Kilisuci International Conference on Economic & Business
Vol. 1 Year 2024

Factors Affecting *Financial Performance* in Banking Companies 2020-2022

Maf'ulatul Fa'ida[1], Amin Tohari[2], Erna Puspita[3]

[1,2,3] University of Nusantara PGRI Kediri, Jl. KH. Ahmad Dahlan No. 76, Mojoroto, Kediri City, East Java, 64112, Indonesia

mafulatulfaida28@gmail.com

*Corresponding author

Article Information

Submission date	12 Desember 2023
Revised date	14 February 2024
Accepted date	02 March 2024

Abstract

Research aim: *The aim of this study is (1) to investigate the partial effects of Corporate Social Responsibility, independent commissioners, and Company Size on Financial Performance. (2) to examine the combined effects of independent commissioners, corporate social responsibility, and company size on financial performance.*
Research Method: *This study employs a quantitative approach. The sample consists of 30 companies selected through purposive sampling method. Multiple Linear Regression Analysis Technique is utilized for analysis, employing SPSS software version 23.*
Research Findings: *The findings reveal that (1) Corporate Social Responsibility and company size individually exert a significant impact on the company's financial performance, whereas independent commissioners show no significant partial effect on financial performance. (2) Corporate social responsibility, independent commissioners, and company size collectively demonstrate a significant effect on the company's financial performance.*
Keywords: *Corporate Social Responsibility, Independent Commissioner, Company Size, Financial Performance*

1. Introduction

Over time, the development of the company has a major impact in helping to improve a country's economy. Indonesia is a developing country whose economy moves inclusively in the economic activities of its citizens. In the context of the national economic system, funding institutions such as banks have an important role in the national financial system. A pattern of how the economic/financial situation of estimated institutions uses financial analysis tools to describe the financial condition of banks and how high the company's performance is. The company's performance achievements can be reflected through financial performance during a certain period. Financial performance is the determination of certain measures that can be used as a benchmark for an agency in generating profits from operating activities carried out [1].

There are several ratios used in assessing financial performance, one of which is *Return On Assets* which assesses the ratio of the company's ability to make a profit. The higher the ROA, the better the company's financial performance. The good performance is due to the expanded benefits of the resources it has utilized [2]. The following is the development of the financial performance of banking companies that can be seen in data *Return On Asset*, Banking companies tend to fluctuate, in 2020 Bank BCA decreased to 2.72%, in 2021 it increased to 2.73%, and in 2022 it increased to 3.20%. Bank BSI experienced an increase of 1.98%, in 2021 it decreased by 1.61%, and in 2022 it decreased again by 1.38%. In 2020 Bank Mandiri decreased by 1.09%, in 2021 it increased by 1.78%, and in 2022 it increased by 2.21%. Several factors affect the financial performance of banking companies among the components in the financial statements such as *Corporate Social Responsibility* (X1), Independent Commissioner (X2), and Company Size (X3). *Corporate Social Responsibility* (X1) is a manifestation of management's concern for the social situation of the surrounding environment, better CSR towards the surroundings becomes an attraction to investors so that it can improve the company's financial performance. Test results [3] *Corporate Social Responsibility* positive effect on the company's financial performance as measured by ROA, this is inversely proportional to research [4] CSR does not affect ROA because the value of CSR used by companies tends to be low so it does not affect ROA. In the implementation of good governance, banking institutions are required to operate companies in a safe, transparent, orderly manner with rules and regulations from the government, so the more members of the Independent Commissioners (X2) can make supervision tighter, the research results [5] Indicates that the Independent Commissioner has a significant positive impact on the company's financial performance. Company Size (X3) shows the size of a banking company institution which can be seen from the number of assets owned by the company to improve financial performance, the more assets owned by the company, the better the company will grow. Test results [6] The size of the company can affect financial performance. But other research reveals [7] The size of the company does not have a significant effect on the company's financial performance.

Previous researchers [3] *Corporate Social Responsibility (CSR)* positive effect on the company's financial performance as measured by ROA, other research shows [4] CSR does not affect ROA because the value of CSR used by companies tends to be low so it does not affect ROA. [8] The independent board of commissioners has a positive effect on financial performance. [9] Company size positively affects financial performance, while other studies show [7] The size of the company does not have a significant effect on the company's financial performance.

The difference between this study and previous research is that this study uses variables of *Corporate Social Responsibility* (X1), Independent Commissioner (X2), and Company Size (X3) on the Financial Performance (Y) of Banking companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022. This study examines whether there is a partial and simultaneous influence between the variables *Corporate Social Responsibility* (X1), Independent Commissioner (X2), and Company Size (X3) on Financial Performance (Y).

1.1 Problem Questions

1. Does Corporate Social Responsibility have a partial and significant impact on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022?

2. Does the presence of Independent Board of Commissioners partially contribute significantly to the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022?
3. Is there a partial and significant influence of Company Size on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022?
4. Do Corporate Social Responsibility, Independent Commissioners, and Company Size collectively exert a significant influence on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022?

1.2 Purpose of the study

1. To assess the partial impact of Corporate Social Responsibility on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022.
2. To evaluate the partial impact of Independent Commissioners on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022.
3. To investigate the partial impact of Company Size on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022.
4. To examine whether Corporate Social Responsibility, Independent Commissioners, and Company Size collectively have a significant impact on the Financial Performance of Banks listed on the Indonesia Stock Exchange from 2020 to 2022.

2. Method

This study examines one dependent variable, which is the financial performance of companies, and three independent variables: Corporate Social Responsibility (X1), Independent Commissioners (X2), and Company Size (X3). The company's performance (Y) is assessed through Return On Assets, Corporate Social Responsibility (X1) is evaluated using the Global Reporting Index (GRI) G-4 comprising 91 indicators, Independent Commissioners (X2) is quantified based on the number of independent commissioners within each company, while Company Size (X3) is measured by total assets. The research approach employed in this study is quantitative ex post facto. The study focuses on banking institutions listed on the Indonesia Stock Exchange, covering the period from 2020 to 2022, and utilizes SPSS 23 for data analysis. The population under investigation consists of 47 companies listed on the Indonesia Stock Exchange. Purposive sampling technique is utilized, adhering to the following criteria: (1) Inclusion of banks listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. (2) Availability of annual financial statements in Indonesian rupiah for the period 2020-2022. (3) Consistent profitability during the period 2020-2022. (4) Availability of data on Good Corporate Governance and Corporate Social Responsibility. Following these criteria, a sample of 30 companies meeting the requirements is selected, resulting in a total data set of 90 observations over the 3-year period. This study uses secondary data and the data collection techniques used are documentation and internet research, the analysis used is regression analysis, used to analyze the functional relationship between dependent variables with independent variables [10][11][12].

Based on the above thinking, the conceptual framework in this study is as follows:

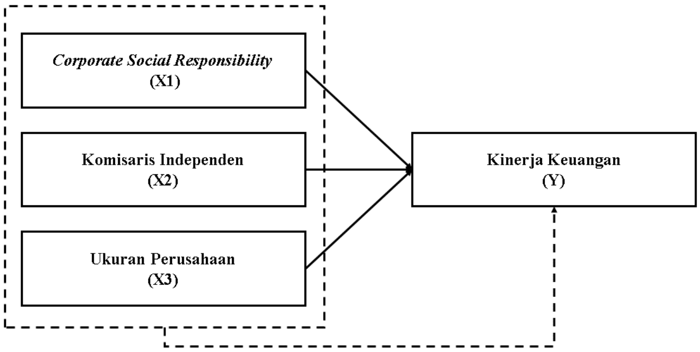

Figure 1. Conceptual Framework

Information:

→ : Partial Influence

⇢ : Simultaneous Influence

The hypothesis can be described as follows:

H1 : It is suspected that *Corporate Social Responsibility* partially has a significant effect on the Financial Performance of Banking Companies Listed on the IDX for the 2020-2022 Period.

H2 : It is suspected that the independent commissioner partially has a significant effect on the Financial Performance of Banking Companies Listed on the IDX for the 2020-2022 Period.

H3 : It is suspected that the size of the Company partially has a significant effect on the Financial Performance of Banking Companies Listed on the IDX for the 2020-2022 Period.

H4 : It is suspected that *Corporate Social Responsibility*, Independent Commissioner, and Company Size simultaneously have a significant effect on Financial Performance in Banking Companies Listed on the IDX for the 2020-2022 Period.

3. Results and Discussion

Classical Assumption Test Results

Normality Test

Test Results *Kolmogorov-smirnov* (K-S) indicates that the significance level is 0.169 or 1.7% which means more than 0.05 or 5% so that it can be concluded that the processed data has been normally distributed or which means H0 is accepted and Ha is rejected.

Multicoliniarity Test

Based on the test results all independent variables, namely *Corporate Social Responsibility*, Independent Commissioner, and Company size obtained a tolerance value greater than 0.10 which is 0.978, 0.970, 0.83, and VIF smaller than 10 namely 1.022, 1.031, 1.017. Thus it can be concluded that all variables in this study can be used to predict the company's financial performance because it does not experience multicollinearity.

Heteroscedasticity Test

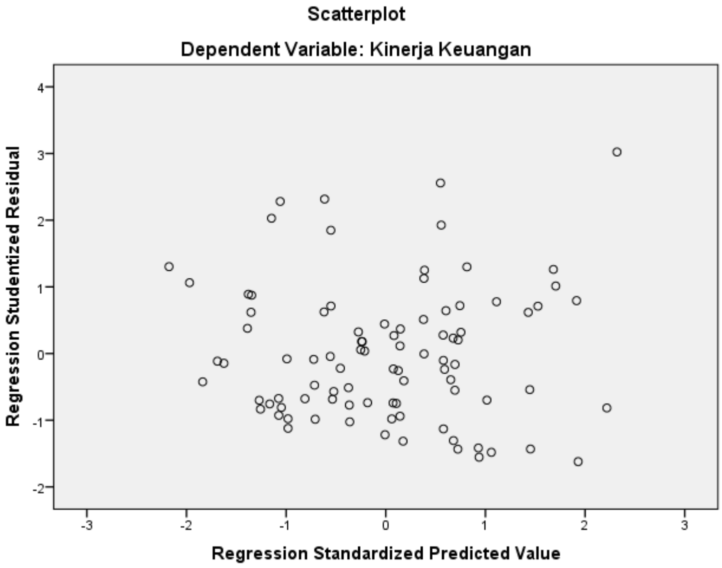

Figure 2. Heteroscedasticity Test Result

It can be seen from the test results that the points spread randomly above or below the number 0 on the Y-axis and do not form a certain pattern, so it can be concluded that in this regression model heteroscedasticity does not occur.

The Automobile

Based on the results of the autocorrelation test, it can be concluded that *the Durbin-Waston value produced is 1.739 while the DW test table (k = 3. n = 90) for the lower limit value (dL) = 1.5889 and the upper limit (dU) = 1.7264 when compared with the two values above, the Durbin-Waston* value is between the lower limit (dL) = 1.5889 and (-du) = 4-1.7264 = 2.2736. It can be concluded that H0 is acceptable which means there are no positive or negative signs of autocorrelation.

Multiple Linear Regression Analyst

From the results of multiple linear regression through *SPSS Version 23 software, the results of the linear regression equation are as follows:*

$$\boxed{Y = -0{,}003 - 0{,}054\, X_1 - 0{,}001 X_2 + 0{,}001 X_3 + \epsilon}$$

From the above results it can be assumed as follows: (1) constanta -0.003 states that if all variables remain constant, banking performance changes by -0.003 (2) variable Corporate Social Responsibility (X1) is negative meaning that every time there is an increase in *Corporate Social Responsibility* by an entity, it will reduce financial performance by 0.003 (3) Variable Independent Commissioner *(X2) negative means every time* Independent commissioner increases by one unit, financial performance will decrease by 0.054 (4) The variable size of the company (X3) is positive, meaning that every time the size of the Company increases by one unit, financial performance will increase by 0.001.

Test Coefficient of Determination (R^2)

The R^2 value applied is 0.199 or 19.9% This result means that variations in Financial Performance can be explained by differences in *corporate Social Responsibility*, independent Commissioners, and Company size of 19.9%, while changes of 80.1% are explained by other factors that were not tested in this study.

Hypothesis Testing

Partial Test (t Test)

1. Corporate Social Responsibility (X1) exhibits a t-score of -3.145, with a significance result of 0.002, indicating a value below 0.05. Consequently, H0 is rejected, and Ha is accepted, suggesting that Corporate Social Responsibility partially exerts a significant influence on the Financial Performance of banks.
2. Independent Commissioner (X2) demonstrates a t-score of -916, yielding a significance result of 0.362, which exceeds 0.05. Thus, H0 is accepted, and Ha is rejected, indicating that independent commissioners partially lack a significant effect on the company's financial performance.
3. Company Size (X3) records a t-score of 2.999, alongside a significance result of 0.004, indicating a value lower than 0.05. Consequently, H0 is rejected, and Ha is accepted, suggesting that the size of the company partially has a significant impact on the company's financial performance.

Simultan Test (F Test)

In this study states the acceptance value of 0.000 is below 0.05 then it can be drawn that Ha is accepted and H0 is rejected which means variable *Corporate Social Responsibility*, Independent commissioners and Company size can simultaneously affect a company's financial performance.

Discussion

In this study, Variables *Corporate Social Responsibility* (X1) has a *T-score* of -3.145 and a probability value of 0.002 which is smaller than 0.05. So H0 is accepted and Ha is accepted, which means *corporate social responsibility* has a significant impact on the company's financial performance. The results of this study are in line with those conducted [3] *Corporate Social Responsibility* positive effect on the company's financial performance measured using

ROA. This is if the company that discloses its social activities will be responded positively by investors through an increasing stock price so that it has a good impact on management and financial performance will increase.

In this study, it can be concluded that the independent Commissioner (X2) has a *T-score* value of -0.916 and a probability result of 0.362 greater than 0.05 so H0 is accepted and Ha is rejected, which means that the independent commissioner partially has no significant effect on the company's financial performance. The results of this study are inversely proportional to the research [8] The Independent Board of Commissioners has a positive effect on financial performance. This can be based on the fact that the increasing number of independent commissioners does no effect on financial performance, it could be because independent commissioners are based on professionalism, and it may be that the formation of independent commissioners is carried out to meet regulations.

This study concludes that Company Size (X3) exhibits a T-score of 2.999 with a probability result of 0.004, indicating a significance level below 0.05. Thus, H0 is rejected, and Ha is accepted, suggesting that the company's size partially influences its financial performance significantly. This finding aligns with previous research [9], which also suggests a positive correlation between company size and financial performance. The positive relationship implies that larger companies tend to experience better development, attracting potential investors to invest in their shares, thereby enhancing the company's financial performance.

Furthermore, the coefficient of determination test yields an R-square value of 0.199, representing 19.9%. This indicates that 19.9% of the variations in financial performance can be attributed to differences in Corporate Social Responsibility, Independent Commissioners, and Company Size, while the remaining 80.1% is influenced by unexamined factors. The relatively small R-square value is due to the study's focus solely on non-financial variables, excluding financial ratios.

Ultimately, the study affirms that Corporate Social Responsibility, Independent Commissioners, and Company Size collectively affect financial performance, indicating that all significant variables have an impact on the company's financial performance.

4. Conclusion

Based on the preceding analysis discussing the impact of Corporate Social Responsibility, Independent Commissioners, and Company Size on the financial performance of banks listed on the Indonesia Stock Exchange from 2020 to 2022, the following conclusions can be drawn: (1) Corporate Social Responsibility (X1) partially demonstrates a significant effect on the financial performance of the company (Y). (2) The Independent Commissioner variable (X2) shows no partial significant effect on the financial performance of the company (Y). (3) The Company Size variable (X3) partially exhibits a significant effect on the financial performance of the company (Y).

All independent variables in this study—Corporate Social Responsibility, Independent Commissioners, and Company Size—exert a significant influence on the financial performance of the company. This conclusion is supported by the simultaneous F-test, where the significance value of 0.000 < 0.05 indicates that CSR, independent commissioners, and company size together have a significant impact on the company's financial performance. Furthermore, the coefficient of determination test reveals an R-square value of 0.199, representing 19.9%. This result suggests that 19.9% of the variations in financial performance can be explained by differences in Corporate Social Responsibility, Independent Commissioners, and Company Size, while the remaining 80.1% is attributed to other untested factors. Notably, the magnitude of explained variance is relatively small due to the study's focus solely on non-financial variables, without incorporating financial ratios.

References

[1] Widodo ASF, Puspita E, Winarko SP. Analisis Kinerja Keuangan RSUD Simpang Lima Gumul Sebelum dan Sesudah Penerapan PPK-BLUD. Perspekt Akunt 2022;5:259–72. https://doi.org/10.24246/persi.v5i3.p259-272.

[2] Silitonga RN, Manda GS. Pengaruh Risiko Kredit dan Risiko Likuiditas terhadap Kinerja Keuangan pada Bank BUMN Periode 2015-2020. J Maksipreneur Manajemen, Koperasi, Dan Entrep 2022;12:22. https://doi.org/10.30588/jmp.v12i1.948.

[3] Ahyani R, Puspitasari W. Pengaruh Corporate Social Responsibility Terhadap Kinerja Keuangan Pada Perusahaan Properti Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2017. J Akunt Trisakti 2019;6:245–62. https://doi.org/10.25105/jat.v6i2.5479.

[4] Inas SAS, Mildawati T. Pengaruh corporate social responsibility terhadap kinerja keuangan (pada perusahaan manufaktur yang terdaftar di BEI). J Ilmu Dan Ris Akunt 2022;11:1–17.

[5] Yuliyanti A, Cahyonowati N. Pengaruh Dewan Direksi, Komisaris Independen, Komite Audit, Kepemilikan Manajerial, dan Kepemilikan InPENGARUH DEWAN DIREKSI, DEWAN KOMISARIS, KOMISARIS INDEPENDEN, KOMITE AUDIT, KEPEMILIKAN MANAJERIAL, DAN KEPEMILIKAN INSTITUSIONAL TERHADAP KINERJA KEUAN. Diponegoro J Account 2023;12:1–14.

[6] Anandamaya LPV, Hermanto SB. PENGARUH GOOD CORPORATE GOVERNANCE, UKURAN PERUSAHAAN DAN LEVERAGE TERHADAP KINERJA KEUANGAN. J Ilmu Dan Ris Akunt 2021;10:1–24.

[7] Jufrizen, Al Fatin IN. Pengaruh Debt To Equity Ratio, Return On Equity, Return On Assets Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Farmasi. J Hum 2020;4:183–95.

[8] Saifi M. Pengaruh Corporate Governance Dan Struktur Kepemilikan Terhadap Kinerja Keuangan Perusahaan. Profit 2019;13:1–11. https://doi.org/10.21776/ub.profit.2019.013.02.1.

[9] Meiyana A, Aisyah MN. Pengaruh Kinerja Lingkungan, Biaya Lingkungan, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan Dengan Corporate Social Responsibility Sebagai Variabel Intervening. Nominal Barom Ris Akunt Dan Manaj 2019;8:1–18. https://doi.org/10.21831/nominal.v8i1.24495.

[10] Tohari A, Nur C, Fatmawati, Budi L. Modelling the Number of Hiv and Aids Cases in

East Java Using Biresponse Multipredictor Negative Binomial Regression Based on Local Linear Estimator. Commun Math Biol Neurosci 2021;2021:1–17. https://doi.org/10.28919/cmbn/5652.

[11] Tohari A, Chamidah N, Fatmawati. Modelling of hiv and aids cases in indonesia using bi-response negative binomial regression approach based on local linear estimator. Ann Biol 2020;36:215–9.

[12] Tohari A, Chamidah N, Fatmawati. Modeling of HIV and AIDS in Indonesia Using Bivariate Negative Binomial Regression. IOP Conf Ser Mater Sci Eng 2019;546:0–6. https://doi.org/10.1088/1757-899X/546/5/052079.