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IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE IN STATE-OWNED ENTERPRISES (SOEs)

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Abstract
The implementation of risk management is part of Good Corporate Governance (GCG) with the aim of improving financial performance, competitiveness, and sustainability. This research aims to create a SOE sustainability model by analyzing the influence of GCG and SOEs' financial performance. Chief Risk Officer (CRO) and Risk Maturity Index (RMI) as moderation variables, and diversity of the Board of Directors as control variables. The sample number is 22 SOEs listed on the Indonesia Stock Exchange that issued sustainability reports from 2018-2022. Data analysis used a double linear regression method. The results of the study show that Financial Performance with Price Book Value (PBV) and Debt Equity Ratio (DER) proxies has a positive effect on sustainability with SOEs' revenue, profit, and Social and Environmental Responsibility (TJSL) proxies. CRO strengthens the positive influence of GCG on the sustainability of SOEs' revenues, profits and TJSL, and CRO strengthens the positive influence of PER Financial Performance on the sustainability of SOEs' revenues, profits and TJSL. RMI strengthens the positive influence of GCG on revenue sustainability and RMI strengthens the positive influence of DER and PER on profit sustainability.

Keywords: SOEs Sustainability, GCG, Financial Performance, Risk Management.

1. Introduction

Every financial services institution, issuer, and public company is obliged to implement sustainable finance using the principle of responsible investment; principles of sustainable business strategies and practices; principles of social and environmental risk management; principles of governance; principle informative communication; inclusive principles; the principles of priority development of the leading sector; and the principles of coordination and collaboration (*POJK 51 - Sustainable Finance*, 2017). In addition, the social and environmental responsibility (TJSL) program or *Corporate Social Responsibility* (CSR) is an obligation that must be carried out by public companies (PT) in Indonesia (*Law*

Number 40, 2007). The government pays special attention to SOEs because they bear social, economic, and environmental obligations. Through CSR programs, SOEs are committed to providing benefits to the economy, social, environment, as well as law and governance with principles that are more integrated, measurable in impact and accountable. (KBUMN, 2023).

From 2015-2018, revenue all SOEs have experienced a significant increase which is 37% (from Rp1,699 trillion to Rp2,339 trillion) exceeding the state budget revenue in 2018 (Rp1,894.7 trillion). However, there are still loss-making SOEs, which are due to the cancellation of contracts and orders that do not reach the target, increasing financial burdens and general administration, as well as inefficiency (Scott, 2020).

Moment This Ministry of SOEs implements SOE governance by increasing the value of SOEs including professional, efficient, and effective management; empowering the functions and increasing the independence of the Board of Commissioners and Directors in making decisions; and carry out actions based on high moral values and compliance with regulations; and awareness of the existence of TJSL; also increase the contribution to the national economy. The transformation of SOEs is currently carried out through corporate restructuring *Holding*, *Merger*, and acquisitions. In 2016 the number of SOEs was 118 while *refocusing* SOEs in accordance with *Core Value*, the target to be 37 SOEs (KBUMN, 2022).

Issues regarding CSR and corporate sustainability are the main highlights of the company's role in the environment (Anatan, 2010; Harjoto & Jo, 2011; Lioui & Sharma, 2012). Several environmental and humanitarian tragedies in Indonesia indicate that companies still lack concern for the environment, as well as a lack of information about corporate social responsibility towards the surrounding community. Information on the impact of the company's economic, social and environmental activities can be disclosed through *sustainability report* as a voluntary report presented separately from the *annual report* (Madona & Khafid, 2020; Mekaniseme et al., 2015).

Previous research has tested the variables that affect *sustainability* and still produce inconsistent(Tarigan & Semuel, 2015). Corporate governance with board education indicators commissaries negative effects on *sustainability* (economic and social) companies (Tjahjadi et al., 2021). Some great research on *sustainability report* (SR) focuses only on one type of research, for example qualitative research that only analyzes content *sustainability report*, or quantitative research that only performs hypothesis tests (Husaini et al., 2023; Tarigan et al., 2014).

This research is still very important and interesting to be carried out as follow-up research to continue previous works and as an effort to answer the *gap*,

using different indicators. Governance uses the GCG score indicator as the first independent variable; performance as the second independent variable is measured by *the indicators of Leverage*, Price to Book Value (PBV) and Price Earnings Ratio (PER). Dependent variables *(sustainability)* consist of income, profit, and CSR. This study adds risk management as a moderation variable with *the* Chief Risk Officer(CRO)indicator andRisk Maturity Index *(RMI)* with*BoD diversity* as the control variable.

2. Literature Review

The relationship between governance and *sustainability* the company can be explained using three theories, namely *agency theory* which serves to explain the role of the board of commissioners in corporate governance, *upper echelons theory* serves to explain that *sustainability* The company is carried out based on the influence of the Board of Directors. While *sustainability theory* serves to explain that company leaders need economic, social and environmental balance to produce *sustainability* Better Company (Tjahjadi et al., 2021).

Governance plays an important role in improving *sustainability* company (Hussain, 2018). The implementation of corporate governance in Indonesia has improved and has a positive impact on the *sustainability* (Setyahadi & Narsa, 2020), as well as increasing the company's value and CSR (Valdez & Hernandez, 2016). CSR is an important instrument for building *sustainability* (Matten & Moon, 2007) and it depends on the quality/effectiveness of the implementation of governance (Tjahjadi et al., 2021).

Legitimacy Theory structured to maintain the alignment of the stakeholders Interests (internal or external) from the existence and objectivity of expectations from the leadership. The theory of legitimacy encourages companies to be able to convince that the activities carried out can be accepted by the public (Wilmshurst & Frost, 2000). The legitimacy of the community is one of the important operational resources for the company. The company's TJSL activity report is contained in *SR*. Through *SR*, the company declares that social responsibility has been implemented so that the existence of the organization can be accepted by the society or the environment in which the company operates.

Stakeholder Theory explains that the existence of a company is inseparable from *stakeholders. Stakeholder* is a group of people who can influence or be influenced by the success or failure of an organization (Diouf & Boiral, 2017; Narbel & Muff, 2017; Tjahjadi et al., 2021). *CSR* is a form of the Company's commitment to participate in the framework of sustainable economic development to improve the quality of life and a beneficial environment, both for the Company itself, the local community, and for the community in general.

Sustainability

There is a three-pillar concept about *sustainability*, which is social, economic and environmental, which is generally represented by three circles that intersect with *sustainability* the whole as the center (Nurlita, 2017). The concept of economics comes from a social and ecological perspective, and an attempt to make economic growth a solution to social and ecological problems. Concept *sustainability* emerged from a very different school of thought historically (Purvis et al., 2019).

SR has various definitions. According to Elkinton (1997), SR Is Reports that not only contain information about the company's financial performance, but also non-financial information consisting of environmental and social activities that allow the company to grow sustainably (Meutia, 2020). SR is a report, not explaining the results of activities *corporate social responsibilty*but also about economic, environmental, and social performance policies, as well as the influence of organizational and product performance on society (Lukman, 2012). According to *Global Reporting Initiative* (GRI), SR is a report published by the company on the economic, environmental, and social impacts caused by daily activities (Al Farooque & Ahulu, 2017; Diouf & Boiral, 2017; Hahn & Kühnen, 2013).

SR also presents governance values and models and demonstrates the relationship between the company's strategy and commitment to a sustainable global economy. SRs can measure, understand, and communicate their economic, environmental, and social performance, then define goals and objectives, and manage change effectively. As such, SR is a key *platform* for communicating positive and negative sustainability performance and impacts.

Good Corporate Governance (GCG)

In Indonesia, the main discussion on GCG began in 1997 when the economic crisis hit Asian countries due to inefficient business management and the recurrence of bankruptcy problems as a result of poor GCG and lack of rules or regulations of companies (Buallay, 2019). GCG is a set of systems that govern and control a company to create added value for the company. *stakeholder*. GCG spurs the formation of a professional, transparent, clean, and sustainable management pattern.

There are four pillars of corporate governance, namely ethical behavior, accountability, transparency, and sustainability (Pugh-Ki, 2021). The two main principles of GCG are the clarity of shareholders' right to obtain correct and timely information; and the Company's intention to disclose accurately, timely and transparent all information on the Company's performance, ownership and *stakeholder*. (Thomas S. Kaihatu, 2006)

GCG is a series of processes, habits, policies, rules and institutions that affect the direction, management, and control of a company or corporation (Dwiridotjahjono, 2008), (Husnaini & Basuki, 2020). Based on Law Number 40 of 2007, GCG principles must reflect the principles of transparency, independence, accountability, accountability, and fairness.

GCG is a guideline for managers to manage the company in a *best practice*. The manager will make financial decisions that can be profitable *stakeholder*. The perspective of agency relations is the basis used to understand *GCG* (Bonazzi & Islam, 2007). Concept *GCG* arises as an effort to control or overcome selfish management behaviors, especially those related to *residual control right*. The implementation of GCG in the company is expected to be able to avoid uncommendable practices. GCG is needed to encourage the creation of an efficient, transparent market that is consistent with laws and regulations (Wibowo, 2010).

Financial Performance

According to Merryana et al. (2019), financial performance is a description of a financial position that is measured using financial analysis tools so as to provide an overview of the good and bad of a financial position that reflects performance capabilities over a certain period of time. According to Nurmughny Sulaiman et al., (2021) Performance refers to the achievement of work carried out in accordance with activities, policies and programs that support the vision and mission of the organization. Financial performance is needed as an objective measure to determine the level of effectiveness of the use of assets in the company's operational activities to increase profits.

Financial performance is one of the factors that shows the effectiveness and efficiency of an organization in order to achieve its goals (Pertiwi & Pratama, 2011). It is called effective if management can choose the right goal or a tool to achieve the goal. Meanwhile, efficiency is defined as the ratio between input and output, namely with certain inputs obtaining optimal output. The results of measuring performance achievement are used as a basis for performance improvement in the next period and are used as a basis for giving *reward and punishment*. The company's performance is shown by three aspects, namely assets, *Market* or market share, and products, while the *sustainability* Include *social dimensions, environmental dimensions,* and *economic dimensions* (Ozbekler & Ozturkoglu, 2020)..

2.1 The relationship between GCG and *Sustainability*

Previous studies have shown that, first, the education of the Board of Commissioners has a negative effect on economic and environmental performance,

and not affect social performance (sustainability). Second, the size of the board of commissioners has a positive effect on economic performance, has a negative effect on social performance and has no effect on environmental performance. Third, CEO education has a negative effect on economic performance, and has no effect on environmental and social performance. Fourth, size Top ManagementTeam has a negative effect on economic and environmental performance and has no effect on social performance (Tjahjadi et al., 2021).

By research in Bangladesh on the influence of Board Gender Diversity and Corporate Sustainability Performanceand risk management as a mediating variable, resulting in that there is no direct relationship between the council's gender diversity and *Corporate Sustainability Performance*, strong support for the strong mediating role of the implementation of ERM in the Company's structure. Indirect effects suggest that the implementation of ERM mediates the relationship between board gender diversity and full sustainability performance. This implies that in the Bangladesh context the effective use of ERM is strongly recommended (Fakir & Jusoh, 2020).

Other research found that board size, professionalism and board appointments have a significant impact on the significant against SR, but the independence of the board and the ownership of the board are not significant in motivating the SR (Janggu et al., 2014). The Influence of GCG on *Corporate Sustainability* It is also shown by the results of the research in the form of the size of the board having a positive effect on social and environmental performance (Biswas P. and Mansi, 2018). It further describes that companies with a higher gender composition of boards, greater board independence, and sustainability committees tend to have better social and environmental performance.

2.2 The Relationship of Financial Performance with Sustainability

Research by Latifah et al., (2019) which examined the influence of financial performance and GCG on SR, obtained data that ROA, board of directors, and audit committee had an effect onSR, while managerial ownership and independent boards did not affect SR. In line with this research, Listianto (2021) in a study conducted quantitatively found that the variables of *the GCG* mechanism with *the* indicators of the audit committee, and the board of commissioners had a positive and significant effect on financial performance.

Meanwhile, other indicators in the form of managerial ownership and profitability have a significant negative effect. The indicators of independent commissioners, the board of directors and liquidity had no influence on the results of the study. Partially, exchange rate and inflation variables have a significant negative effect on the stock price index of the property sector, while the variable

interest rate *(BI Rate)* does not have a significant effect on the stock price index of the property sector (December et al., 2022).

2.3 ERM moderates the influence of GCG on *Sustainability*

Financial institutions with less capital risk, lower management efficiency, and higher market risk contribute higher to sustainable development goals (Gambetta et al., 2021). The relationship between risk management and sustainability management, the multidimensional risk assessment operational framework is useful for the analysis of business operations, competitive scenarios and systems, and allows for the conduct of sustainability assessments through risk evaluation in the perspective of sustainable development goals (September-Blundo et al., 2021)

Influence *ERM*, *GCG*, and *CSR* The value of the company with profitability as an intervening variable in mining companies listed on the IDX shows that simultaneously and partially the variables of ERM, GCG and CSR have a significant effect on profitability and company value. Partially, ERM has a negative effect on company value, GCG has a negative effect on company value, and CSR has a negative effect on company value, while profitability has a positive effect on company value. Profitability is able to mediate ERM, GCG and CSR on the company's value. (Scott, S. Scott, 2022; Fahrunnisa, 2022.)

Elliza (2019) conducted a study on the effect of ERM and *GCG* disclosure on company value with stock return and financial performance as moderation variables, showing that ERM was proven to have no significant effect on company value. GCG (institutional ownership) has been proven to have a significant negative effect on the company's value, *Stock return* does not moderate the disclosure of ERM and GCG on the company's profitability. Financial performance(ROA) negatively moderates the relationship between ERM and company value and does not moderate the relationship between *GCG* and company value, and *ROA* negatively strengthens the relationship between *GCG* and company value.

Risk Management can provide added value for companies by providing Facilities in controlling a diverse range of risk types, which Caused conditions of uncertainty by integrating all types of risks that arise using integrated tools and techniques. Then coordinate activities from risk management to all work units or operating units in an organization (Thabit, 2019), (Otero González et al., 2020), (Mutaz et al., 2021), (Chairani Chairani, 2021). Management requires synergy between risk management and other management to influence on the company's value. Sustainability management will always provide information that is of interest to the stakeholders. Information about the company's risk profile and risk management is one of the information that the company needs. Implementing ERM

in the company can help control management activities in minimizing things that are detrimental to the company and stakeholders. According to Soetedjo, (2018) ERM has a significant positive effect on the company's value. Good risk management can increase investor confidence.

2.4 ERM moderates the impact of performance on *Sustainability.*

The results of research on the influence of risk management, media exposure and CSR to the company's value high profile in Indonesia that there is a significant positive influence of CSR on company value high profile. However, risk management and media exposure cannot moderate the influence of CSR on company value high profile (Maldina et al., 2021).

According to Anggreni (2021) page and size of the company and influence Risk management on the company's value with profitability as moderation and leverage as the control variable shows the results that risk management and profitability have no effect on the company's value. Profitability cannot strengthen or weaken the relationship between risk management and company value. While leveragecan control its influence on the company's value.

Research results Makhabati (2022) shows that ERM has a positive effect on the company's performance. The independence of the risk management committee and the number of risk management committee meetings have proven to strengthen the relationship between ERM and company performance. Meanwhile, the size of the risk management committee has not been shown to strengthen the relationship between ERM and company performance.

Another study involved the use of ISO 14001 in assessing risk management. Company size and capital intensity in performance measurement as well as problems, objectives, efforts, performance, and operations are associated with the assessment sustainability(Wani & Dong, 2020). Furthermore, it reinforces evidence of a positive relationship between the implementation of risk management and performance in the banking sector in Nigeria. The relationship between risk management and performance in the banking institution also affects several aspects, namely ROA, volatility of returns and prices of stocks, assets or assets, and company value. (Soliman & Adam, 2017)

Based on the above study, the following research framework was developed.

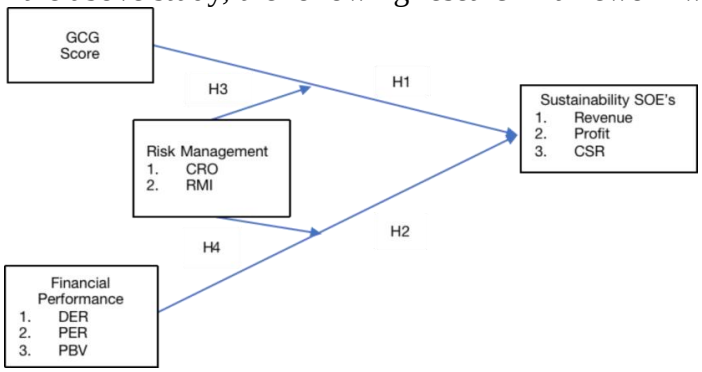

Figure 2.1 Research Framework

3. Methodology

3.1 Research Variables

The dependent variable of this study is *sustainability*. The measurement uses 3 indicators, namely income, profit, and CSR. The independent variables are GCG and financial performance. GCG is measured by the GCG implementation score of SOEs, while financial performance is measured by *leverage*, PBV and PER. The moderation variable in this study was risk management with RMI and the presence of CRO as indicators.

3.2 Population and Sample

The sample in this study is 22 Indonesian SOEs that published SR and financial statements and published GCG scores and RMI scores during 2018-2022 or in the last 5 years.

3.3 Data Collection Techniques

The research uses secondary data with an archival strategy. Data in the form of annual reports, SR, and financial statements of SOEs Go Publicare obtained online through the www.idx.co.id page (IDX's official website).

3.4 Data Analysis Techniques

Panel data regression analysis was used in this study. Since there is a risk management variable as a moderation variable, the regression equation is:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3\ X1*X3 + \beta 4X2*X3\ e$$

Information:

Y' = *Sustainability*
A = konstanta

b1	=	GCG regression coefficient
b2	=	Regression coefficient of SOE Financial Performance
b3	=	ERM variable coefficients
X1	=	variable GCG
X2	=	SOE Financial Performance Variables
X3	=	Variable ERM
X1*X3	=	Interaction between GCG and ERM
X2*X3	=	The Interaction between Financial Performance and ERM
E	=	*Error Term* (residual value)

There are three methods in estimating the panel data regression model, namely *the Pooled* Least *Square* or the Ordinary Least Square (OLS), Fixed Effect (FE), and Random Effect (RE) methods. The best model was determined using the *Chow test*, the Lagrange Multiple test (LM) and the Hausman test. The use and testing in the selection of the best model of panel data regression is shown by the following figure:

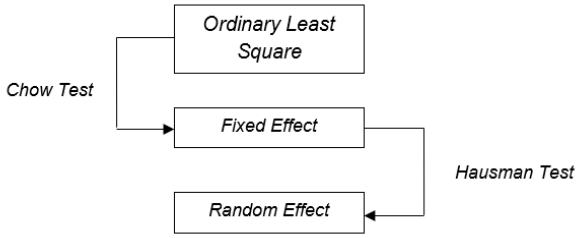

Figure 4.2 Determining the Best Model

3.5 Uji Hypothesis

A t-test was carried out to partially test the independent variable (X) against the dependent variable (Y), and the F test to determine the influence of the independent variables together on the dependent variable. Next, test the Coefficient of Determination to determine the proportion or percentage of total variation by looking at the value of R Squareor Adjusted R Square. The entire data analysis process was carried out with the help of the STATA version 17 program.

4. Result

4.1 Descriptive Data Analysis

The population of 22 SOEs submitted SR with details of 16 companies submitted SR for 5 consecutive years, 12 SOEs had RMI scores and 19 SOEs had CROs. The data description of each variable is presented in the table as follows.

Table 4.1
Statistics Descriptive

Variable	Obs	Mean	Std. dev.	Min	Max
Var_Pend	100	36978.65	37258.45	1359.175	151874.8
Var_Laba	100	6468.65	24208.09	-59349.7	209263
Var_TJSL	96	85.12168	114.512	.719	558.59
Var_GCG	96	87.72174	18.68579	2	106.02
Var_DER	100	3.3426	4.147395	-22.74	16.37
Var_PBV	100	2.288	4.97262	-1.53	41
Var_PER	100	20.272	102.0134	-496	476
Var_RML	76	6.944737	17.04376	.42	88.98
Var_CRO	100	1.55	.5	0	1
Var_BoD	100	.49	.5024184	0	1

Based on Table 4.1 above, almost all variables (except GRC and CRO) have a greater Standard Deviation value than the mean, so the distribution of variables will be abnormal.

4.2 Regression Test

4.2.1Determining the Best Model

Based on the results *of the Chow* test, the probability value *(P-value)* for FE was 0.0358; 0.0000 and 0.099 with an average of 0.045<0.05, so the most appropriate model to use was *FE*. The results of *the LM test* show that the value of chibar2 = 0.0005<0.05 so that the most appropriate model to use is *RE*. The results of the Hausman test show that the value of chi-bar2 = 0.0005<0.05 so the most accurate model used is *FE*. The regression equations obtained are as follows:

Y1.2.3 (SR) = α+ β1X1(GCG) +β2X2 (Keu Performance) + β3X1(GCG) X3 (RMI and $_{CRO)}$ + β4X2(Financial Performance$_{)}$ X3 (RMI and $_{CRO)}$ +ε

AND 1.2.3 = -38421-1301.03+(27415.85+87819.86-209.88)+844.33+(-11475.99-43398.55+106.52) +e
-19318,24-185,52+(6803,44+25409,16-133,51)+216,87+(-3913,13-12777,92+63,36)+ e
-88.52-3.58+(91.91+162.57-0.35)+2.35+(-44.31-83.63-0.18)+e

4.2.2Classic Assumption Test

The results of the multicollinear test showed that there was no multicollinear (the correlation value between variables did not exceed the value of 0.80). However, judging from the VIF value, it shows that the average VIF of all variables is 112>10 (multicollinear occurs) so that further treatment is carried out. The results of the heteroscedasticity test showed a value (Prob>Chi2) of 0.0000<0.05, meaning that there was a heteroscedasticity problem. The autocorrelation test results show a value (Prob>Chi2) of 0.0000<0.05, meaning that there is an autocorrelation problem, and a *robust standard error is overcome*

The results of the normality test with *the Shapiro-Francia W test* showed a z> value of 0.000, meaning that the data was not normally distributed. The normality test is basically not a BLUE *(Best Linear Unbiased Estimator) requirement*, so it does not require this requirement as an assumption that must be met in the regression of panel data.

4.2.3Uji Hypothesis

4.2.3.1 Determination Test

The measurement of the Coefficient of Determination test is intended to determine the feasibility level of the model in explaining the variance of dependent variables. The results of the determination coefficient test can be seen in the following 3 tables.

Table 4.2
Determination Coefficient Test Table Y1

Fixed-effects (within) regression		Number of obs	= 96
Group variable: ID		Number of groups	= 21
R-squared:		Obs per group:	
Within = 0.2079		min	= 4
Between = 0.0859		avg	= 4.6
Overall = 0.0968		max	= 5
		F(9,66)	= 1.92
corr(u_i, Xb) = -0.0450		Prob > F	= 0.0433

The large determination coefficient that shows GCG and financial performance interacting with RMI and CRO contributed an overall 9.68% to revenue*sustainability*. While the remaining 90.32% were influenced by other variables.

Table 4.3
Determination Coefficient Test Table Y2

Fixed-effects (within) regression		Number of obs	= 96
Group variable: ID		Number of groups	= 21
R-squared:		Obs per group:	
Within = 0.3509		min	= 4
Between = 0.0268		avg	= 4.6
Overall = 0.1675		max	= 5
		F(9,66)	= 3.96
corr(u_i, Xb) = -0.3132		Prob > F	= 0.0004

The large determination coefficient that shows GCG and financial performance interacting with RMI and CRO contributed an overall 16.75% to profit*sustainability*. While the remaining 83.25% was influenced by other variables.

Table 4.4
Determination Coefficient Test Table Y3

Fixed-effects (within) regression		Number of obs	= 92
Group variable: ID		Number of groups	= 20
R-squared:		Obs per group:	
Within = 0.0345		min	= 4
Between = 0.0835		avg	= 4.6
Overall = 0.0330		max	= 5
		F(9,63)	= 0.25
corr(u_i, Xb) = -0.3475		Prob > F	= 0.9851

The large determination coefficient that shows GCG and financial performance interacting with RMI and CRO contribute an overall 3.3% to *CSR sustainability*. While the remaining 96.70% was influenced by other variables.

4.2.3.2 T test

The calculation of the Influence of GCG (X1) and Financial Performance (KK), leverage (X21), PBV (X22) and PER (X23) on Sustainability-Revenue (Y1), profit (Y2) and CSR (Y3) as well as the interaction of independent variables with RMI (M1) and CRO (M2) moderation, can be seen in the following 3 tables.

Table 4.5
Calculation of the Influence of GCG and KK on Revenue

Y1	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
X1	-1301.03	658.4026	-1.98	0.054	-2626.326	24.26514
X21	27415.85	5568.689	4.92	0.000	16206.66	38625.04
X22	87819.86	15639.05	5.62	0.000	56340.09	119299.6
X23	-209.8825	321.259	-0.65	0.517	-856.5434	436.7784
M1X1	124.2815	78.01818	1.59	0.118	-32.76091	281.324
M1X21	-2037.77	1462.007	-1.39	0.170	-4980.636	905.097
M1X22	-1543.36	2745.002	-0.56	0.577	-7068.763	3982.042
M1X23	-22.55988	35.64404	-0.63	0.530	-94.30762	49.18786
M221X1	844.3343	188.8061	4.47	0.000	464.2873	1224.381
M221X21	-11475.99	3241.808	-3.54	0.001	-18001.41	-4950.567
M221X22	-43398.55	7547.878	-5.75	0.000	-58591.64	-28205.46
M221X23	106.5231	144.6713	0.74	0.465	-184.6852	397.7314
C1	3867.275	7465.667	0.52	0.607	-11160.33	18894.88
_cons	-38421.99	53341.59	-0.72	0.475	-145793	68949.06

From the table, the value of Prob |t |for Leverage, and PBV as well as the interaction of CRO with GCG, CRO with Leverage and CRO with PBV < from the value of α 0.05, So that H0 minus H1 is accepted. This means that Leverage, and PBV as well as the interaction of CRO with GCG and Leverage, as well as the interaction of CRO with PBV have a significant influence on revenue. GCG, PER, GCG interaction, leverage, PBR and PER with RMI have a Prob value |t |which > a value of α 0.05, so H0 is accepted H1 is rejected. This means that GCG, PER, GCG interaction, leverage, PBR and PER with RMI do not have a significant effect on revenue.

Table 4.6
Calculation of the Influence of GCG and KK on Profit

Y2	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
X1	-185.5209	246.9268	-0.75	0.456	-682.5588	311.517
X21	6803.436	2088.477	3.26	0.002	2599.549	11007.32
X22	25409.16	5865.258	4.33	0.000	13603.01	37215.31
X23	-133.5139	120.4847	-1.11	0.274	-376.0371	109.0093
M1X1	-.2521855	29.25988	-0.01	0.993	-59.14927	58.6449
M1X21	150.8564	548.3099	0.28	0.784	-952.8341	1254.547
M1X22	-191.669	1029.484	-0.19	0.853	-2263.912	1880.574
M1X23	1.662879	13.36792	0.12	0.902	-25.24534	28.5711
M221X1	216.8667	70.80971	3.06	0.004	74.3342	359.3993
M221X21	-3913.131	1215.805	-3.22	0.002	-6360.42	-1465.842
M221X22	-12777.92	2830.751	-4.51	0.000	-18475.92	-7079.91
M221X23	63.36134	54.25743	1.17	0.249	-45.85321	172.5759
C1	-530.0784	2799.918	-0.19	0.851	-6166.021	5105.865
_cons	-19318.24	20005.19	-0.97	0.339	-59586.6	20950.12

From the table, the value of Prob |t |for Leverage, and PBV as well as the interaction of CRO with GCG, CRO with Leverage and CRO with PBV < from α value of 0.05. So H0 is rejected and H1is accepted. This means that Leverage, and PBV as well as CRO interaction with GCG, CRO interaction with Leverage, and CRO interaction with PBV have a significant influence on profit. GCG, PER, GCG interaction, leverage, PBR and PER with RMI have a Prob value |t |which > a value of α 0.05. So H0 is accepted and H1is rejected. This means that GCG, PER, GCG interaction, leverage, PBR and PER with RMI do not have a significant influence on profit.

Table 4.7
Calculation of the Influence of GCG on Sustainability-CSR

Y3	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
X1	-3.580893	2.791734	-1.28	0.206	-9.200363	2.038577
X21	91.91035	23.61215	3.89	0.000	44.38155	139.4391
X22	162.5762	66.31213	2.45	0.018	29.09685	296.0556
X23	-.348648	1.362191	-0.26	0.799	-3.090596	2.3933
M1X1	.2942895	.3308098	0.89	0.378	-.3715962	.9601751
M1X21	-9.172113	6.199147	-1.48	0.146	-21.65035	3.306122
M1X22	3.700717	11.63926	0.32	0.752	-19.72789	27.12933
M1X23	-.0429599	.1511366	-0.28	0.777	-.347182	.2612622
M221X1	2.350375	.8005688	2.94	0.005	.7389132	3.961836
M221X21	-44.30901	13.7458	-3.22	0.002	-71.97786	-16.64016
M221X22	-83.62674	32.00424	-2.61	0.012	-148.0479	-19.20556
M221X23	.1827276	.6134301	0.30	0.767	-1.052043	1.417498
C1	31.48675	31.65565	0.99	0.325	-32.23276	95.20627
_cons	-88.5211	226.177	-0.39	0.697	-543.7919	366.7497

From the table, the value of Prob |t |for Leverage, and PBV as well as the interaction of CRO with GCG, CRO with Leverage and CRO with PBV < from α value of 0.05. So H0 is rejected and H1is accepted. This means that Leverage, and PBV as well as CRO interaction with GCG, CRO interaction with Leverage, and CRO interaction with PBV have a significant influence on CSR. GCG, PER, GCG interaction, leverage, PBR and PER with RMI have a Prob value |t |which > a value of α 0.05. So H0 is accepted and H1 is rejected. This means that GCG, PER, GCG interaction, leverage, PBR and PER with RMI do not have a significant influence on CSR.

4.2.3.3 Test F

From the results of the F test, it is known that the Prob value (F-Statistics) as seen in the Income Determination Coefficient Test table is 0.043 and profit is 0.004 which are both smaller than α (0.05) and CSR of 0.98 is greater than 0.05, so from the output it is known that all variables have a simultaneous influence on the

sustainability of income and profit but not simultaneously on the *sustainability* of CSR.

5. Discussion

5.1 The Influence of GCG on *SOE Sustainability*

GCG has no effect on *sustainability* SOEs. The data from the study did not support previous research that the size of the board, professionalism and the appointment of the board (GCG assessment indicators) have a significant effect on SR. On the other hand, the results of this study support the findings of previous research that board independence and board ownership (GCG assessment indicator) insignificantly motivate SR (Janggu et al., 2014). Even though with implementation GCG, which is characterized by a commitment to governance, shareholders and GMS, board of commissioners, directors, information collection and transparency and other aspects that are well managed, will protect the interests of *stakeholders*, avoid conflicts between the principal and his agents.

The benefits of GCG are not only short-term. In the long term, GCG can be the main pillar to support the growth and development of the company as well as a pillar to win global competition. Companies need GCG to help create an economical, open, and stable market with applicable rules. Three interrelated pillars must support the implementation of GCG, namely the state and its apparatus as a regulatory tool, the business world as market implementers, and the community as corporate consumers (PUGKI, 2021).

The results of the study, which have not supported previous research, are likely since the GCG indicators in this study are sourced from secondary data. The assessment criteria used per year until the implementation score is presented in the annual report of SOEs may be different. The variance of research data is likely to become wider. Meanwhile, the GCG mechanism that is often used in previous research is the audit committee, independent commissioners, institutional ownership, and managerial which are collected with methods or tools made by researchers.

Result research this supports previous research on the influence of GCG with *Triple Bottom Line* in the system *Two-tier* GCG with several conclusions. First, the education of the board of commissioners has a negative effect on the performance of economic and environmental sustainability and has no effect on the performance of social sustainability. Second, the size of the board of commissioners has a positive effect on economic sustainability performance, has a negative effect on social sustainability performance and has no effect on environmental sustainability performance. Third, CEO education has a negative effect on economic sustainability performance and has no effect on environmental and social

sustainability performance. Fourth, size *top management team* has a negative effect on economic and environmental sustainability performance and has no effect on social sustainability performance (Tjahjadi et al., 2021)

5.2 The Influence of Financial Performance on *Sustainability*

Leverage and PBV affect *sustainability.* However, PER's financial performance has no effect on the*sustainability* (revenue, profit and CSR) of SOEs.

The results of this study show the same results as the research conducted by (Asrori, 2021.; Sapphire, 2019) that *leverage* has a significant effect on SR. Management as an agent will try to disclose SR as little as possible to avoid pressure from the *debtholders*. The *debtholders* have the possibility of pressuring management because they expect their interests to take precedence over social activities. Ratio *leverage* measure how much the company is financed by debt. The use of debt that is too high will harm the company because the company will fall into the category *extreme leverage* and it is difficult to release the debt burden (Fahmi, 2015.; Ikhsan & Wijayanti, 2021) which states that *leverage* has a significant effect on the disclosure of SR.

The results of this research are also in line with what has been done by (Fabio, 2018.; *List*, 2021.)that a good company's performance will be judged well by the market so that the demand for accountability increases. A low PBV value shows that the market price of a stock per share is lower than the book value. The value of PBV shows that the company's management is considered incapable of providing prosperity to shareholders, so the issuance of SR is minimal. Research results (Listianto, 2021)found that GCG and financial performance (audit committee, and board of commissioners) had a positive and significant effect. Meanwhile, managerial ownership and profitability have a significant negative effect. The indicators of independent commissioners, board of directors and liquidity have no effect. HilmiaLuthfiana, (2019) found that the variable rate and inflation had a significant negative effect on the stock price index of the property sector, while the variable *BI Rate* has no significant effect.

5.3 ERM moderates the Influence of GCG on *Sustainability*

RMI does not strengthen the influence of GCG on *revenue usurability*, profit and CSR. On the other hand, CRO moderates the influence of GCG on the *sustainability* of SOEs' revenues, profits, and CSR.

This research supports the results of previous research that ERM is considered one of the important elements to strengthen the structure *GCG* (Desender, 2010). The formal and structured implementation of ERM is anobligation for companies. If implemented effectively, ERM becomes a force in supporting the implementation of *GCG*. Quality ERM and CRO have a significant influence on improving *performance* company (Bailey, 2022). Management Risk

and GCG have an influence on company performance (Tata et al., 2022). In addition, the existence of the board of directors affects performance directly and or through risk management variables (Jao et al., 2022)

Risk Management has an important role in supporting theimplementation of GCG with various dimensions involving regulatory compliance. Companies can take proactive steps to mitigate potential violations and avoid sanctions that could harm the reputation and performance of the business. Risk management supports responsible decision-making or making better decisions that are in line with the Company's ethical principles and social responsibility as the core of GCG implementation in addition to financial gains. Furthermore, risk management strengthens transparency and accountability. By publicly identifying and managing risks, companies can provide clear information to shareholders and other stakeholders.

Thus, the results of this study strengthen the role of risk management in supporting GCG to form a solid foundation for good corporate governance practices. By ensuring compliance, supporting responsible decision-making, increasing transparency, and protecting a company's assets and reputation, risk management is not only an essential management tool but also the key to a company's success in the face of the dynamics of a complex and changing business environment. Risk management has great opportunities for increased innovation *sustainability* (Jesko Schulte dan Sophie I Hallstedt Dedepartment, 2018.).

5.4 ERM moderates the Influence of Financial Performance on *Sustainability*

RMI does not strengthen the influence of financial performance (leverage, PBV and PER) on the sustainability of revenue, profit, and CSR. On the other hand, CRO strengthens the influence of financial performance (leverage and PBV) on sustainability, but the financial performance of PER moderated by CRO has no effect on the sustainability of SOEs' revenue, profit, and CSR.

The results of this study are in line with the results of a previous study in Bangladesh that ERM moderates the relationship of CRO to sustainable performance. Contingency theory supportsthe effectiveness of the use of ERM is in line with the pressure of *stakeholders* will affect performance. These interventions can benefit other countries with the same political, economic and cultural backgrounds as those in Southeast Asia (Bailey, 2022) and (Makabatti, 2022). On the other hand, this study has not supported the theory that the benefits of risk management implementation for company One of them will indirectly increase profits (Soliman & Adam, 2017,: Monang Nixon Haposan Tampubolon, 2019,: Wani & Dong, 2020)

6. Conclusion

6.1 GCG has no effect on *sustainability*. However, after being moderated by ERM-CRO, GCG has an influence on *sustainability*. Financial performance (leverage and PBV) influences*sustainability*, but financial performance (PER) has no effect on sustainability. ERM-RMI does not strengthen the influence of GCG on *sustainability*, while ERM-CRO strengthens the influence of GCG on *sustainability*. ERM-CRO moderates the influence of financial performance (leverage and PBV) on *sustainability* but does not strengthen the influence of financial performance (PER) on *sustainability*.

6.2 Theoretical Implications

Theoretical implications are related to the contribution of research results and the development of agency theory, legitimacy, and *stakeholder* theory. In agency theory, the manager as an agent will be accountable and fulfill all the wishes of the company owner by carrying out *CSR* actions. Legitimacy is the process of how a company seeks to acquire, maintain, maintain, or improve the legitimacy of the organization in the eyes of *its stakeholders*, one of which is through SR disclosure. So, companies can easily optimize factors that have a positive influence on SR disclosure so that legitimacy from the public can be achieved and *the* company's positive image can be maintained.

6.3 Practical Implications

The results of the study show that the Regulation of the Minister of SOEs Number 2 of 2023 concerning Guidelines for Governance and Significant Corporate Activities of SOEs which regulates the implementation of risk management has been tested to strengthen the influence of GCG and KK implementation on the sustainability of SOEs.

In Article 46 of the Ministerial Regulation above, it is stated that the application of MR to SOEs aims to protect and create value for SOEs. The position of MR director is getting stronger to carry out the company's management in the field of risk management in accordance with the provisions of regulations, articles of association, and/or resolutions of the GMS. The authority and duties of the MR director include; implementing strategy/policy determination; carry out coordination and provide direction for the implementation of GCG principles; implementing the determination of the necessary steps to ensure that the company is accountable; Carry out monitoring and maintain compliance with all agreements with external parties; carry out development towards a reliable organization in implementing risk management; carry out compliance monitoring and supervision attached to all work units; establish a risk management work unit that is directly responsible

to the Director of Risk Management; This implementation is dedicated to improving sustainability performance.

6.4 Limitations and Recommendations

The limitation of this study is in the use of RMI based on secondary data. Recommendations from this study include:

a. Because CRO has a very important role in managing the Company's risk, the task of the CRO needs to be developed to develop a risk management plan to monitor its progress and effectiveness. The risk identification process is carried out through collaboration with various departments and develops the right strategy by analyzing data and information. The CRO must understand the company's policies and update their knowledge of the trends that occur. The development of ERM is necessary.
b. SOE leaders should ensure that the relationship between CRO and the directors and management team is established professionally.
c. Future research is expected to use data collection techniques other than secondary data, to obtain more precise indicators to predict sustainability. In addition, it needs to be strengthened by other independent variables with ERM as a moderation variable. The research design that has not included the risk of manual input errors should be mitigated by confirmation and cross-checking to each SOE. Confirmation for the accuracy of the secondary data must be made. It can also use primary data through in-depth interviews. The development of research targets to non-SOE companies also needs to be considered.

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