role in monitoring the company (FCGI, 2003).

The main tasks of the independent commissioner with the board of commissioners include (Surya and Yustiavandana, 2008:138):

1. Assessing and directing company strategy, outlining work plans, risk control policies, annual budget and business plans, 15 setting work targets, overseeing the implementation and performance of the company, as well as monitoring the use of company capital, investment and asset sales.
2. Assessing the system for determining the salary of officials in key positions and the remuneration of members of the board of directors and ensuring a transparent and fair process of nomination of members of the board of directors.
3. Monitor and resolve conflicts of interest at the management level, members of the board of directors and members of the commissioners, including misuse of company assets and manipulation of company transactions.
4. Monitor the implementation of governance and make changes where necessary.
5. Monitor the process of openness and effectiveness of communication within the company.

In general, the board of commissioners is assigned and responsible for monitoring the quality of the information contained in the financial statements (Nasution and Setiawan, 2007). This is important considering the importance of management to carry out earnings management, which impacts reducing investor confidence. To overcome this, the board of commissioners is allowed to have access to company information. Fama and Jensen (1983) in Ujiyanto and Pramuka (2007) state that non-executive directors (independent commissioners) can act as mediators in disputes that occur between internal managers and oversee management policies and provide advice to management.

Institutional Ownership

Institutional ownership is share ownership by many parties such as the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year. Institutional ownership is the proportion of shares owned by the institution at the end of the year, measured as a percentage of the number of institutional ownership to the total number of shares.

RESEARCH METHODOLOGY

This study aims to determine how the role of IT in CSR and GCG on financial performance by using this type of quantitative research. Quantitative research is research using statistical or computational mathematics. The quantitative method meets the scientific requirements, namely empirical, objective, systematic and rationally measured; the data is from secondary data containing numbers and analysis using statistics. The population employed by the researcher is a manufacturing company listed on the Indonesia

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Stock Exchange (IDX) for the period 2016 – 2020. The determination of the sample in this study uses a purposive sampling technique, where the researcher determines specific criteria. Where the manufacturing population is 178 companies. However, the number of selected samples is seven companies.

This study uses secondary data, namely data obtained from intermediary media provided by accessing the Indonesia Stock Exchange website (IDX)www.idx.co.id). The Documentation Data Collection Technique collected 80 data on manufacturing companies that publish their annual financial reports for the 2016 – 2020 period and seven companies that provide CSR information in their sustainability reports in the 2016-2020 period. While the Library Study Data Collection Technique is carried out by studying, reviewing and reviewing various literature from the library sourced from books and journals as well as other sources that are related to the topic of this research.

Operational Research Variables

The involvement of information technology (IT), CSR, and GCG are included in the following three variables: the independent variable (x) is CSR and GCG. Because they are variables that cause or effect changes in the dependent variable, the dependent variable (y) is financial performance because it is a variable that is influenced positively or negatively; the dependent variable is also called the output variable, criteria, or consequences. And the moderating variable (Z) is IT (Information Technology) because it is a variable that strengthens or weakens the relationship between one variable and another. Variable calculation formula:

Variable	Measurement	Scale	Source
Information Technology	$\mathrm{TI} = \frac{Amortisasi}{Total\ assets} x100\%$	Ratio	Thompson et al (1991) in Irine Chintya (2015:3)
CSR (X1)	$CSDI_j \frac{\Sigma X_{Ij}}{n_j}$	Ratio	Nur et al. (2019)
GCG (X2)	$IST = \frac{amount\ of\ institutional\ stock}{Total\ stock\ circulating} x100\%$ $PDKI = \frac{number\ of\ members\ of\ independent\ comm}{total\ number\ of\ members\ of\ the\ board\ of\ co}$	Ratio	(Mahrani et.al, 2018)
Performance (Y)	$ROA = \frac{net\ profit\ after\ tax}{total\ assets} x100\%$	Ratio	Priyatno (2010:10)

Analysis Method

The analytical method used in this research is the panel data regression analysis method; the data obtained will be processed and analyzed so that the data can be taken advantage of. Finally, the data can be used as a basis for decisionmaking. The purpose of this analytical method is to provide interpretation and interest. In conclusion, the data will be processed using SPSS for Windows. Data analysis will also use path analysis to analyze the level of influence of the variable on other variables. Before a regression is used, the classical assumption test is carried out first because a relapse can be used and is considered good if the regression model is by some classical assumptions. The classical assumption test carried out in this study was carried out on several tests, including 1) normality test, 2) multicollinearity test, 3) heteroscedasticity test, 4) auto-correlation and 5) correlation test.

Hypothesis Testing Design

Widarjono's (2013) pooling least squares (Common Effect), fixed effects approach, and random effect. Researchers will conduct a test design to get the best practice, namely:

1. Chow test to determine the effect model.
2. The Hausman test is a statistical test to choose which one fits the fixed or random effect.
3. Lagrange Multiplier (LM) test determines whether the random effect or the expected effect model.

Considering that panel data combines cross-section and time-series data. Moderated Regression Analysis (MRA) or interaction test is a particular application of multiple linear regression where the regression equation contains an interaction element (multiplication of 2 or more independent variables) with the following equation formula:

KK = + 1CSR + 2GCG + 3CSR*GCG + e

Description:

KK: Financial Performance α : Constants β1, β2, β3: Moderation
CSR: Corporate Social Responsibility GCG: Good Corporate Governance
CSR*GCG: Interaction between Corporate Governance Corporate Social Responsibility and Good Corporate Governance e: Error

RESEARCH RESULTS

The analytical method used in this research is a panel data regression analysis method; the data to be obtained is processed and analyzed so that the data can be used. Finally, the data can be used as a basis for decision-making. This analysis method aims to provide interpretation and draw conclusions; the data will be processed using SPSS for windows. Data analysis will also use path analysis to analyze the level of influence of the variable on other variables.

Kolmogorov-Sminov One-Sample Normality Test Test		
N		30
Normal Parameters^{a,b}	Mean	.0000000
	Std. Deviation	7.72608035
Most Extreme Differences	Absolute	.125
	Positive	.125
	Negative	-.074
Test Statistic		.125
Asymp. Sig. (2-tailed)		$.200^{c,d}$
Test Distribution is Normal		

Based on the results of the normality test, it is known that the significance of 0.200>0.05, it can be concluded that the residual value is normally distributed

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2. Multicollinearity Test

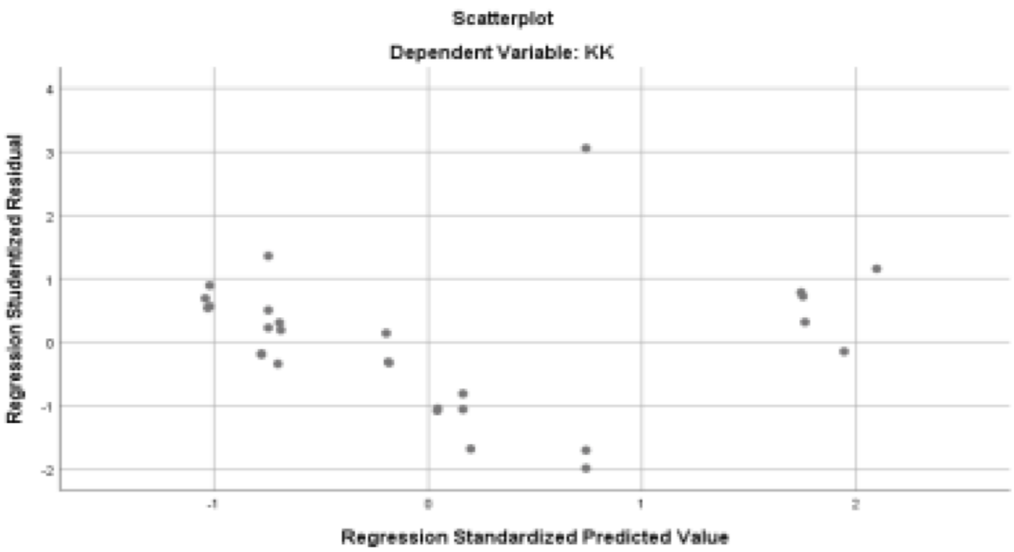
Coefficients[a]							
Unstandardized			Standardized				
	Coefficients		Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-33.054	10.959		-.3016	.006		
CSR	42.368	23.593	.205	1.796	.084	.782	1.279
KI	-.109	.155	-.101	-.700	.490	.493	2.030
DK	.825	.129	1.002	6.413	.000	.418	2.394

a. Dependent Variable: KK

Tolerance value > from 0.10, it means that there is no multicollinearity.

VIF value > 10.00 means that there is no multicollinearity.

3. Heteroscedasticity Test



From the picture above, it can be said that there is no heteroscedasticity problem, so the classical assumption test of heteroscedasticity is fulfilled.

4. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.857[a]	.735	.705	8.15965	1.444
a. Predictors: (Constant), DK, CSR, KI					
b. Dependent Variable: KK					

dL = 1.2138 dU = 1.6498

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Because D1<D<DU, no conclusions were drawn, so run test autocorrelation was

Runs Test	
	Unstandardized Residual
***Test Value**[a]*	-1.82190
Cases < Test Value	15
Cases >= Test Value	15
Total Cases	30
Number of Runs	14
Z	-.557
Asymp. Sig. (2-tailed)	.577

5. Correlation test

Correlations					
		CSR	KI	DK	KK
CSR	Pearson Correlation	1	-.261	−.458*	.227
	Sig. (2-tailed)		.164	.011	.027
	N	30	30	30	30
KI	Pearson Correlation	-.261	1	.709**	.556**
	Sig. (2-tailed)	.164		.000	.001
	N	30	30	30	30
DK	Pearson Correlation	−.458*	.709**	1	.836**
	Sig. (2-tailed)	.011	.000		.000
	N	30	30	30	30
KK	Pearson Correlation	-.227	.556**	.836**	1
	Sig. (2-tailed)	.227	.001	.000	
	N	30	30	30	30

*. Correlation is significant at the 0.05 level (2-tailed)

**. Correlation is significant at the 0.01 level (2tailed)

DISCUSSION

The effect of CSR on the Company's Financial Performance

Based on the first hypothesis (HI), there is an influence between CSR as proxies by GRI-G-4 on the company's financial performance. The results of this study are in line with the stakeholder theory that CSR companies have disclosed more social responsibility to influence external and internal parties who have an interest in the company. CSR correlates but is weak, with a Pearson correlation value of 0.227. CSR and financial performance are interrelated because social responsibility is no longer just an activity but is an obligation for the company and helps maintain its survival. However, the company pays attention to social and environmental issues so that the company can be trusted by stakeholders, which impacts increasing company profits through increased investment, which affects rising company profits. The results of this study are in line with the research of Okafor (2021) and Kordsachia (2021), which shows that increasing CSR will also improve the company's financial performance.

The Effect of Good Governance Implementation on Financial Performance

The results of this study indicate the implementation of GCG has a positive effect on the company's financial performance. Where there are two GCG indicators, the first is institutional ownership with a sig value (2-tailed) of 0.001 (<0.05), so it can be concluded that institutional ownership is correlated with financial performance with a Pearson correlation value of 0.226, which means a moderate correlation. In contrast, the second is an indicator of the board of commissioners with a deal of sig (2-tailed) 0.000 (0.05), so it can be concluded that the board of commissioners is mutually correlated with financial performance with a Pearson correlation value of 0.836 which means a strong correlation. The results of this study are in line with the research of Ahdal, Alsamhi, Tabash, Najib & Farhan (2020), Ervits (2020), Bernal, Conesaa, Briones, Penalver, Nieves & Nieto (2016), which show that the higher the GCG, the higher the performance company finance.

The effect of the implementation of CSR moderated by IT on financial performance

It is known that the significance of the interaction variable between CSR and IT is 0.011 (<0.05, it can be concluded that the IT variable can moderate the effect of CSR variables on financial performance. The results of this study are in line with research by Rodriguez & Fernandez (2016), Jucan et al (2012), which shows that CSR moderated by IT has a positive effect on improving the company's financial performance.

The effect of the implementation of GCG moderated by IT on financial performance

The study results can be seen from the significant value of the interaction between institutional ownership and IT of 0.012 (<0.05). Therefore, the IT variable can moderate the effect of institutional ownership on financial performance. Then the significant value between the board of commissioners and TI is 0.000 (<0.05), so it can be concluded that the IT variable can moderate the effect of the board of commissioners variable on financial performance. The progress of IT plays a significant role in changes in organizational behavior that impact changes in individual behavior. IT was initially only useful for things that turned out helpful for the organization's goals as a whole. Differences in individual behavior towards IT related to individual performance are due to personal attitudes, subjective norms, intentions, control behavior, acceptance of IT, task adjustment to technology, technology work chain, trust in technology, and psychological attachment to information technology. Therefore, it is necessary to know how the attitudes and behaviors felt by users toward the information system used. The results of this study are in line with Sahusilawane's (2020) research which shows that GCG moderated by IT has a positive effect on improving the company's financial performance.

CONCLUSION

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn:

1. CSR has a positive but not significant effect on the financial performance (ROA) of manufacturing companies listed on the IDX.
2. GCG has a positive and significant effect on the financial performance (ROA) of manufacturing companies listed on the IDX.
3. Information technology can moderate CSR and GCG so that it can strengthen the influence of CSR and GCG variables on financial performance.

Suggestions

1. From several things that the researcher has explained, the researcher feels that this research still has many shortcomings and weaknesses.
2. Further researchers are expected to expand the research sample not only to manufacturing companies, such as banking companies, financial institutions, service companies, etc.
3. Further researchers can add other ratios to measure company performance.

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