ISSN 2085-8698 / e-ISSN 2598-4977

JURNAL AKUNTANSI

Volume 16 Nomor 1, Mei 2024

9 772085 869890

Jurnal Akuntansi	Vol. 16	No. 1	Hlm.1-194	Bandung, Mei 2024	ISSN 2085-8698 e-ISSN 2598-4977

Articles

Volume 16, Nomor 1, Mei 2024, pp 68 – 76, Jurnal Akuntansi, Program Studi Akuntansi, Fakultas Bisnis, Universitas Kristen Maranatha. ISSN 2085-8698 | e-ISSN 2598-4977. http://journal.maranatha.edu

Corporate Governance and Firm Performance During the COVID-19 Pandemic: Evidence from Indonesia

Maria Natalia[1*]
Department of Accounting, Faculty of Business, Maranatha Christian University
Jl. Surya Sumantri No.65, Kec. Sukajadi, Bandung, Indonesia
maria.natalia@eco.maranatha.edu
*Corresponding author

Se Tin[2]
Department of Accounting, Faculty of Business, Maranatha Christian University
Jl. Surya Sumantri No.65, Kec. Sukajadi, Bandung, Indonesia
setin2005@yahoo.com

Revaldo Farrel Witanto[3]
Department of Accounting, Faculty of Business, Maranatha Christian University
Jl. Surya Sumantri No.65, Kec. Sukajadi, Bandung, Indonesia
revaldofarrel24@gmail.com

Received 14 September 2023; Revised 19 February 2024; Accepted 5 April 2024

Abstrak

Tujuan - *Penelitian ini bertujuan untuk melihat bagaimana tata kelola perusahaan mempengaruhi kinerja perusahaan selama pandemi COVID-19 pada seluruh perusahaan yang terdaftar di Bursa Efek Indonesia, kecuali industri keuangan.*
Desain/Metodologi/Pendekatan - *Periode penelitian ini adalah tahun 2020, di mana terjadi pandemi COVID-19. Penelitian ini merujuk kepada penelitian yang dilakukan Khatib & Nour (2021). Penelitian mereka menemukan bahwa board size memberikan dampak positif yang signifikan pada firm performance, sedangkan untuk board meetings dan audit committee meeting memiliki pengaruh negatif yang signifikan terhadap firm performance.*
Temuan - *Penelitian ini berbeda dengan penelitian-penelitian sebelumnya karena menggunakan ASEAN CG Scorecard sebagai kriteria pengukuran praktik tata kelola perusahaan yang masih jarang digunakan pada penelitian-penelitian dengan topik serupa. Hasil penelitian menunjukkan bahwa tata kelola perusahaan berpengaruh terhadap kinerja perusahaan selama pandemi COVID-19 pada 279 perusahaan yang terdaftar di Bursa Efek Indonesia. Penelitian ini sejalan dengan penelitian Sami dkk. (2011), Guney dkk. (2020), dan Khatib & Nour (2021).*
Keterbatasan/Implikasi Penelitian - *Penelitian ini hanya menguji dampak tata kelola perusahaan terhadap kinerja perusahaan pada masa pandemi COVID-19 sedangkan sebelum pandemi tidak diteliti sehingga hasilnya tidak dapat dibandingkan.*

Kata Kunci:* *ASEAN CG Scorecard, Ukuran Dewan, Kinerja Perusahaan, dan Tata Kelola Perusahaan COVID-19

Abstract

Purpose - This study intends to see how corporate governance impacted firm performance during the COVID-19 pandemic across firms registered on the Indonesia Stock Exchange, except the financial industry.
Design/methodology/approach - The period of this study is 2020, where the COVID-19 pandemic occurred. This research refers to research conducted by Khatib & Nour (2021). Their research found that board size has a significant positive impact on firm performance, while board meetings and audit committee meetings have a significant negative effect on firm performance.
Findings - This study distinguishes itself from earlier studies by using the ASEAN CG Scorecard as a measurement criteria for corporate governance practices, which is still rarely employed in studies with similar topics. The results showed that corporate governance had an impact on firm performance during the COVID-19 pandemic in 279 firms registered on the Indonesia Stock Exchange. This study is consistent with Sami et al. (2011), Guney et al. (2020), and Khatib & Nour (2021).
Research limitations/implications - This study only examines the impact of corporate governance on firm performance during the COVID-19 pandemic while before the pandemic was not examined so that the results cannot be compared.

Keywords: ASEAN CG Scorecard, Board Size, Company Performance, and Corporate Governance, COVID-19

Introduction

The COVID-19 pandemic happens all around the world and has impacted all facets of human existence, including the economic sector and company operational activities. In addition, it also disrupts the global economy and companies in various aspects due to government policies to inhibit the spread of the virus by limiting people’s mobility (Work from Home), social distancing, as well as large-scale social restrictions. This effect was clearly seen in the stock exchange (Ashraf, 2020), labor market (Mayhew & Anand, 2020), financial industry (Baicu et al., 2020), and other industry (Abate et al., 2020; Song et al., 2021).
The pandemic’s impact on several industrial sectors is more severe compared to others such as in the hospitality and airline industries (Pantano et al., 2020). Due to the growing global crisis, the impact has cost trillions of dollars, and in order to combat COVID-19’s negative consequences, business must implement new financial policies, operational adaptability, and technological designs (Foss, 2021; Liu et al., 2021; Qin et al., 2020; Slater, 2020).
Numerous research on the COVID-19 epidemic have looked at its effects on capital structure, dividend and share repurchase plans, corporate governance, and firm performance of Chinese issuers, according to one of these studies, which was carried out by (Shen et al., 2020). Shen et al., (2020) conducted an analysis of the COVID-19's effects on company performance using financial data from publicly traded Chinese enterprises. When the company's sales revenue or investment scale are reduced, the adverse effect will be more significant. One

of the earliest pieces of empirical data connecting pandemic and company performance is this conclusion.

This study intends to see how corporate governance impacted firm performance during the COVID-19 pandemic across firms listed on the Indonesia Stock Exchange, except the financial industry. The period of this study was in 2020 when the pandemic occurred. Furthermore, this study refers to Khatib & Nour (2021) who discovered that board size has a significantly positive effect on company performance compared to board meetings and audit committee meetings which have a significant negative impact on company performance. The difference between this study and previous studies lies in the research sample and the use of the ASEAN CG scorecard as a parameter in measuring corporate governance practices. According to OECD standards, the ASEAN CG Scorecard has 185 checklist items and five key categories, including shareholder rights, equitable treatment, stakeholder roles, disclosure and openness, and board responsibility.

This study makes a contribution to the use of the ASEAN CG Scorecard as a parameter that is anticipated to give an overview of corporate governance procedures that have been implemented generally rather than only as indicated by a few indicators. In addition, the ASEAN CG Scorecard is based on OECD principles and is expected to increase investor confidence in issuers on the stock exchange.

Literature Review and Hypothesis

Agency Theory

Agency theory explains agency problems that arise as a result of conflicts of interest between principals and agents, resulting in information asymmetry between the two parties (Jensen & Meckling, 1976) Information asymmetry is defined as the condition of information imbalance between management and shareholders. According to Zhou & Elder (2004) the management had more information rather than the shareholders which can trigger the management to use its position in managing reported earnings.

Stewardship Theory

The purpose of stewardship theory, which has psychological and social foundations, is to explain circumstances in which a management behaves in the owner's best interest as the steward (Donaldson & Davis, 1989, 1991). This notion contends that a manager will behave in the best interests of the group. When the interests of the steward and the owner differ, the steward will attempt to work together rather than oppose it because the steward thinks that common interests and acting in accordance with the owner's behavior are rational considerations because the steward is more focused on the efforts to accomplish the goals of the organization. According to stewardship theory, there is a significant connection between an organization's performance and its owners' pleasure. The steward will safeguard and optimize the organization's riches as well as the business's performance to maximize the utility function. The alignment of managers' aims with owner goals is a key premise of stewardship. But that does not imply that the steward lacks access to basic essentials.

Good Corporate Governance (GCG)

Forum For Corporate governance in Indonesia (FCGI) (2001) defined good corporate governance as a collection of guidelines that establishes the rights and duties of shareholders, corporate management, creditors, the government, employees, and other internal and external stakeholders. The National Committee for Governance Policy (KNKG) describes good corporate governance is regarded as one of the foundational elements of the market economy system. Trust in a country's business environment and in the firms that use it is intimately tied to corporate governance. The five foundational elements of good corporate governance are transparency, accountability, responsibility, independency, and fairness. Transparency is related to the availability of sufficient, accurate, and timely information for a number of parties holding stakes in the business. Therefore, the investor should be able to easily access the company's important information when it is needed. Good corporate governance can be interpreted as a method or process that regulates, implements, and reviews the control of all activities to optimize company profits by considering the responsibilities and obligations of policy bearers so that organs are compatible within the company (Yuliani and Rahmatiasari, 2021 in Prasetya and Carolina, 2023).

Firm Performance

The firm performance is often proxied with the ROA and ROE ratios. Klein (1998) applied Return on Assets (ROA) as an indicator of operating performance. Meanwhile, Brown et al. (2004) utilized ROA as the measure of operating performance in their study. The ROA ratio, which displays the amount of income produced from invested capital assets, can be used to assess a company's operational effectiveness (Epps and Cereola, 2008). The manager has direct control over how the organization runs and makes use of its re-sources. Therefore, ROA enables users to assess how effectively a company's corporate governance mechanism to safeguard and and encourage the effectiveness of management. The definition of ROA is defined as net income before taxes divided by total assets at the end of the accounting period.

Hypothesis Development

The studies from Sami et al. (2011), Guney et al. (2020), and Khatib & Nour (2021) found that corporate governance affected the firm performance. The agency theory, which asserted that corporate governance played a vital role as an observer and adviser in guiding and supervising management operations to improve the firm performance in a number of ways, including lowering agency costs, backed this (Jensen & Meckling, 1976).

The board of directors and the board of commissioners' observational activities might lessen the uncertainty risk if it is associated with the COVID-19 pandemic. As a result of the pandemic's elevated external threats, the leaders have been forced to rebuild their organizational structure, policies, and capital in case both long-term and short-term emergency situations materialize (Foss, 2021; Shen et al., 2020). As a result of the pandemic's elevated external threats, the executives have been forced to rebuild their organizational structure, policies, and capital in case both long-term and short-term emergency situations materialize (Croci et al., 2020; Khatib & Nour, 2021). If a diagnosis of a viral illness prevents the management team from acting, the board of directors should be prepared to step in and play a significant role in a very active monitoring function.

H1: Corporate governance influences firm performance during the COVID-19 pandemic.

Research Method

Data and Sample

The data used of qualitative and quantitative data from all firms registered on the IDX in 2020, except the financial industry due to the different regulations. The researchers collected financial and corporate governance data manually and accessed all information from the firms' published annual reports. If the data was not available on the IDX website, the researchers traced the data from the firm websites.

Variable Operational Definition

Dependent Variable

The dependent variable in this study was the firm performance as determined by ROA and ROE (Khatib & Nour, 2021).

Independent Variable

The independent variable in this study was corporate governance as measured using ASEAN CG Scorecard consisting of 185 checklist items with five priority sections based on the OECD Principle.

Control Variable

The control variable in this study was the size and age of firm as well as the leverage.

Research Method

Based The hypothesis experiment in this study utilized a direct equation through simple and multiple linear regression analysis.

Results and Discussion

Sample Selection Results

The population was all firms registered on the Indonesia Stock Exchange in 2020, except for the financial industry, since they have different regulations. The sample for this study was chosen through purposive sampling. Overview of the method used to choose the sample for this study is shown in Table 1.

Table 1
Research Sample Selection

Criteria of Sample	Number of Companies
Number of companies registered on the IDX in 2020	709
Companies that provide financial reports in currencies other than Rupiah	140
Companies that have incomplete data needed in this study	75
Companies with data outliers	215
Total Research Sample	279

Table source: Author's Own Work

Descriptive Statistic

Table 2
Descriptive Statistic

	N	Min	Max	Mean	Std. Deviation
ROA	279	-5751760	1216617	71656.3548	236019.9808
ROE	279	-11303105	30119334	23535727.419	4007301.1111
CGS	279	39.00	171.00	111.3405	2443.672
AGE	279	5.00	114.00	339.928	1772.074

SIZE	279	8.00	18.00	114.982	156.599
LEV	279	0.00	33627719	1821053.1290	4032624.633
Valid N (listwise)	279				

Table source: SPSS Data Processing, 2022

Based on Table 2, the lowest value (minimum) on the corporate governance variable was 39 which is owned by the PT Tri Banyan Tirta Tbk (ALTO), meanwhile, the highest value (maximum) was 171 which is owned by the PT Kimia Farma Tbk (KAEF). The average value (mean) for the corporate governance variable was 111. This means that in 2020, companies listed on the IDX had an average corporate governance score of 111, far above the minimum value.
The firm performance, measured by ROA, obtained the lowest value (minimum) of -5,751,760,000.00 which was attained by PT Plaza Indonesia Realty Tbk (PLIN). Meanwhile, the highest value (maximum) was 1,216,617,000,000 owned by the PT Kencana Energi Lestari Tbk (KEEN). The average value (mean) of the firm performance variable proxied by ROA was 71,656.354800. This means that in 2020, companies listed on the IDX had an average ROA of 71,656.354800. The lowest value (minimum) on the firm performance variable proxied by ROE was -11,303,105,000,000 held by PT Bakrie Telecom Tbk (BTEL). Meanwhile, the highest value (maximum) was 30,119,334,000,000 owned by PT Bumi Serpong Damai Tbk (BSDE). The average value (mean) of the firm performance variable proxied by ROE was 2,353,727.419400. This means that in 2020, companies listed on the IDX had an average ROE of 2,353,727.419400.

Hypothesis Experiment Results

Table 3
Linear Regression Equations

Coefficients							
Mo del			**Unstandardi zed Coefficients**		**Unstandardi zed Coefficients**	**t**	**Sig**
				Std. Error	**Beta**		
1	(constant)	279	1.784474204	1801264		9.90679	5.651122
	CGS	279	2150.824259	7294.967	0.013116	0.294837	0.00076
	AGE	279	6513.184839	9612.875	0.027889	0.677548	0.00049
	SIZE	279	1388823.907	132572.1	0.542732	10.57599	0.00008
	LEV	279	0.287683642	0.048923	0.289502	5.880322	
a. Dependent Variabel: ROE							

Table source: SPSS Data Processing, 2022

The resulting equation from Table 3 was:

$$ROE = 1.784 + 2150.82CGS + \varepsilon_1$$

The equation above means that when the corporate governance value increased by one unit, the firm performance value (ROE) increased by 2150.82

Table 4
Linear Regression Determination Coefficient Test

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.735188922	0.540502751	0.533795	2736154
a. Predictors: (constant), LEV, AGE, CGS, SIZE				

Table source: SPSS Data Processing, 2022

The coefficient determination testing in Table 4 showed that the R^2 adjusted value was 0.5337. It revealed that corporate governance had a simultaneous impact on firm performance of 53.37 percent.

Discussions

Based on the statistical analysis, this study stated that corporate governance impacted the firm performance of 279 firms registered on the IDX during the COVID-19 pandemic. The result is consistent with Sami et al. (2011), Guney et al. (2020), and Khatib & Nour (2021), who found that corporate governance affected firm performance. The agency theory supports the idea that corporate governance performs a monitoring and advisory function in guiding management operations to minimize costs and enhance firm performance, among other methods (Jensen & Meckling, 1976).

Conclusion and Recommendation

Conclusions

Limitations and Suggestions

The implication of this research is that companies can improve their performance during times of crisis by improving corporate governance. In addition, this research can also be a reference for regulators and investors to pay attention to corporate governance in making investment decisions. The limitation of this research is that it only examines the impact of corporate governance on firm performance during the pandemic while before the pandemic was not examined so that the results cannot be compared. The suggestions for future research are to add a period before the COVID-19 pandemic and use other corporate governance proxies.

References

Abate, M., Christidis, P., & Purwanto, A. J. (2020). Government support to airlines in the aftermath of the COVID-19 pandemic. Journal of Air Transport Management, 89, 1–15. https://doi.org/10.1016/j.jairtraman.2020.101931

Ashraf, B. N. (2020). Economic impact of government interventions during the COVID-19 pandemic: International evidence from financial markets. Journal of Behavioral and Experimental Finance, 27, 1–9. https://doi.org/10.1016/j.jbef.2020.100371

Baicu, C. G., Gârdan, I. P., Gârdan, D. A., & Epuran, G. (2020). The impact of

COVID-19 on consumer behavior in retail banking. Evidence from Romania. Management and Marketing, 15(s1), 534–556. https://doi.org/10.2478/mmcks-2020-0031

Brown, L. D., Mack Robinson Distinguished Professor of Accountancy, J., Caylor Candidate, M. L., Barron, O., Beresford, D., Fischer, P., Francis, J., Higgins, H., Huddart, S., Indjejikian, R., Ke, B., Kharana, I., McKeown, J., Pereira, R., Shahrur, H., Shaw, K., Sivakumar, K., Alexander-Smith, D., Yoder, T., & Zhao, M. (2004). Corporate Governance and Firm Performance Corporate Governance and Firm Performance Corporate Governance and Firm Performance.

Donaldson, L., dan Davis, J.H. 1989. CEO governance and shareholder returns: Agency theory or stewardship theory. Paper dipresentasikan pada the annual meeting of the Academy of Management, Washington, DC

Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. Australian Journal of Management, 16(1), 49-64. https://doi.org/10.1177/031289629101600103

Forum For Corporate governance in Indonesia (FCGI). (2001). Seri Tata Kelola Perusahaan (Corporate Governance): Corporate Governance (Tata Kelola Perusahaan) (3rd ed.). Forum for Corporate Governance in Indonesia.

Foss, N. J. (2021). The Impact of the Covid-19 Pandemic on Firms' Organizational Designs. In Journal of Management Studies (Vol. 58, Issue 1, pp. 268–272). Blackwell Publishing Ltd. https://doi.org/10.1111/joms.12643

Guney, Y., Karpuz, A., & Komba, G. (2020). The effects of board structure on corporate performance: Evidence from East African frontier markets. Research in International Business and Finance, 53(January), 101222. https://doi.org/10.1016/j.ribaf.2020.101222

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3(4), 305–360.

Khatib, S. F. A., & Nour, A. N. I. (2021). The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic: Evidence from Malaysia. Journal of Asian Finance, Economics and Business, 8(2), 0943–0952. https://ssrn.com/abstract=3762393

Liu, H., Yi, X., & Yin, L. (2021). The impact of operating flexibility on firms' performance during the COVID-19 outbreak: Evidence from China. Finance Research Letters, 38, 1–5. https://doi.org/10.1016/j.frl.2020.101808

Mayhew, K., & Anand, P. (2020). COVID-19 and the UK labour market. Oxford Review of Economic Policy, 36, S215–S224. https://doi.org/10.1093/oxrep/graa017

Pantano, E., Pizzi, G., Scarpi, D., & Dennis, C. (2020). Competing during a pandemic? Retailers' ups and downs during the COVID-19 outbreak. Journal of Business Research, 116, 209–213. https://doi.org/10.1016/j.jbusres.2020.05.036

Prasetya, F., & Carolina, Y. (2023). Analisis Pengaruh Good Corporate Governance Terhadap Financial Distress Dimoderasi Kinerja Keuangan. Jurnal Akuntansi, 15(1). https://doi.org/10.28932/jam.v15i1.6226

Qin, X., Huang, G., Shen, H., & Fu, M. (2020). COVID-19 Pandemic and Firm-level Cash Holding—

Moderating Effect of Goodwill and Goodwill Impairment. Emerging Markets Finance and Trade, 56(10), 2243–2258. https://doi.org/10.1080/1540496X.2020.1785864

Sami, H., Wang, J., & Zhou, H. (2011). Corporate governance and operating performance of Chinese listed firms. Journal of International Accounting, Auditing, and Taxation, 20(2), 106–114. https://doi.org/10.1016/j.intaccaudtax.2011.06.005

Shen, H., Fu, M., Pan, H., Yu, Z., & Chen, Y. (2020). The Impact of the COVID-19 Pandemic on Firm Performance. Emerging Markets Finance and Trade, 56(10), 2213–2230. https://doi.org/10.1080/1540496X.2020.1785863

Slater, A. (2020). Soaring corporate debt is a risk to global growth. Economic Outlook, 44(3), 19–23. https://doi.org/https://doi.org/10.1111/1468-0319.12499

Song, H. J., Yeon, J., & Lee, S. (2021). Impact of the COVID-19 pandemic: Evidence from the U.S. restaurant industry. International Journal of Hospitality Management, 92, 1–7. https://doi.org/10.1016/j.ijhm.2020.102702

Sulong, Z. (2010). Corporate governance mechanisms and firm valuation in Malaysian listed firms: A panel data analysis. Journal of Modern Accounting and Auditing, 6(1), 1–18.

Zhou, J., & Elder, R. (2004). Audit quality and earnings management by seasoned equity offering firms. Asia-Pacific Journal of Accounting & Economics, 11(2), 95–120. https://doi.org/10.1080/16081625.2004.10510638