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Effectiveness of Good Corporate Governance and Corporate Social Responsibility Implementation on Potential Financial Distress

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ABSTRACT : The research objectives to be achieved are to provide understanding and knowledge to the public, especially investors and creditors, regarding the implementation of good corporate governance and corporate social responsibility on the potential for financial distress and can be used as a reference for further researchers and stakeholders (investors, creditors and government) in making relevant and reliable decisions. The methods used are Descriptive Statistical Analysis, Classical Assumption Testing, and Hypothesis Testing to obtain a comprehensive picture of the relationship between one variable and another, with data collection techniques using the purposive sampling method. The population in the study were manufacturing companies in the consumer goods sub-sector listed on the IDX which were carried out for 5 years of observation, namely 2018-2022. The results of the study showed that good corporate governance had a negative effect on financial distress and corporate social responsibility had no effect on financial distress

Keywords : *good corporate governance; corporate social responsibility; financial distress*

I. INTRODUCTION

Companies that experience bankruptcy will begin with a condition where financial difficulties or financial distress occur. Financial distress is an interesting topic in the field of finance and financial health as an important indicator for users who are interested in knowing more about the company's performance (Pernamasari et all, 2019). Information about financial distress is used by interested parties as an early warning of problems that occur. So that companies and stakeholders can take anticipatory steps to deal with the worst conditions that threaten the survival of the company.

In preventing bankruptcy in a company, management must take precautions as early as possible by conducting bankruptcy analysis. One of the bankruptcy forecasting models is the Altman ZScore Model, where this model was developed by Edward I Altman 1968 who is a financial economist. Edward Altman created a model using a number of ratios in financial statements and analyzing several discriminants to predict the bankruptcy of publicly traded manufacturing firms.

The manufacturing sector has a major impact on the economy. In the period 2016 to 2021, the manufacturing sector was the largest contributor to Indonesia's Gross Domestic Product (GDP) compared to other sectors. In 2021, the manufacturing industry's contribution to GDP reached 19.25% (BPS Indonesia, 2022). Despite the decline due to the Covid-19 pandemic, the manufacturing industry still plays an important role in the economy. According to BKPM (2022), Indonesia's manufacturing industry has even become the largest in ASEAN with a contribution of around 20.27% to the national economy. This shows a shift in industrial development in Indonesia, from simply selling raw materials to processing them to produce finished products. However, Indonesia is very vulnerable to financial difficulties. Since the Covid-19 pandemic emerged, CNBC Indonesia recorded that several issuers on the Indonesia Stock Exchange (IDX) were affected and had an impact on employee layoffs (PHK) and laying off staff, and cutting employee salaries in order to survive. Now there are many public companies that are being sued for bankruptcy because their performance has declined due to the pandemic. Causing the company to be unable to pay its obligations to consumers or creditors.

The Executive Director of the Indonesian Issuers Association (AEI) Samsul Hidayat assessed that the many bankruptcy lawsuits experienced by issuers on the stock exchange were due to the impact of Covid-19. Many issuers have recorded a decline in performance to the point of losses. So that they are unable to pay their obligations to creditors and consumers. Furthermore, Samsul hopes that the conditions that have experienced a slowdown due to Covid-19 can end. So that issuers can operate as before. Even so, not all issuers can recover in the near future. Issuers oriented to exports and imports, for example, are still affected. Because the corona pandemic has occurred in more than 200 countries. As a result, the flow of international trade goods is hampered. This incident is not only in Indonesia. All issuers oriented to exports and imports will experience a decrease in income. Meanwhile, CSA Research Institute Analyst Reza Priyambada assessed that issuers who are involved in bankruptcy cases with their consumers will have a negative image in the eyes of investors and the public. And, it raises concerns for parties who cooperate with these issuers.

According to the Minister of Finance Sri Mulyani Indrawati as reported by the internet media (Finance.detik.com, 2018) stated the importance of companies building foundations and corporate governance. To minimize the risk of bankruptcy, companies must implement corporate governance. Corporate governance aims to create added value for all stakeholders, so that there is no conflict between the agent and principal which has an impact on reducing agency costs (Santoso, 2017). Conflicts of interest that arise between the agent and principal or what is known as agency conflict. These differences in interests can cause shareholders (principals) to experience losses as a result of actions taken by the manager (agent) which have an impact on the company's financial performance which will cause the company to experience financial distress. In other words, the emergence of agency conflicts can increase the possibility of financial distress. Companies must implement good corporate governance in their management, with good governance there is a small possibility that the company will experience financial distress. The implementation of corporate governance is expected to be able to increase supervision of management to encourage effective decision-making, prevent opportunistic actions that are not in accordance with the interests of the company, and reduce information asymmetry between management, shareholders, and creditors. Astrika, et all (2023) who studied the effect of Corporate social responsibility, good corporate governance, tax aggressiveness on financial distress obtained the results that corporate social responsibility and good corporate governance had an effect on financial distress. It is important for companies to analyze the early signs of bankruptcy so that management can improve and investors prepare for all possibilities that will occur. Financial difficulties are the responsibility of management in managing the company. However, management has an obligation not only to pursue profits, but also to consider other aspects such as social and environmental responsibility to the community.

The sample in this study was a manufacturing company in the consumer goods sub-sector listed on the IDX during 2018-2022. Manufacturing companies in the consumer goods sub-sector produce basic goods that are very important for the community, in line with population growth in Indonesia. Manufacturing companies engaged in the consumer goods sector generally have various conditions that cannot be avoided in terms of waste and various conditions in company activities. A conducive environment is certainly safe for companies engaged in this field, but companies that have locations close to residential areas or dense access routes have difficulty in responding to this. Companies need to establish social relations with the community to provide a level of security for the good of both parties, as regulated in Law No. 40 of 2007 which requires every company to carry out social and environmental responsibilities in various activities that are related to natural resources, of course with the social environment.

The existence of a company that cannot be separated from the public makes topics related to Corporate Social Responsibility important, especially for manufacturing companies. Several studies have shown that Corporate Social Responsibility provides many benefits in the form of reducing costs, increasing employee productivity, and providing a good image for the company. CSR can be used as a strategy for companies to improve their image or a good image for the company. This is in line with the legitimacy theory where the company will continue to strive to ensure that the company's behavior is in accordance with the norms in society. With a good image, public trust can be increased, so that it can attract public interest in buying products or services offered by the company, so that company sales increase and of course will have a positive impact on financial performance. The better the financial performance, the lower the possibility of financial distress.

In a study conducted by Astrika (2023) it was found that corporate social responsibility and good corporate governance had a negative effect on financial distress. Likewise, in the study by Pamungkas & Yosua (2019) which stated that the implementation of good corporate governance had an effect on the company's financial distress. Meanwhile, research conducted by Yanti, et all (2023) found that corporate social responsibility had no influence on financial distress.

II.HEADING

The Influence of Good Corporate Governance on Financial Distress:

Corporate governance aims to create added value for all stakeholders, so that there is no conflict between the agent and principal which has an impact on reducing agency costs. The difference in interests can cause shareholders (principals) to suffer losses as a result of actions taken by managers (agents) which have an impact on the company's financial performance which will cause the company to experience financial distress.

The obligation of public limited companies to report corporate governance that has been carried out by the company creates transparency regarding the implementation of good corporate governance by the company. The implementation of corporate governance means that it is considered capable of increasing supervision of management to encourage effective decision-making, prevent opportunistic actions that are not in accordance with the company's interests, and reduce information asymmetry between management, shareholders, and creditors.

The company must implement good corporate governance in its management, with good governance, the company is less likely to experience financial distress. This is in line with the research of Pamungkas and Yosua (2019) which states that the implementation of good corporate governance has an effect on the company's financial distress conditions.
The following are the hypotheses proposed:
H1: Good Corporate Governance has an effect on Financial Distress.

The Influence of Corporate Social Responsibility (CSR) on Financial Distress:

The existence of a company that cannot be separated from the public makes topics related to Corporate Social Responsibility important, especially for chemical sub-sector companies. Several studies have shown that Corporate Social Responsibility provides many benefits in the form of reducing costs, increasing employee productivity, and providing a good image for the company. CSR can be used as a strategy for companies to improve their image or a good image for the company. This is in line with the legitimacy theory where the company will continue to strive to ensure that the company's behavior is in accordance with the norms in society.

With a good image, public trust can be increased, so that it can attract public interest in buying products or services offered by the company, so that company sales increase and of course will have a positive impact on financial performance. The better the financial performance, the lower the possibility of financial distress. Research conducted by Astrika, et all (2023) obtained the results that corporate social responsibility has an effect on financial distress
The following are the hypotheses proposed:
H2: Corporate Social Responsibility has an effect on Financial Distress.

Previous Research

Chairunesia (2020) this research proposal aims to analyze financial ratios through the ratio of Profitability, Liquidity, and Solvency as well as the Good Corporate Governance Mechanism in predicting financial distress. The number of samples used 47 companies in the basic industry and chemical sectors listed on the Indonesia Stock Exchange with a research period of 2016-2018. The results of this study indicate that the one that has a significant positive effect on the probability of a company experiencing financial distress is the profitability ratio (Return on Asset-ROA), while the liquidity ratio (Current Ratio-CR) and the Audit Committee have a significant negative effect on the probability of the company experiencing financial distress. Besides, those that have a positive but insignificant effect on the probability of a company experiencing financial distress are the Solvency Ratio (Debt to Equity Ratio-DER) and Independent Commissioners, while Institutional Ownership has a negative but insignificant effect on the probability of the company experiencing financial distress.

Astrika, et all (2023) who studied the influence of Corporate social responsibility, good corporate governance, tax aggressiveness on financial distress obtained the results that corporate social responsibility and good corporate governance have an effect on financial distress.

Research conducted by Yanti and Purwanto (2023) who studied corporate governance and corporate social responsibility on financial distress obtained the results that the good corporate governance proxy that has an influence on the possibility of financial distress is only 2 (two) variables, namely the independent board of commissioners and managerial ownership. The results of the study stated that the independent board of commissioners (DKI) and managerial ownership (KM) have a negative and significant effect on financial distress. While other variables, namely the audit committee (KA), audit opinion (OA), institutional ownership (KI), and corporate social responsibility (CSR) have no effect on the possibility of financial distress.

Research conducted by Yuyetta (2019) entitled "Analysis of the Influence of Corporate Governance Mechanisms on the Probability of Financial Distress" states that managerial ownership (MANJ) has a negative effect on financial distress. The greater the managerial ownership, the more it will encourage management to be more responsible in managing the company, thus reducing the potential for financial distress.

III. INDENTATIONS AND EQUATIONS

In this study, the type of research used is causal research, which explains the influence of an independent variable on the dependent variable. The independent variables in this study are good corporate governance and corporate social responsibility, while the dependent variable is financial distress.

In this study, the type of research used is causal research, which explains the influence of an independent variable on the dependent variable. The independent variables in this study are good corporate governance and corporate social responsibility, while the dependent variable is financial distress.

The dependent variable in this study is financial distress which is measured using the Altman Z-Score Formula. The independent variables in this study are Good Corporate Governance and Corporate Social

Responsibility. Good Corporate Governance is measured using the corporate governance index and Corporate Social Responsibility is measured using the GRI Standard.

This study uses the Altman Zscore model for public companies as in the study of Pernamasari, et al., (2019) where shares or stocks of a company are traded openly or listed on the stock exchange. The formula used is as follows:

Z = 1.2 (X1) + 1.4 (X2) + 3.3 (X3) + 0.6 (X4) + 1.0 (X5)

Where:

Z = Bankruptcy Index

X1 = Working Capital/Total Assets

X2 = Retained Earnings/Total Assets

X3 = Earning Before Interest and Taxes/Total Assets

X4 = Market Value of Equity/Book Value of Debt

X5 = Sales/Total Assets

Score Condition>299 Not Bankrupt; 1.81 – 2.99 Grey area; <1.81 Bankrupt

One way to determine the quality of corporate governance (CG) is by using the CG index. The CG Index is an assessment of the implementation of CG in a company that measures the specified CG aspects (Nengzih, 2017).

No	Item Point	disclosure items
1	Shareholders	1. Description of shareholder rights
		2. Statement regarding guarantee of protection of shareholder rights, equal treatment for all shareholders
		3. Date of GMS
		4. Results of GMS
2	Board of Commissioners	1. Names of members of the board of commissioners
		2. Status of each member (independent commissioner or non-independent commissioner)
		3. Educational background and career of the board of commissioners
		4. Description of the duties and responsibilities of the board of commissioners
		5. Policy and amount of remuneration of members of the board of commissioners
		6. Mechanism and criteria for self-assessment of the performance of each member of the board of commissioners
		7. Number of meetings held
		8. Number of attendance of each member of the board of commissioners in meetings
		9. Decision-making mechanism
		10. Training program for the board of commissioners
3	Board of Directors	1. Names of members of the board of directors with their respective positions and functions
		2. Description of the duties and responsibilities of the board of directors
		3. Educational background and career of members of the board of directors
		4. Scope of work and responsibilities of each member of the board of directors. Brief explanation of the work mechanism of the board of directors.
		5. Decision-making mechanism
		6. Delegation of authority mechanism
		7. Policy and amount of remuneration of members of the board of directors
		8. Number of meetings held by the board of directors
		9. Number of attendance of each member of the board of directors in meetings
		10. Mechanism and criteria for assessing the performance of members of the board of directors
		11. Training programs to improve the competence of the board of directors

The measurement of CSR disclosure is formulated as follows:

$$CSRI = \frac{\Sigma Xi}{Nj}$$

Description:

CSRI = Corporate Social Responsibility Index of the company.

ΣXi = Dummy variable, 1 = if item I is disclosed, 0 = if item is not disclosed.

N = Number of items for the company, n≤136.

The population in this study were manufacturing companies in the consumer goods sub-sector listed on the Indonesia Stock Exchange (IDX) in the period 2018 to 2022. The sample selection in this study used a purposive sampling technique by considering the following criteria:

1. Manufacturing companies in the consumer goods sub-sector listed on the IDX during the study year.
2. Manufacturing companies in the consumer goods sub-sector that had a positive profit value during the study year.

Based on these criteria, the sample to be used in this study is 22 manufacturing companies in the food, beverage and cigarette consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the period (2018-2022).

Research Sampling Criteria

No.	Sample Criteria	Population
1	Manufacturing company in the food, beverage and cigarette consumer goods industry sector which has been listed for 5 consecutive years on the Indonesia Stock Exchange (BEI).	29
2	Manufacturing companies in the food, beverage and cigarette consumer goods industrial sectors did not make a profit during the 2018-2022 period.	(7)
Number of Research Samples		**22**
Year of Research		**5**
Total Research Data		**110**

Source: www.idx.co.id (processed 2024)

The following is a list of companies that have met the research sample criteria, namely:

Sample List of Companies

No.	Code	Company Name
1	ADES	Akasha Wira International Tbk
2	CLEO	Sariguna Primatirta Tbk.
3	CAMP	Campina Ice Cream Industry Tbk
4	KEJU	Mulia Boga Raya Tbk.
5	ULTJ	Ultra Jaya Milk Industry & Trading Company Tbk
6	BUDI	Budi Starch & Sweetener Tbk
7	CEKA	Wilmar Cahaya Indonesia Tbk
8	COCO	Wahana Interfood Nusantara Tbk
9	GOOD	Garudafood Putra Putri Jaya Tbk
10	HOKI	Buyung Poetra Sembada Tbk
11	ICBP	Indofood Cbp Sukses Makmur Tbk
12	INDF	Indofood Sukses Makmur Tbk
13	MYOR	Mayora Indah Tbk
14	ROTI	Nippon Indosari Corpindo Tbk.
15	SKBM	Sekar Bumi Tbk.
16	SKLT	Sekar Laut Tbk
17	STTP	Siantar Top Tbk
18	TBLA	Tunas Baru Lampung Tbk
19	TGKA	Tigaraksa Satria Tbk
20	GGRM	Gudang garam tbk.
21	HMSP	H.M. Sampoerna Tbk.
22	WIIM	Wismilak Inti Makmur Tbk.

Source: data processed 2024

Data Analysis Method in this study uses quantitative analysis. In this study, multiple linear regression analysis is used to reveal the relationship between independent variables and dependent variables. This process involves a series of steps and certain analysis tools before it can be implemented. The analysis tools applied in the test can be described as follows:

1. Descriptive Statistical Test

Descriptive statistics are statistical methods used to analyze data that has been collected and then presented in a way that facilitates understanding, providing a complete picture of the variables being investigated.

2. Classical Assumption Test

According to Ghozali (2018: 159) To conduct multiple linear regression analysis, an examination of the classical assumptions of statistics is required. This includes tests for normality, multicollinearity, heteroscedasticity, and autocorrelation to assess the level of model accuracy.

3. Hypothesis Test

a. Coefficient of Determination Test (R2)

b. Simultaneous Significance Test (F Statistical Test)

c. Individual Parameter Significance Test (t Statistic Test)
d.Multiple Linear Regression Test
This multiple regression equation is usually used in this form, as shown below:
$Y = \alpha + \beta 1GCG + \beta 2CSR + e$
Where:
Y = Financial Distress
b = Regression Coefficient
α = Constant
GCG = Good Corporate Governance
CSR = Corporate Social Responsibility
e = Variable outside the model (standard error)

IV.FIGURES AND TABLES

1) Descriptive Statistical Test
Descriptive statistical test was conducted to determine the minimum value, maximum value, average value, and standard deviation produced by data processing with the SPSS version 22 program which is presented in the following numeric table:

Descriptive Statistics Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1	110	,32	,92	,7673	,11959
X2	110	,32	,75	,5725	,09431
Y	110	1,43	42,78	6,8673	6,56947
Valid N (listwise)	110				

Based on descriptive statistical tests it can be seen that:

1. The GCG variable where the results of the descriptive statistical analysis show that the minimum GCG value is 0.32 or 32% is found in the company PT Wahana Interfood Nusantara Tbk in 2018, this means that the implementation of CG in the company in 2018 was 32 %. The maximum GCG value is 0.92 or 92% in the company PT Wismilak Inti Makmur Tbk in 2022, this means that the implementation of CG in this company in 2022 will be 92%. The average GCG value is 0.7673 or 76.73%, which shows that the average company used in this research has a GCG value of 76.73%. The GCG standard deviation value is 0.11959 or 11.959%.
2. The Corporate Social Responsibility variable is measured using GRI standards where the results of the descriptive statistical analysis show that the minimum Corporate Social Responsibility value is 0.32 or 32% for the company PT Ultra Jaya Milk Industry & Trading Company Tbk in 2021 and 2022, This is because the company in 2021 and 2022 disclosed Corporate Social Responsibility activities amounting to 32% of the 136 GRI standards disclosure items. The maximum Corporate Social Responsibility value of 0.75 or 75% is owned by PT Indofood CBP Sukses Makmur TBK in 2021 and 2022, this is because in that year the company disclosed Corporate Social Responsibility activities of 75% of the 136 GRI standards disclosure items. The average value of Corporate Social Responsibility is 0.5725 or 57.25%, which shows that 57% on average of all companies used in this study disclosed an average of 77 items of Corporate Social Responsibility activities. The standard deviation value of Corporate Social Responsibility is 0.09431 or 9.431%.
3. The Financial Distress variable which is measured using the Altman Z-score formula as a result of the descriptive statistical analysis shows that the minimum Financial Distress value is 1.43 for the company PT Wahana Interfood Nusantara Tbk in 2018, this means that in 2018 the company entered into the bankruptcy category. The maximum value of Financial Distress was 42.78 for the company Ultra Jaya Milk Industry & Trading Company Tbk in 2019, this means that the company in 2019 was in the non-bankrupt category. The average value of Financial Distress is 6.8673. The standard deviation value of Financial Distress is 6.5694

2) Classic Assumption Test
   a. Normality test
   The data normality test aims to test whether the regression model, confounding variables or residuals have a normal distribution. In this study, researchers used a two-way Kolmogorov-Smirnov test so as not to cause differences in perception between one observer and another which often occurs in normality tests using graphic analysis (one way). The following table presents statistical tests for data normality:

Normality Test Results (Before Outliers)
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		110
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	6,41221882
Most Extreme Differences	Absolute	,182
	Positive	,182
	Negative	-,121
Test Statistic		,182
Asymp. Sig. (2-tailed)		,000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

From the results of the normality test in the table above, it is known that the Asymp.sig.(2-tailed) result of 0.000 is smaller than 0.05, which indicates that the data contributes abnormally, so outlier testing is carried out. The outlier test is carried out by looking at the box-plot graph, the numbers outside the boxpot are observation numbers that need to be removed. The following is a table of normality test results after outlier data:

Normality Test Results (After Outliers)
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		104
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	3,24919189
Most Extreme Differences	Absolute	,071
	Positive	,071
	Negative	-,064
Test Statistic		,071
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the results of the normality test using the one-sample Kolmogorov-Smirnov test in Table, it shows an Asymp.Sig.(2-tailed) value of 0.200 which is greater than 0.05, so the data in this study states that the data is normally distributed, so the data can be used. for further testing.

b. Multicollinearity Test

The multicollinearity test was carried out with the aim of testing whether the regression model found a correlation in the independent variables. Multicollinearity test can be done in two ways, namely by looking at:

1. Tolerance value and its inverse
2. VIF (Variance Inflation Factor)

If the tolerance is ≤ 0.10 or the same as a VIF value ≥ 10 then it indicates multicollinearity, and vice versa (Ghozali, 2018: 107-111). The following are the results of the multicollinearity test in this study:

Multicollinearity Test Results
Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	9,609	2,557		3,758	,000		
	X1	-7,270	2,774	-,266	-2,620	,010	,902	1,108
	X2	2,655	3,796	,071	,699	,486	,902	1,108

a. Dependent Variable: Y

Based on the results of the multicollinearity test in table, it is known that the tolerance value of the variable X1 (GCG) is 0.902 with a VIF value of 1.108; and the X2 (Corporate Social Responsibility) tolerance value is 0.902 with a VIF value of 1.108. Thus, the Tolerance value for all variables in this study is > 0.10 and the VIF value for all independent variables is within the limits of this study < 10 so it can be concluded that there is no multicollinearity in the independent variables in this study.

c. Autocorrelation Test
The autocorrelation test is used to determine whether or not there is a deviation from the classic assumption of autocorrelation, namely the correlation that occurs between residuals in one observation and other observations in the regression model. For autocorrelation testing, the Durbin Watson test (DW Test) is used. This test is used by comparing the Durbin Watson value with the Durbin Watson table.

Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,131[a]	,017	-,002	,62634	2,096

a. Predictors: (Constant), LAG_LNX2, LAG_LNX1
b. Dependent Variable: LAG_LNY

Based on the test results, it is known that the Durbin Watson value resulting from the regression model is 2.096 with a sample size of 104 and the number of independent variables is (k=2) with a dU value (upper limit) of 1.7198, because the Durbin Watson value is 2.096 is between dU < d < 4-dU = 1.7198 < 2.096 < 2.2802. So it can be concluded that in the regression model there is no autocorrelation.

2) Hypothesis Testing
a. Coefficient of Determination (R2)
The results of the coefficient of determination test from this research are as follows:

Coefficient of Determination Test Results (R2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,253[a]	,064	,045	3,28120

a. Predictors: (Constant), X2, X1
b. Dependent Variable: Y

The table above shows that the coefficient of determination shows an R-square value of 0.253. This means that 25.3% of the financial distress variable can be explained significantly by the good corporate governance and CSR variables. Meanwhile (100% - 25.3%) = 74.7% of the amount of financial distress can be explained by variables outside the model.

b. Simultaneous Significant Test (F Test)
This test shows whether all the independent variables included in the search model together provide a significant influence on the dependent variable, where to test this hypothesis the F statistic is used with a significance level of 0.05 (5%).

Simultaneous Significant Test (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74,099	2	37,050	3,441	,036[b]
	Residual	1087,397	101	10,766		
	Total	1161,496	103			

a. Dependent Variable: Y
b. Predictors: (Constant), X2, X1

From the results of the F test in table, it can be seen that the significant value is 0.036, where 0.035 < 0.05, so it can be concluded that this multiple regression model is suitable for use.

c. Individual parameter significance test (T-Test)
This test shows how much influence the variable has independent of the dependent variable. In this research, the basis for decision making uses a significance level of 0.05 (5%). If the significant value is > 0.05 then the hypothesis is rejected so the independent variable does not have a significant influence on the dependent variable. Conversely, if the significant value is <0.05 then the hypothesis is accepted, then the independent variable has a significant influence on the dependent variable.

T Statistical Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	9,609	2,557		3,758	,000		
	X1	-7,270	2,774	-,266	-2,620	,010	,902	1,108
	X2	2,655	3,796	,071	,699	,486	,902	1,108

a. Dependent Variable: Y

Based on table it can be concluded that:
1) X1 (good corporate governance) has a significance value of 0.010, which means 0.010 < 0.05. This shows that good corporate governance has a negative effect on financial distress, which means that the higher the implementation of good corporate governance, the lower the risk of bankruptcy, so H1 is accepted.
2) X2 (CSR) has a significance value of 0.486, which means 0.486 > 0.05. This shows that CSR has no effect on financial distress, so H2 is rejected.

d. Multiple Linear Regression Test
The multiple linear regression analysis test is used to test the influence of one or more independent variables on a dependent variable. The following is a table presenting the results of multiple linear regression tests:

Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	9,609	2,557		3,758	,000		
	X1	-7,270	2,774	-,266	-2,620	,010	,902	1,108
	X2	2,655	3,796	,071	,699	,486	,902	1,108

a. Dependent Variable: Y

Based on the t-statistical test output results in table 13, the following regression model is used in this research:
Y = 9,609 – 7,270GCG + 2,655CSR + e
From the equation above it can be explained that:
1) The constant value in this research is 9.609, which indicates that GCG and Corporate Social Responsibility are declared constant at the zero level, so the amount of financial distress (z-score) of the company is 9.609.
2) The regression coefficient value for the good corporate governance variable has a negative value of 7.270, this means that if GCG is constant at zero level, then the amount of the company's financial distress is -7.270. This reflects that the implementation of good corporate governance has a negative relationship with financial distress, namely the greater the GCG value, the lower the risk of bankruptcy
3) The regression coefficient value for the Corporate Social Responsibility variable has a positive value of 2.655. This means that if CSR is constant at zero level, then the amount of financial distress (z-score) of the company is 2.655. This reflects that Corporate Social Responsibility has a positive relationship with the z-score value.

V. DISCUSSION

Based on the results of research that has been conducted regarding the effectiveness of implementing good corporate governance and corporate social responsibility on financial distress in manufacturing companies in the consumer goods industry sector listed on the Indonesian Stock Exchange in 2018-2022, it will be described as follows:

1. The influence of good corporate governance on financial distress
   Based on the results of research on testing accepted hypotheses, it was found that good corporate governance has a negative effect on financial distress. This means that the higher the disclosure of good corporate governance by a company, the lower the risk of bankruptcy. The mechanism in corporate governance will be able to determine the goals and direction of the company as well as monitor the achievement of goals. Optimal implementation of corporate governance will be able to improve company performance so that the occurrence of financial distress can be minimized. The corporate governance mechanism can minimize conflicts of interest which, according to agency theory, arise as a result of the separation of interests between principal and agent. The results of this research are in line with research by Yuliani and Rahmatiasari (2021) which states that good corporate governance influences financial distress.
2. The influence of Corporate Social Responsibility on financial distress
   Based on the results of research on testing the rejected hypothesis, it was found that Corporate Social Responsibility had no effect on financial distress. This means that the higher or lower the CSR disclosure made by the company will not affect financial distress. CSR disclosure does not affect financial distress because whatever the amount of CSR disclosed, the characteristics of CSR disclosure are more of a company obligation. CSR disclosures by companies tend to be more related to ethical and operational legality considerations. The results of this research are in line with research conducted by Safitri and Nurcahyono (2024) which found that Corporate Social Responsibility had no effect on tax avoidance.

VI. CONCLUSION

Conclusion

Based on the research discussion that has been carried out by the author in the research entitled the effectiveness of the implementation of good corporate governance and corporate social responsibility on financial distress, it can be concluded that:

1. Good corporate governance has a negative effect on financial distress.
2. Corporate Social Responsibility has no effect on financial distress.

Suggestions

Based on consideration of the analysis results and conclusions described above, the author provides the following suggestions:

1. Other researchers who will conduct research on the same topic are advised to add other possible independent variables such as factors that influence financial distress.
2. Future researchers are advised to have a longer research period using different samples so that one company can be compared to another.
3. To prevent the risk of bankruptcy, companies are expected to pay more attention to the factors that determine the occurrence of financial distress.

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The author realizes that this writing is still far from perfect, so the author hopes to receive suggestions and corrections. The author also hopes that the results of this study can contribute to the fields of accounting and economics and can be used as a reference for further research.

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