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The Influence of Risk Management and Good Corporate Governance (GCG) on Company Performance With Leverage as a Moderating Variable in Consumer Goods Industrial Sector Companies Listed on the IDX for the 2015-2019 Period

Masno Marjohan
Pamulang University, Indonesia
Email: dosen00124@unpam.ac.id

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ABSTRACT

This study aims to analyze the effect of good corporate governance (GCG), risk management on company performance. The population in this study came from the consumer goods industry sector companies listed on the Indonesia Stock Exchange for the 2015-2019 period. The sampling technique is a purposive sampling method with the secondary data type, which produces a sample of 27 companies. The data analysis method used descriptive statistical analysis and partial least squares (PLS) analysis. The results of this study show how that Risk Management does not affect Company Performance, The results of Good Corporate Governance (GCG) affect the Company's Performance, simultaneously concluded that simultaneously the variables of GCG and Risk Management have a positive and significant effect on variable Y, namely Company Performance and based on the Cross-section F value of 0.6478, the value of Cross-section F probability is greater than the significance level of 0.05 that is 0.6478> 0.05, it can be concluded that H0 is rejected and H1 is accepted which shows positively Leverage Moderates Risk Management on Company Performance and based on the Cross-section F value of 0.0000, the value of Cross-section F probability is smaller than the significance level of 0.05 that is 0.0000 < 0.05, it can be concluded that H0 is rejected and H1 is accepted which shows positively Leverage Moderates Good Corporate Governance on Company Performance.

Keywords: risk management; Good Corporate Governance (GCG); company performance; leverage.

INTRODUCTION

Company performance is an analysis carried out to see how far a company has implemented financial implementation rules properly and correctly. Company performance is a description of a company's financial condition, which is analyzed with financial analysis tools to know about the good and bad financial condition of a company that reflects work performance in a certain period. Various factors influence efforts to improve financial performance. One of them is by doing good corporate governance. Good corporate governance is a system that regulates and controls the company to create added value for all stakeholders (Sutedi, 2012). Therefore, investors need to be informed about the company's actual performance promptly and disclosed transparently. Through good corporate governance, it is expected that the quality of the financial reports reported is also good.

Performance is very important in every organization. Stakeholders always demand management to achieve certain performance, which is commonly called a performance

contract. In an era of intense competition, it is not easy for management to achieve performance above the industry average. A high competitive advantage is needed to outperform competitors in a dynamic competitive market, and innovative efforts are needed to sustain this competitive advantage. To measure the level of performance of the company can be done by using the profitability ratio, which is a ratio that aims to determine the company's ability to generate profits during a certain period and also provides an overview of the level of management effectiveness in carrying out its operations. The profitability ratio used is the return on assets. ROA is a ratio to measure the company's ability to generate net income based on certain asset levels. In this study, performance is seen by using a ROA data measuring instrument. ROA data is taken from the Financial Statements of Consumer Goods Industry Sector Companies listed on the IDX for the 2015-2019 period. The ROA data can be seen in the image below. The profitability ratio used is the return on assets. ROA is a ratio to measure the company's ability to generate net income based on certain asset levels. In this study, performance is seen by using a ROA data measuring instrument. ROA data is taken from the Financial Statements of Consumer Goods Industry Sector Companies listed on the IDX for the 2015-2019 period. The ROA data can be seen in the image below. The profitability ratio used is the return on assets. ROA is a ratio to measure the company's ability to generate net income based on certain asset levels. In this study, performance is seen by using a ROA data measuring instrument. ROA data is taken from the Financial Statements of Consumer Goods Industry Sector Companies listed on the IDX for the 2015-2019 period.

This study uses agency theory as a grand theory. According to Scoot (2003), the definition of agency theory is a contract to motivate agents to act on behalf of the owner when the agent's interests can otherwise be declared contrary to the owner's interests. The relationship between agency theory and profitability is that shareholders assign tasks or authority to company management. The company's management exercises this authority by using the profitability for a predetermined period. Then the owner of the management assesses the company's performance, whether it is by the set targets if the company's management can maximize the owner's utility and can achieve the targets set by the owner, the benefits received by the company's management are receiving rewards for the results of the company's management.

Risks always accompany management's efforts to achieve the agreed performance contract. It is because the business environment faced by the company tends to change dynamically and contains uncertainty. Achieving high company performance can also contain high risks. Good Corporate Governance (GCG) requires management to manage these risks professionally (COSO, 2004). Therefore, the board of commissioners provides direction to ensure that the main stakeholders' interests have been accommodated. The board of commissioners also provides boundaries so that management can work professionally. Risk management is a strategic element in GCG aimed at identifying and managing risks that may affect the achievement of company performance (Reding et al., 2007).

The important role of implementing Good Corporate Governance can be seen in terms of one of the important goals in establishing a company that improves the welfare of its owners or shareholders and maximizes shareholder wealth through increasing company value (Brigham and Houston, 2001). Increasing the value of the company being able to

operate by achieving the targeted profit. The company can provide dividends to shareholders, increase company growth, and maintain company viability through these profits. However, in achieving this goal, several obstacles are usually fundamental. These barriers are:

1. The company's ability to manage its resources effectively and efficiently includes all activities (human resources, accounting, management, marketing, and production).
2. Consistency in the separation system between management and shareholders so that the company can minimize conflicts of interest between management and shareholders.
3. The need for the company's ability to create trust in external funders, that these external funds are used appropriately and efficiently, and that management acts in the company's best interests.

To overcome these obstacles, companies need to have a good corporate governance system, which can provide effective protection to shareholders and creditors, so that they are confident in obtaining profits from their investments by reasonable and of great value. In addition, it can also ensure the fulfillment of the interests of employees and the company itself. From this, it appears that the implementation of Good Corporate Governance is very important for the company.

In Indonesia, risk management has been increasingly discussed in the last decade following the issue of Good Corporate Governance (GCG). State-Owned Enterprises and public companies listed on the Indonesia Stock Exchange are required to implement Good Corporate Governance (GCG) to ensure stakeholders' interests. Good implementation of Good Corporate Governance (GCG) requires management to implement a reliable risk management system. This study focuses on the moderating effect of environmental uncertainty and strategy on the relationship between risk management systems and organizational performance. Risk management itself can be measured using the stock beta indicator. Beta is a measure of the systematic risk of a stock or portfolio relative to market risk. Beta also functions as a measure of the volatility of stock returns.

Agency Theory

The role of theory is very important to explain phenomena and formulate a research hypothesis. This study uses agency theory as a grand theory. According to Scoot (2003), the definition of agency theory is a contract to motivate agents to act on behalf of the owner when the agent's interests can otherwise be declared contrary to the owner's interests. Each party involved in the contract is trying to get the best for themselves, creating a conflict. An agency relationship occurs when the perpetrator hires an agent to perform tasks on behalf of the owner. Owners generally delegate decision-making authority to agents. Agency theory is concerned with solving problems that arise in agency relationships, namely between owners (e.g., shareholders) and agents of the owners (e.g., company executives). This problem arises when there is a conflict of interest between the owner and the agent. However, even if there is a conflict of interest between the owner and the agent, each party must commit according to the agreed contract.

Agency theory is a conflict of interest between company management (agents) and shareholders, where company management no longer acts fairly, wisely, and wisely towards

shareholders but acts based on personal interests and seeks to improve personal welfare above the interests of shareholders. The conflict that occurs will trigger agency costs or (agency costs). Agency costs are issued by shareholders, causing a decrease in company profits and an impact on the company's financial performance. In addition, in the business world, of course, various kinds of risks occur. This risk cannot be ignored because it will cause losses for the company and will certainly impact the sustainability of the company. Some of the risks that may occur in the company include damage to assets, intentional or unintentional accidents, fraud or fraud, embezzlement, theft, and others. The greater the risk that occurs, the greater the loss borne by the company. For this reason, company management must try to overcome these risks, which means how management can minimize the possibility of risks that will occur in order to eliminate or minimize the impact of losses from these risks. Therefore,

Company performance

Company performance is an achievement achieved by the company in a certain period that reflects the health level of the company (Sutrisno, 2009: 53). According to Hastuti (2005) in Yudha (2007), company performance results from many individual decisions made continuously by management. Therefore, to assess the company's performance, it is necessary to analyze the cumulative financial and economic impact of the decisions made and consider them using comparative measures. Financial performance is one factor that indicates the effectiveness and efficiency of an organization to achieve its goals. Effectiveness occurs when management can choose the right goals or the right tools to achieve the goals that have been set. The factors that affect the company's performance are:

a. Effectiveness and Efficiency, If a certain goal is finally achieved, we may say that the activity is effective. However, if these consequences are not sought after by important activities from the results that have been achieved, it can result in satisfaction even though it is effective; this is called inefficient. Furthermore, vice versa, if the result that has been sought is not important or trivial, then the activity is efficient.
b. Authority (authority) authority is the nature of communication or order in a formal organization owned by a member of the organization in another organization to carry out a work activity according to his contribution. This commandment says what can and cannot be done in this organization.
c. Discipline, Discipline is obeying the laws and regulations that have been in effect. Thus, employee discipline is an employee activity that involves respecting the work agreement with the organization where he works.
d. The initiative is related to the power of thought and creativity in forming an idea to plan something related to the organization's goals.

Company performance appraisal can be measured using financial and non-financial measures. Non-financial performance measures include customer satisfaction, productivity and cost-effectiveness of business and internal processes, and productivity and commitment of personnel that can determine future financial performance.

Risk management

According to Irham Fahmi (2010: 2), risk management is a science that discusses how an organization applies measures in mapping various existing problems by placing various management approaches comprehensively and systematically. Meanwhile, according to CIMA in Collier et al. (2007) define risk management is, "process of understanding and managing the risk that organizational inevitability subject to trying to achieve its corporate objectives". From this definition, it can be concluded that risk management is important to reduce potential losses and achieve organizational goals. According to Irham Fahmi (2010: 3), with the implementation of risk management in a company, there are several benefits, namely:

a. The company has a strong measure as a foothold in making every decision, so managers become more careful (prudent) and always put measures in various decisions.
b. Able to provide direction for a company in seeing the effects that may arise both in the short and long term.
c. Encourage managers in making decisions to always avoid the effects of losses, especially from a financial perspective.
d. Allows the company to obtain the minimum risk of loss.
e. The risk management concept that is designed in detail means that the company has developed sustainable (sustainable) directions and mechanisms.

Good Corporate Governance (GCG)

According to Daniri (2014: 5), good corporate governance is the structure and process (regulations, systems, and procedures) to ensure that the tariff principle migrates into a culture, directs and controls the company to realize sustainable growth, increase added value while considering the appropriate balance of stakeholder interests. with sound corporate principles and applicable laws and regulations. Good corporate governance is a corporate governance system that contains a set of regulations that regulate the relationship between shareholders, management (managers) of the company, creditors, the government, employees, and other internal and external stakeholders about their rights and obligations. or in other words, a system that regulates and controls the company, to increase value-added for all interested parties (stakeholders). If good corporate governance can be implemented effectively and efficiently, then the entire process of company activities will run well so that matters relating to the company's financial and non-financial performance will also improve (Brown and Caylor, 2004).

a. The rights of shareholders, who must be provided with correct and timely information about the company, can participate in making company decisions and share in the company's profits.
b. Equal treatment of shareholders, especially minority shareholders and foreign shareholders, with the disclosure of important information, prohibition of sharing to own parties, and insider trading of shares.
c. The role of shareholders must be recognized as stipulated by law and active cooperation between the company and stakeholders in creating prosperity, employment, and a healthy company from a financial perspective.

d. Accurate and timely disclosure and transparency regarding all matters that are important to the company's performance, ownership, and stakeholders
e. Responsibilities of the management board, management supervision, and accountability to the company and shareholders.

This study will analyze the effect of Risk Management and Good Corporate Governance (GCG) on Company Performance with Leverage as a Moderating Variable. The schema of the framework of thinking described in this research paradigm is as follows:

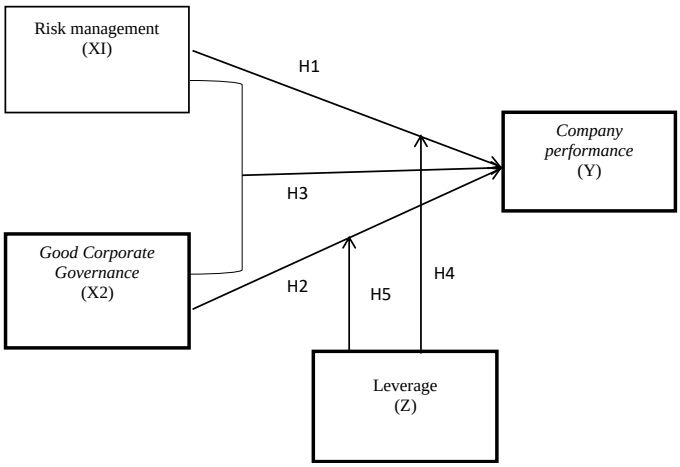

Figure 1. Thinking Framework

METHOD

Quantitative methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative/statistical, with the aim of testing hypotheses that has been established". This study was conducted to obtain information about how the influence of risk management and good corporate governance on the performance of companies with leverage as a moderating variable in companies in the consumer goods industry sector. According to Sugiyono (2014: 44), this type of research is associative, namely: "Research that aims to determine the effect or relationship between two or more variables". Associative research has a higher level when compared to descriptive and comparative research.

Furthermore, Sugiyono (2014:44) explains, "With associative research, a theory can be built that functions to explain, predict and control a symptom". Descriptive discussion is carried out to discuss the object of research based on each variable that is determined, and from the results of this study, it is hoped that it can be known which variables must be improved so that the condition of the variables also becomes better and those that are already good are improved. The verification discussion carried out at this stage aims to discuss the

effect of its significance. In addition, the discussion is carried out to determine the existence of phenomena in the field, which are adjusted to the results of data processing. The data taken in this study and the research of this thesis are the data contained in the financial statements of companies in the consumer goods industry sector listed on the Indonesia Stock Exchange.

Research design

The research design was formed to show all the processes needed in planning and carrying out research. The research design formed in this study is a descriptive quantitative research design. Arifin (2013:12) suggests, "Research design is the framework used to carry out research. The research design provides an overview of the procedures for obtaining the information or data needed to answer all research questions. The researcher conducted a pre-survey of the conditions that occurred in the company, then explained with theories based on the opinions of experts/authors. After that, formulate the problems that occur in the company. Then the researcher draws a temporary conclusion from the research or the formulation of the hypothesis. Then the researcher determines the population, which then, using the Slovin formula, is taken the sample to be studied. The formulation of this hypothesis is further developed in the development of instruments for instrument testing. Samples and instrument testing techniques were used in data collection and subsequent data analysis. Then test the hypothesis with a partial significance test t-test and F test simultaneously. Based on the results of the hypothesis test, conclusions and suggestions were then drawn.

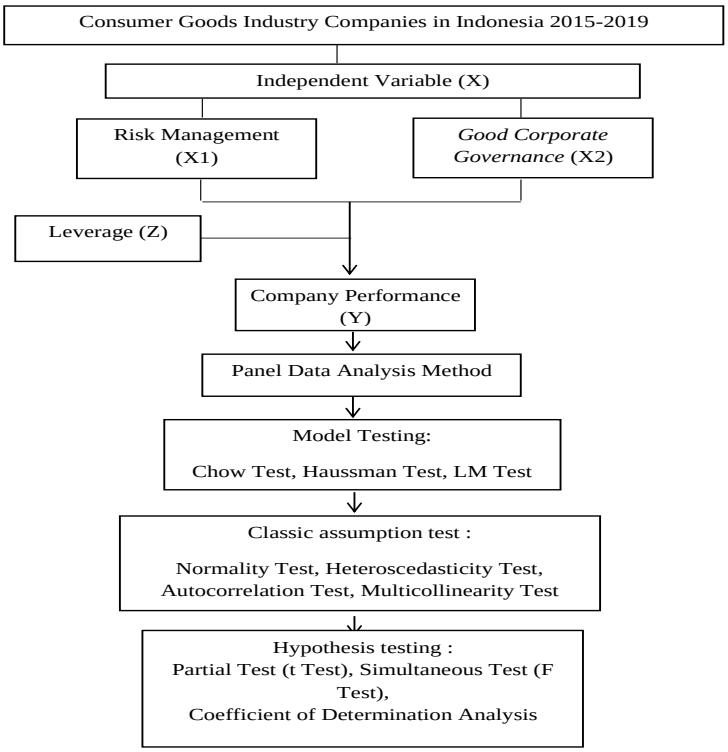

Figure 3. Research design

RESULT AND DISCUSSION

Descriptive Statistics Test

Descriptive statistics provide a general description of the research object that is sampled. To perform descriptive statistical tests, it is necessary to arrange research data in a structured order. Descriptive statistics are used to describe data statistically. Descriptive statistics in this study refer to the average value (mean) and standard deviation (standard deviation), minimum and maximum values , and the correlation of all variables in this study, namely X (Risk Management and GCG), Y (ROA), and Z (leverage) during the 2015–2019 research period as shown in table 1.

Table 1
Descriptive Statistical Analysis of Variables X, Y, and Z

	X1_Risk Management	X2_GCG	Y_ROA	Z_Leverage
mean	22.70718	8.928818	14,63364	10400.64
median	19.91000	4.520000	14.42500	7637,500

Maximum	70.30000	46.57000	27.87000	740000.00
Minimum	4.640000	0.770000	2.170000	1750,000
Std. Dev.	13.32492	8.530845	4.455605	10088.88
Skewness	1.125038	1.578397	0.349125	3.469625
Kurtosis	4.435141	5.839055	3.522400	19.07636
Jarque-Bera	32.64467	82.61725	3.485415	1405.262
Probability	0.000000	0.000000	0.175046	0.000000
Sum	2497,790	982.1700	1609,700	1144070.
Sum Sq. Dev.	19353.33	7932,509	2163,914	1.11E+10
Y_ROA				
Correlation	-0.07607	-0.01187	1.0000	0.11497
Observations	135	135	135	135

Source: Output Eviews 9 (data processed by the author)

Based on the results of descriptive statistical tests using Eviews 9, each variable will be described according to the results in table 1.

1. Risk management

In table 1 above, the minimum value for Risk Management is obtained as follows:4.640000, the maximum value is 70.30000, the average value or mean is 22.70718, and the deviation value is 13.32492. The average value shows that every Rp. 1 fund invested by investors as share capital will generate a net profit of Rp. 22.70718.

2. GCG

In table 1 above, the minimum GCG value is0.770000, the maximum value is 46.57000, the average or mean of 8.928818, and the standard deviation of8.530845. The average value shows that every Rp. 1 value of assets used can generate a net profit of Rp. 8.928818.

3. Return On Assets (ROA)

In table 1 above, the minimum Return On Asset (ROA) value is obtained as follows: 2.170000, the maximum value is 27.87000, the average value or mean is 14,63364, and the deviation value is 4.455605. The average value shows that for every Rp. 1 company income or earnings per share, investors are willing to pay Rp.14,63364.

Panel Data Model Regression Test

In panel data regression testing, there are several methods used, including the approach Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The following are the results of testing the estimation of the panel data regression model with the approach:

1. **Common Effect Models (CEM)**

According to Dedi Rosadi (2012: 271), this technique is the simplest technique for estimating the parameters of the panel data model, namely by combining cross-section and time-series data as a single unit without looking at differences in time and entities (individuals). Where the approach that is often used is the Ordinary Least Square (OLS) method. The Common Effect model ignores the differences in individual and time dimensions, or in other words, the behavior of the data between individuals is the same in various periods.

Table 2
Common Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_Risk Management	-0.053558	0.049700	-1.077637	0.2836
X1_GCG	0.057598	0.077630	0.741958	0.4597
C	15.33551	0.861881	17.79307	0.0000
R-squared	0.010876	Mean dependent var		14,63364
Adjusted R-squared	-0.007612	SD dependent var		4.455605
SE of regression	4.472532	Akaike info criterion		5.860680
Sum squared resid	2140,379	Schwarz criterion		5.934330
Likelihood logs	-319.3374	Hannan Quinn Criter.		5.890553
F-statistics	0.588268	Durbin-Watson stat		1.039253
Prob(F-statistic)	0.557074			

Source: Output Eviews 9 (data processed by the author)

From these results, the regression equation can be made as follows:

Y = 15.33551 + 0.057598 (X1) - 0.053558 (X2)

Information:

1) The constant value of 15.33551 shows that if ROA and ROE are considered constant, the PER value is 2.434313 units.
2) The ROA regression coefficient is obtained by 0.057598 shows that for every increase in ROA by 1, the value of DPR will increase by 0.057598 units.
3) The regression coefficient of the ROE variable is-0.053558 shows that for every increase in ROE by 1, the PER value will decrease by 0.053558 units.

2. ***Fixed Effect*** **Model (FEM)**

Dedi Rosadi (2012: 272) assumes that the intercept between the cross sections is different, but the slope remains the same. The panel data estimation technique using the FEM method uses a dummy variable (dummy variable) with a value of 0 for no influence and 1 for variables that have an influence. The dummy function is to capture the difference between the intercepts of the cross-sections. This modeling is better known as the Least Square Dummy Variables (LSDV) technique. The results of the Fixed Effect Model (FEM) Estimation test in this study used eviews 9 with the following results:

Table 3
Fixed Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_Risk Management	-0.134124	0.058941	-2.275556	0.0251
X2_GCG	0.222243	0.124737	1.781694	0.0779
C	15.69484	0.753208	20.83734	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.383170	Mean dependent var		14,63364
Adjusted R-squared	0.313934	SD dependent var		4.455605
SE of regression	3.690537	Akaike info criterion		5.552090
Sum squared resid	1334,767	Schwarz criterion		5.846688
Likelihood logs	-293.3650	Hannan Quinn Criter.		5.671581
F-statistics	5.534262	Durbin-Watson stat		1.735053
Prob(F-statistic)	0.00001			

Source: Output Eviews 9 (data processed by the author)

From these results, the regression equation can be made as follows:

Y = 15.69484 - 0.134124 (X1) + 0.222243 (X2)

Information:

1. The constant value of 15.69484 shows that if ROA and ROE are considered constant, the PER value is 15.69484 units.
2. The ROA regression coefficient is obtained by 0.222243 shows that for every increase in ROA by 1, the value of DPR will increase by 0.222243 units.
3. The ROE variable regression coefficient of is-0.134124 shows that for every increase in ROE by 1, the PER value will decrease by 0.134124 units.

3. Random Effect Model (REM)

According to Agus Widarjono (2013:359), Random Effects Model method is a model used to estimate panel data where the disturbance variables may be interrelated over time and between individuals. In explaining the random effects, it is assumed that each company has different intercepts. This model is very useful if the individual companies we take as samples are chosen randomly and represent the population. This model is also often called the error component model. The right method used to estimate the Random Effect Model (REM) is the Generalized Least Square (GLS) as the estimator because it can increase the efficiency of the Least Square estimation. The results of the Random Effect Model (REM) Estimation test in this study used eviews 9 with the following results:

Table 4
Random Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_Risk Management	-0.109340	0.053368	-2.048798	0.0429
X2_GCG	0.163600	0.106351	1.538298	0.1269
C	15.65568	1.179796	13.26982	0.0000
	Effects Specification			
			SD	Rho
Cross-section random			2.887922	0.3798
Idiosyncratic random			3.690537	0.6202
	Weighted Statistics			
R-squared	0.309046	Mean dependent var		5.261406
Adjusted R-squared	0.1201084	SD dependent var		3.716033
SE of regression	3.676649	Sum squared resid		1446,399
F-statistics	5.534262	Durbin-Watson stat		1.572922
Prob (F-statistic)	0.018737			
	Unweighted Statistics			
R-squared	0.060505	Mean dependent var		14,63364
Sum squared resid	2177,990	Durbin-Watson stat		1.044574

Source: Output Eviews 9 (data processed by the author)

From these results, the regression equation can be made as follows:

Y = 15.65568 - 0.109340 (X1) + 0.163600 (X2)

Information:

a. The constant value of 15.65568 shows that if ROA and ROE are considered constant, the PER value is 15.65568 units.
b. The ROA regression coefficient is obtained by 0.163600 shows that for every increase in ROA by 1, the value of DPR will increase by 0.163600 units.
c. The regression coefficient of the ROE variable is-0.109340 shows that for every increase in ROE by 1, the PER value will decrease by 0.109340 units.

Panel Data Model Estimation Test

After doing the panel data regression test above using 3 data processing methods, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), the first thing to do is to test which regression model is most appropriate to use. Tests will be carried out to test the specifications of the model and the suitability of the theories with reality. Data processing is done electronically using the Eviews 9 application.

Tests to determine which regression method is the most appropriate to use use the Chow, Hausman, and Langrange multiplier (LM) tests.

1. Chow test

According to Agus Widarjono (2013:362), the Chow test is a test to determine the most appropriate Common Effect or Fixed Effect model used in estimating panel data. The hypotheses in the chow test are:
H0: *Common Effect Model* or Pooled OLS
H1: *Fixed Effect Model*
With the conditions of probability:
- If the probability value > 0.05, then H0 is accepted, and the model chosen is Common Effect.
- If the probability value is < 0.05, H1 is accepted, and the model chosen is Fixed Effect.

The results of the chow test in this study using Eviews 9 are as follows:

Table 5
Chow Test Results

Redundant Fixed Effects Tests				
Equation: Untitled				
Test cross-section fixed effects				
Effects Test		Statistics	df	Prob.
Cross-section F		6.572104	(9.98)	0.0000
Cross-section Chi-square		51.944914	9	0.0000

Source: Output Eviews 9 (data processed by the author)

The results of the Chow test in table 4.5 above obtained a cross-section F probability value of0.0000, the value of Cross-section F probability is smaller than the significance level of 0.05, namely 0.0000 <0.05, it can be concluded that H1 is accepted and H0 is rejected which indicates the most appropriate model to use is the Fixed Effect Model.

2. Hausman test

According to Agus Widarjono (2013:364), the Hausman test is used to determine whether to use the most appropriate Random Effect or Fixed Effect model. Hausman developed this test. Hausman testing is carried out with the following hypothesis:

H0: *Random Effect Model*
H1: *Fixed Effect Model*
With the conditions of probability:

1) If the probability value > 0.05, H0 is accepted, and the selected model is the Random Effect Model
2) If probability < 0.05, H1 is accepted, and the selected model is the Fixed Effect Model.

The results of the Hausman test in this study using Eviews 9 are as follows:

Table 6
Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	1.196177	2	0.5499

Source: Output Eviews 9 (data processed by the author)

The results of the Hausman test in table 4.11 above are obtained by the Cross-section F value of 0.5499, the value of Cross-section F probability is greater than the significance level of 0.05 that is 0.5499> 0.05, it can be concluded that H0 is rejected and H1 is accepted which shows the most appropriate model to use is the Random Effect Model.

3. Langrange Multiplier Test (LM Test)

According to Agus Widarjono (2013: 363), the Lagrange Multiplier (LM) test is a test to determine whether the Common Effect Model or the Random Effect Model is the most appropriate to use. Breusch Pagan developed this Random Effect significance test. The Breusch Pagan method for the Random Effect significance test is based on the residual value of the OLS method. The hypotheses used in the LM test are:

H0: Common Effect Model
H1: Random Effect Model
Provided that the probability is:

1) If the probability value > 0.05, H0 is accepted, and the selected model is the *Common Effect Model*.
2) If probability < 0.05, H1 is accepted and the selected model is *random Effect Model*

The results of the Lagrange Multiplier (LM) test in this study using Eviews 9 are as follows:

Table 7
Langrange Multiplier Test Results

	Hypothesis Test		
	Cross-section	Time	Both
Breusch-Pagan	49.64654	0.868408	50.51495
	(0.0000)	(0.3514)	(0.0000)

Source: Output Eviews 9 (data processed by the author)

The results of the Lagrange Multiplier test in table 4.7 above obtained the Breusch-Pagan (Cross-section F) value of 0.0000, the value of Cross-section F probability is smaller than the significance level of 0.05, i.e., 0.0000 < 0.05, it can be concluded that H0 is rejected and H1 is accepted which shows the most appropriate model to use is the Random Effect Model.

Table 8
Langrange Multiplier Test Results

No	Model Estimation Test	Results
1	Chow test	*Fixed Effect Model*
2	Hausman test	*Random Effect Model*
3	LM test	*Random Effect Model*

From the results of the panel data estimation test using 3 (three) methods, namely the Chow test, the best model is the Fixed Effect Model, then from the Hausman test, the best model is the Random Effect Model, and from the Lagrange Multiplier test, the best model is the Random Effect Model. Of the three test methods, the best and chosen method for hypothesis testing is the most common method. The most appropriate model to be used in hypothesis testing is the Random Effect Model method based on the results of the Chow test.

Classic assumption test

1. Normality test

The normality test in this study using Eviews 9.0 was made to test whether the standardized residual value in the regression model was normally distributed or not. The non-fulfillment of normality is generally caused because the distribution of the analyzed data is not normal because there are extreme values in the data taken. This extreme value can occur because of an error in sampling, an error in inputting data, or indeed because the data characteristics are very far from the average defined by (Gozali 2014: 69). The design of the normality test hypothesis is as follows:

H0 = Data is normally distributed

H1 = Data is not normally distributed

In the definition Ghozali (2014) said, if the significance probability value is greater than alpha 0.05, then H0 is accepted, or the data is normally distributed. However, if the significance probability value is less than alpha 0.05, H0 is rejected, H1 is accepted, or the data is not normally distributed. If the probability > 0.05, then the data is normal; if the probability is < 0.05, then the data is not normal

2. Heteroscedasticity Test

According to Ghozali (2013:139), the Heteroscedasticity test is used to determine whether or not there is a deviation from the classical assumption of heteroscedasticity, namely the existence of variance inequality from the residuals for all observations in the regression model. If the residual variance from one observation to another remains, it is called homoscedasticity, and if it is different, it is called heteroscedasticity. A good regression model is the one with homoscedasticity, or there is no heteroscedasticity. This study is testing the presence or absence of heteroscedasticity deviations using the test*Breusch-Pagan-Godfrey*. If the probability value of Breusch-Pagan-Godfrey is greater than the alpha value of 0.05, so it can be concluded that there is no heteroscedasticity

problem in this study. The results of the heteroscedasticity test in this study using Eviews 9 are as follows:

Table 9
Heteroscedasticity Test Results The Effect of Risk Management and GCG on ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.26435	5.954796	4.242689	0.0000
X1_Risk Management	-0.371239	0.343379	-1.081132	0.2821
X2_GCG	0.293815	0.536348	0.547806	0.5850

Source: Output Eviews 9 (data processed by the author)

Based on the results of the heteroscedasticity test using the Breusch-Pagan-Godfrey method on 4.10 above obtained value probability of 0.5109, the probability value is greater than the alpha value of 0.05; it can be concluded that H0 is accepted and there is no heteroscedasticity problem in this study.

a. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). According to Ghozali (2014: 110), if there is a correlation, it is called an autocorrelation problem. According to Winarmo (2015: 29), the Autocorrelation Test in this study was carried out using the Durbin-Waston (DW) method, one of the most widely used tests to determine whether there is autocorrelation. The test method that is often used is the Durbin-Watson test (DW test). The results of the autocorrelation test in this study used eviews 9 with the following table 10.

Table 10
Durbin Watson Test Interpretation Guidelines

Criteria	Information
0 – 1.10	There is a positive autocorrelation
1.10 – 1.54	No tercould disicollect terbe a symptom
1.54 – 2.46	No autocorrelation
2.46 – 2.90	No tercould disicollect terbe a symptom
2.90 – 4	There is a negative autocorrelation

Source: Ghozal, 2014

In table 4.10 above, the DW autocorrelation value generated from the regression model is 0.048162. Meanwhile, from the DW table with a significance of 0.05 and the amount of data (/n) = 27, and k = 3 (k is the number of independent variables), the dL value is 1 .3263, and dU of 1.1.452 DW value of 1.612882 is greater than the value of dU of 1.1452 and less than (4 – dU) 4 – 1.7200 = 2.2800, so it can be concluded that there is no autocorrelation

b. Multicollinearity Test

According to Imam Ghojali (2013:105) Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (Independent). A good regression model should not correlate with the independent variables. In this study, testing for the presence or absence of multicollinearity symptoms was carried out by seeing the value of Tolerance and Variance Inflating Factor (VIF). If the Tolerance value > 0.1 and VIF < 10, it can be indicated that there is no multicollinearity. The results of the multicollinearity test in this study using Eviews 9 are:

Table 11
Multicollinearity Test Results

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
X1_Risk Management	0.002470	9.393397	**2.389784**
X2_GCG	0.006026	5.031759	**2.389784**
C	0.742840	4.084894	NA

Source: Output Eviews 9 (data processed by the author)

Based on the results of the multicollinearity test in table 4.3 above, the centered VIF X1 value is2.389784 and X1 is 2.389784, where the Tolerance value is greater than 0.1, and the VIF is less than 10, it can be concluded that in this study there is no multicollinearity problem.

Hypothesis testing

1. Partial Hypothesis Testing (t-Test)

Partial hypothesis testing can be tested using the t-test formula. The t-statistical test aims to test the presence or absence of the influence of each independent variable (X) on the dependent variable (Y). The t-test shows how far the influence of one explanatory/independent variable individually explains the independent variable variation (Ghozali, 2011: 84). The way to make decisions by looking at the t-table are:

1) If the value of t-count > t-table, then H0 is accepted, and H1 is rejected. So it can be concluded that partially the independent variable (X) affects the dependent variable (Y).
2) If the value of t-count < t-table, then H0 is rejected, and H1 is accepted. So it can be concluded that partially the independent variable (X) does not affect the dependent variable (Y).

As for how to make decisions, based on their significance:

1) If the significance value (Probability) < 0.05, then the independent variable (X) has a significant effect on the dependent variable (Y).
2) If the significance value (Probability) > 0.05, then the independent variable (X) has no significant effect on the dependent variable (Y).

The ttable formula is: df (Degree Of Freedom) = n – k,

where:

n = number of data (110 data)

k = Number of independent variables + dependent variable (4)

df = 110 – 3 = 107 and significance level = 0.05 or 5%

then obtained t-table = 1.656

To test the hypothesis, the results of panel data regression analysis with a fixed-effect model are used, which are presented as follows:

Table 4.4 (represented) Random Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1_Risk Management	-0.109340	0.053368	-2.048798	0.0429
X2_GCG	0.163600	0.106351	1.538298	0.
C	15.65568	1.179796	13.26982	0.00

a. Effect of Risk Management on ROA

Based on the table of fixed random model test results, the t-count value of ROA = -2.048798 and the t-table value of 1.656, with a prob value of 0.1269 < sig alpha 0.05. The t-count value is greater than the t-table value = 2.048798> 1.656, a negative sign indicates a negative influence, and it can be interpreted that H0 is rejected and H1 is accepted so that it can be concluded that risk management partially has an effect and is significant on ROA.

b. Effect of GCG on Price ROA

Based on the table of fixed random model test results, the t-count value of ROA = 1.538298 and the t-table value of 1.656. The t-count value is smaller than the t-table value = 1.538298 <1.656, with a prob value of 0.0429> sig alpha 0.05, it can be interpreted that H0 is accepted and H1 is rejected, so it can be concluded that partially GCG has no significant effect on ROA.

2. Simultaneous Hypothesis Testing (F Test)

The F test is also called the global test or simultaneous or simultaneous significance test. This test is used to determine whether GCG and Risk Management together have a significant effect on ROA. The way to make decisions by looking at the Ftable is as follows:

1) If the value of F-count > F-table, then the independent variable (X) affects the dependent variable (Y).
2) If the calculated F value < F table, the independent variable (X) does not affect the dependent variable (Y).

The ways of making decisions with significance are as follows:

1) If the significance value (Probability) < 0.05, then the independent variable (X) has a significant effect on the dependent variable (Y).
2) If the significance value (Probability) > 0.05, then the independent variable (X) has no significant effect on the dependent variable (Y).

The Ftable formula is:

df1 = k -1
df2 = n – k
Where:
k : number of variables (free + bound) and
n : the number of observations / samples forming the regression.
Then it can be calculated:
df1 = 3 – 1 = 2
df2 =135 – 4 = 131

With a significance level of 0.05, the Ftable of 2.67. is obtained

Based on the simultaneous hypothesis testing, the F-count value is 5.534262, the F-table is 2.67, and with a prob value of 0.018737, the F-count value is greater than F-table = 5.534262 > 2.67, which means that H0 is rejected and H1 is accepted. So it can be concluded that simultaneously variable X, namely GCG and Risk Management, simultaneously (together) has a positive and significant effect on variable Y, namely ROA.

3. Coefficient of Determination (R2)

This analysis aims to show how big the percentage of variation of the independent variable used in the model can explain the variation of the dependent variable. R2 = 0, then there is not the slightest percentage of the influence of the independent variable on the dependent variable; on the contrary, if R2 = 1, then the percentage of the influence of the independent variable on the dependent variable is perfect. Based on the table of fixed random model test results obtained coefficient of determination0.309046 which means that the percentage of the influence of the independent variable (X), namely Risk Management and GCG, simultaneously (together) on the dependent variable, namely ROA is 30,9046%, while the rest 69.0954**%**, influenced by other variables not described in this study.

Discussion

1. Effect of Risk Management on Company Performance

Hypothesis testing in this study is to test whether Risk Management affects Company Performance. Based on the research results on e-views 9.0 data processing above, it is known that the Risk Management variable shows a t-statistic value of -2.048798, while the t-table is 1.656 (-2.048798 > 1.656) with a significance value of 0.1269 > 0.05 significance level. These results indicate that Risk Management does not affect Company Performance. Based on the research results that have been carried out, by the results of Attar, Ishlahudiin's research entitled The Effect of Risk Management Applications on the Financial Performance of Banks Listed on the Indonesia Stock Exchange, in his research that risk management partially does not affect company performance.

According to Irham Fahmi (2010:2), risk management is a science that discusses how an organization applies measures in mapping various existing problems by placing various management approaches comprehensively and systematically. Bank Indonesia regulation No.5/8/PBI/2003 concerning risk management is a process and methodology used to identify, measure, and control risks arising from banking activities. Ali (2006) assumes that risk management is an activity carried out to reduce risks that may arise in the future. (Labombang 2011) categorizes risk consisting of pure risk and estimated risk, the risk to objects and people, fundamental risk, and special risk.

2. Influence *Good Corporate Governance* (GCG) on Company Performance

Hypothesis testing in this study tests whether Good Corporate Governance (GCG) affects the company's performance. Based on the results of research on e-views 9.0 data processing above, it is known that the variable *good Corporate Governance* (GCG) shows the t-statistic value of 2.048798, while the t-table is 1.656 2.048798 > 1.656) with a significance value of 0.0429 > a significance level of 0.05. These results indicate that Good Corporate Governance (GCG) affects Company Performance. Based on the results of the research that has been carried out, according to the results of Ariantini, Yuniarta, and Sujana's research entitled The Effect of Intellectual Capital, Corporate Social Responsibility, and Good Corporate Governance on Company Performance, where it is known that Good Corporate Governance (GCG) affects Company Performance.

Corporate governance arises because of the company's interest to ensure to the funders (principals/investors) that the funds invested are used appropriately and efficiently. In addition, with corporate governance, the company assures that the management (agent) acts in the company's best interests. The Forum for Corporate Governance in Indonesia/FCGI (2001b) defines corporate governance as a set of regulations that regulate the relationship between shareholders, company management, creditors, government, employees, and other internal and external stakeholders related to the rights and their obligations, thereby creating added value for all interested parties (stakeholders).

3. The Influence of Risk Management and Good Corporate Governance (GCG) on Company Performance

Based on the hypothesis test simultaneously obtained the F-count value of 5.534262 and F-table of 2.67, and with the value of prob 0.018737, then F-count value is greater than F-table = 5.534262 > 2.67, it can be interpreted that H0 is rejected and H1 is accepted so that it can be concluded that simultaneously the GCG and Risk Management variables (together) have a positive and significant effect on the Y variable, namely Company Performance. Previous research conducted by Sari (2020) entitled The Effect of Self-Assessment of Good Corporate Governance and Risk Management on Financial Performance (Case Study on Banking Companies Listed on the IDX in 2016-2018, the results show that *GCG* and Risk Management simultaneously (together) have a positive and significant effect on variable Y, namely Company Performance.

4. Effect of Leverage Moderating Risk Management on Company Performance.

Based on the Cross-section F value of 0.6478, the value of Cross-section F probability is greater than the significance level of 0.05 that is 0.6478> 0.05, it can be concluded that H0 is rejected, and H1 is accepted, which shows positively *Leverage* Moderating Risk Management on Company Performance.

5. Effect of Leverage Moderating Good Corporate Governance on Company Performance.

Based on the Cross-section F value of 0.0000, the value of Cross-section F probability is smaller than the significance level of 0.05 that is 0.0000 < 0.05, it can be concluded that H0 is rejected and H1 has accepted shows positively *Leverage* Moderate Good Corporate Governance on Company Performance.

CONCLUSSION

Based on the results of the analysis that has been done, it can be concluded as follows:

1. Based on the research results on the above processing, it is known that the Risk Management variable shows a t-statistic value of -2.048798, while the t-table is 1.656 (.048798 > 1.656) with a significance value of 0.1269 > 0.05 significance level. These results indicate that Risk Management does not affect Company Performance.
2. Based on the results of the research above, it is known that the variable *Good Corporate Governance* (GCG) shows the t-statistic value of 2.048798, while the t-table is 1.656 2.048798 > 1.656) with a significance value of 0.0429 > a significance level of 0.05. These results indicate that Good Corporate Governance (GCG) affects Company Performance.
3. Based on the hypothesis test simultaneously obtained the F-count value of 5.534262 and F-table of 2.67, and with the value of prob 0.018737, then F-count value is greater than F-table = 5.534262 > 2.67, it can be interpreted that H0 is rejected and H1 is accepted so that it can be concluded that simultaneously the GCG and Risk Management variables (together) have a positive and significant effect on the Y variable, namely Company Performance.
4. Based on the Cross-section F value of 0.6478, the value of Cross-section F probability is greater than the significance level of 0.05 that is 0.6478> 0.05, it can be concluded that H0 is rejected, and H1 is accepted, which shows positively *Leverage* Moderating Risk Management on Company Performance.
5. Based on the Cross-section F value of 0.0000, the value of Cross-section F probability is smaller than the significance level of 0.05 that is 0.0000 < 0.05, it can be concluded that H0 is rejected and H1 has accepted shows positively *Leverage* Moderate Good Corporate Governance on Company Performance.

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