

# Corporate Governance and Firm Performance During Covid-19

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**Abstract**— In addition to analyzing the impact of the Covid-19 pandemic on corporate governance and business performance, this study also looks at how governance and performance relate to pandemics. The qualities of the board of directors and audit committees try to compensate governance. The return on assets and equity (ROA and ROE) measure performance. The hypotheses were tested using SPSS. Paired sample t-test shows the pandemic covid-19 does not affect directors' size and independence, ROA, and ROE. Pandemic has no effect on the leverage on ROA and ROE.

**Keywords**— ROA, ROE, Board of Directors, Number of Committee Audit.

## I. INTRODUCTION

Covid-19 pandemic spread from China to different countries Impacting the world since 2019. The pandemic has had a pretty big impact Global health and business economics, especially in terms of performance Business accompanying the implementation of lockdown regulations and Main social restrictions[1]. The impact of this pandemic has also been documented in the stock market, financial sector, employment sector and other sectors [2]. The company's performance has been declining since February, worsened in March 2020 when the first cases of Covid-19 emerged presented in Indonesia [3]. Research on the impact of the pandemic on businesses openings are still very limited. Previous Relationship Studies characteristics of the Board of Directors, Audit Committee, and Company Performance raise many different arguments. [4] the prior study shows that board characteristics make a big difference about company performance. Another discussion explains that [5] Characteristics of the Board of Directors affect business performance. This is due to the effectiveness of the Management Committee. Slack, create a gap between the board Enforcement due to the economic situation of the country.

The study aims to examine the impact of the pandemic Governance and performance of registrants in the consumer goods industry in Indonesia. The dependent variable in this study is company performance measured by Return on Assets and Return on Equity (ROA and ROE). Company performance is the result of user interaction Resources and the results of their use in business processes Can reflect company performance to reach the business Goals [6]. Company performance can be measured by financial or non-financial information, or Market-based and accounting-based performance [7]. This study uses financial information for measurement corporate performance, i.e., rate of return by tier Return on Assets (ROA) and Return on Equity (ROE). ROAs is the rate of return used to measure

the amount of profit. Companies use economic resources to create or own property [8]. ROE is a rate of return that reflects a company's performance generate profits by leveraging shareholders' equity Stocks [9]. The impact of the pandemic on corporate governance is also evident on previous study [10] Researchers found this to be by the company. Rationalization of management according to the economic situation Uncertainty during a pandemic. higher economic risk the pandemic has brought changes to businesses too in governance structures for corporate sustainability [11][12]. The role of corporate governance is Crisis in corporate-dominated East Asia Good companies have better market performance [13]. From the above explanation, the hypothesis is formulated as:  
H1: Covid-19 has had a significant impact on how the company's performance affects his ROA.  
H2: Covid-19 has had a significant impact on the impact of company performance on ROE.

## II. LITERATURE REVIEW

One of the most serious issues facing the globe now is pandemics covid-19. Environment, business, and economy demand consideration even at this early level. Government size and the coronavirus are the causes of uncertainty. It is apparent that the impact of the epidemic's economic collapse goes beyond merely health outcomes, countries suffer severe effects and high demand. Because COVID-19 is contagious, the government implements blocking measures overall corporation performance. Corporate governance as the mediation part between the principle and the management for reducing the conflict of two parties. Corporate governance has two factors from internal and external mechanisms have function on monitoring the activities of firm [14]. Internal mechanisms of corporate governance have the objective on control the operational of firm[14]. The internal mechanisms including the board of directors and the number of audit committee

### *The Audit Committee*

The audit committee can be represented by a committee that works professionally and independently which functions to oversee and ensure GCG practices [15],[15] Referring to this definition, an audit committee has several functions and responsibilities. Firstly, monitoring the mechanisms for shareholders to avoid accounting scandals by controlling the accuracy of financial reporting. Some previous accounting scandals include Enron, World Com, Paramalat, and in Australia HIH and One Tel. Secondly, the audit committee must

monitor accounting practices and accounting policy to avoid financial risk. Thirdly, the audit committee is responsible for hiring the external auditor; and, fourthly, the audit committee has to understand the internal auditing processing and practices [15]. Prior studies found that the audit committee, as part of corporate governance practice, can increase the monitoring of management and reduce information asymmetry problems [16].

ANOVA <sup>a</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1777.692	2	888.846	2.173	.131 <sup>b</sup>
	Residual	12679.650	31	409.021		
	Total	14457.343	33			
a. Dependent Variable: ROE						
b. Predictors: (Constant), AUDIT, DIRECTORS						

**Board of Directors**

Due to the importance of the role of the BOD to the organisations, its personality characteristics, demographics characteristics, values and competencies have been extensively studied in the last few decades. However, the literature has found inconclusive results of the relationship between boards of directors and firm performance. The BOD has two essential characteristics, the number of independent board members and the size of the board. The independent board members come from board of commissioner’s members who are from outside the company, which does not relation with other members or management [17]. On the other hand, some empirical studies have found that board size has positive a relationship with firm performance [18] and market-based company performance [19].

**III. RESEARCH METHODS**

This quantitative study used 50 manufacturing companies listed on the Indonesian Stock Exchange (IDX) from 2019 to 2021. These companies were selected using a targeted sampling method. The selection criteria are companies that have been in the manufacturing industry since 2019 and have issued an audited annual financial report from 2019 to 2021. The data is obtained from the website www.idx.co.id or the annual report downloaded from the company's official website.

**IV. FINDINGS RESEARCH**

SPSS was used to analyze the data, yielding the results shown in the table below:

Board of Directors, Committees, and Number of Audits to ROA (2019)

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	AUDIT, DIRECTORS <sup>b</sup>		Enter
a. Dependent Variable: ROA			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.272 <sup>a</sup>	.074	.014	7.07843
a. Predictors: (Constant), AUDIT, DIRECTORS				

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.705	5.465		.678	.503
	DIRECTORS	-1.578	1.062	-.258	1.485	.148
	AUDIT	1.157	1.674	.120	.692	.494
a. Dependent Variable: ROA						

Board Of Directors and Number of Comitte Audit to ROE (2019)

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	AUDIT, DIRECTORS <sup>b</sup>		Enter
a. Dependent Variable: ROE			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.351 <sup>a</sup>	.123	.066	20.22427
a. Predictors: (Constant), AUDIT, DIRECTORS				

ANOVA <sup>a</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	1777.692	2	888.846	2.173	.131 <sup>b</sup>
	Residual	12679.650	31	409.021		
	Total	14457.343	33			
a. Dependent Variable: ROE						
b. Predictors: (Constant), AUDIT, DIRECTORS						

Board Of Directors and Number of Comitte Audit to ROA (2021)

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	AUDIT, DIRECTORS <sup>b</sup>		Enter
a. Dependent Variable: ROA			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.296 <sup>a</sup>	.087	.029	5.48230
a. Predictors: (Constant), AUDIT, DIREKTUR				

ANOVA <sup>a</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	89.279	2	44.640	1.485	.242 <sup>b</sup>
	Residual	931.724	31	30.056		
	Total	1021.003	33			
a. Dependent Variable: ROA						
b. Predictors: (Constant), AUDIT, DIRECTORS						

Board Of Directors and Number of Comitte Audit to ROE (2021)

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	AUDIT, Directors <sup>b</sup>		Enter
a. Dependent Variable: ROE			
b. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250 <sup>a</sup>	.063	.002	24.39978
a. Predictors: (Constant), AUDIT, DIRECTORS				

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1233.794	2	616.897	1.036	.367 <sup>b</sup>
	Residual	18455.833	31	595.349		
	Total	19689.627	33			
a. Dependent Variable: ROE						
b. Predictors: (Constant), AUDIT, DIRECTORS						

Based on the results shown that the relationship of the number audit committee has not significant impact on firm performance during the pandemic covid 19. This indicates the amount of the audit committee not yet effective on monitoring of firm due to have some different on make decision. This study contradicts with the theory. The proxy of firm performance is return on asset (ROA) dan return on equity (ROE) both has not significant impact toward the number audit committee member in Indonesia Companies during covid 19. The other variable of corporate governance is board of director. It can be seen in results that the number of boards has not correlation impact on ROA and ROE as the proxy's firm performance. This result implies the economic decrease during covid 19 become main factors for the sustainability of firm. It means the economic growth one of the factors to increase company performance.

### V. CONCLUSION

The aim of this study is to examine the relationship of corporate governance toward firm performance as use the measure of return on asset and return on equity. The elements of corporate governance which are the number of audit committee and the number of board has not significant impact to influence company performance.

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