American International Journal of Business Management (AIJBM)
ISSN- 2379-106X, www.aijbm.com Volume 5, Issue 02 (February-2022), PP 01-05

LITERATURE REVIEW: ANALYSIS OF THE INFLUENCE OF GOOD CORPORATE GOVERNANCE AND COMPANY RISK MANAGEMENT ON THE PERFORMANCE OF COMPANY VALUE IN INDONESIA DURING THE COVID-19 PANDEMIC

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Abstract: By examining the company's performance, both internal and external stakeholders can determine how well the organization accomplished its objectives. The performance of this business cannot be disentangled from the influence of Good Corporate Governance (GCG) and risk management. The purpose of this study is to investigate and analyze the impact of GCG and enterprise risk management (ERM) disclosure on the performance of Indonesian companies. This study employs qualitative research in conjunction with a literature review or a method of literature review. The researchers identified 12 peer-reviewed journal articles related to the research topic over a three-year period during the COVID pandemic (2019-2021) and then explained them in a comprehensive analytical descriptive manner. The findings indicated that 90% of scientific research indicated that GCG and risk management had a significant impact on business performance. The researcher concludes that the influence of GCG and ERM can improve the performance of the business, both as proxied by other variables and as the dependent variable.

Keywords: ***Good Corporate Governance, Risk Management, Company Performance, Indonesia, COVID-19 Pandemic***

I. INTRODUCTION

At the moment, the pandemic caused by COVID-19 has brought the world to a halt, both in terms of human life and economic activity. When human health and soul are at stake, the public must adapt to the Indonesian authorities, who have implemented a national quarantine (lockdown) policy and imposed broad social restrictions in order to break the COVID-19 spread chain (Harahap et al., 2021). This policy has the effect of restricting people's mobility and movement, resulting in psychological and economic shocks. Meanwhile, economic shocks slowed production, consumption, and overall operational activities (Yamali& Putri, 2020).

Industrial development has been rapid in developing countries such as Indonesia. One way to view this is through the lens of Indonesia's rapid growth in manufacturing and services. When a business is run properly, its primary objective is to increase the value of its shares and of its owners or shareholders. Internal and external parties can determine the effectiveness of the company's performance by examining its financial statements. Alviansyah and Adiputra's (2021) research demonstrates the importance of enforcing a policy that regulates corporate management in order to minimize conflicts of interest between managers and shareholders. A sound corporate governance mechanism must be capable of resolving agency conflicts. By implementing a system of sound corporate governance (Good Corporate Governance / GCG), investors are encouraged to invest their money in the business. There are numerous ways for businesses to demonstrate good GCG, one of which is risk management. However, the most critical way is through improved company performance (Alviansyah&Adiputra, 2021).

Corporate governance and risk management have become critical topics for a wide variety of business lines throughout the world, including Indonesia, as a result of their interactions with stakeholders. As such, the objective of this study is to determine whether corporate governance and risk management have an effect on a business's financial performance. Risk management is inextricably linked to corporate governance in its entirety. As a result, it becomes critical for the board of directors to assume primary responsibility for risk management, as risk management can have an effect on the performance value of the company (Rehman et al., 2021).

As such, this study will examine and analyze the effect of GCG and risk management on the performance of Indonesian businesses, with a particular emphasis on journal research conducted during the 2019-2021 pandemic.

II. LITERATURE REVIEW

Company Value and Performance

The term "firm value" refers to the price at which investors are willing to part with their capital (Prasetyorini, 2013). Increased owner and shareholder welfare can be reflected in higher market share prices (Iswajuni et al., 2018). Increases in market share prices are also inextricably linked to the performance of the business. To survive, the company's performance must be monitored and analyzed, one of which is through the financial side of the financial statements (Ariantika&Geraldina, 2019). A company's performance is the managers' responsibility to its shareholders (Gunawan, 2013). When it comes to enhancing company performance, managers frequently implement strategies to ensure proper financial statement maintenance. Company performance is defined as a business's ability to demonstrate its capabilities through its financial statements (Diana L, 2020).

Good Corporate Governance (GCG)

To achieve good governance, it is necessary to reform the bureaucracy's attitudes and behavior toward the public interest and the community (Njatrijani et al., 2019). A business has numerous stakeholders, including creditors, suppliers, trade associations, consumers, employees, governments, and the broader community. Corporate governance is a system and structure for managing a business in such a way that shareholder value is maximized and all stakeholders are accommodated. GCG can be defined as actions taken to improve the welfare of stakeholders and to increase the company's profit on the basis of these explanations (Kurnia et al., 2020).

Enterprise Risk Management (ERM)

ERM is occasionally referred to as evolution, a process that can take years to become codified and consistently practiced. There is a continuous search for best practices in this perspective, which will eventually result in the collection of concepts and practices that will shape ERM. ERM is composed of two parts: risk management and risk aggregation. The Board of Directors adopts risk governance on behalf of shareholders to address agency risk management issues (Jankensgrd, 2019). According to COSO's research (Iswajuni et al., 2018), enterprise risk management is a process influenced by management, the board of directors, and other personnel and used to determine strategy and cover the entire organization in order to identify potential events. to exert influence over the organization, manage risk, and provide reasonable assurance about the organization's achievement of its goals.

III. METHOD

This study uses qualitative research with a literature review or literature review method. Researchers found 12 *peer-reviewed* journal articles within a period of 3 years (2019-2021) that were in accordance with the research topic and were reviewed by researchers using tables to obtain holistic findings. This study is then described in an analytical descriptive manner by providing a comprehensive description of the analysis of the influence of GCG and ERM on the value of company performance in Indonesia.

IV. RESULTS AND DISCUSSION

Results

Table 1. Analysis of the Effect of GCG and ERM on Company Performance Values in Indonesia

No	Author's Name and Year of Publication	Method	Results
1	(Yuliyanti, 2019)	Quantitative	The results of the study show that GCG has a significant positive effect on firm value.
2	(Pradana&Astika, 2019)	Quantitative	Firm size variables and the implementation of GCG have a positive effect on firm value.
3	(Lastanti& Salim, 2019)	Quantitative	GCG which is proxied by managerial ownership partially has a positive and significant effect on firm value.
4	(Wati et al., 2019)	Quantitative	GCG is not able to moderate the relationship between performance and firm value.
5	(RACHMATUS SOLICHAH, 2019)	Quantitative	The results showed that ERM disclosure had a positive effect on firm value.
6	(Yuliusman& Kusuma, 2020)	Quantitative	GCG affects the value of the company with the value of the company.

7	(Utami&Yusniar, 2020)	Quantitative	GCG has a positive and significant effect on firm value.
8	(Kurniawanto&Widarno, 2020)	Quantitative	The results showed that GCG and ERM contributed significantly to firm value.
9	(Setiarini et al., 2020)	Quantitative	GCG which is proxied by the board of directors (DD), board of commissioners (DK), managerial ownership (KM), return on assets (ROA) has an effect on firm value.
10	(Listiani&Ariyanto, 2021)	Quantitative	The results showed that ERM disclosure had a positive and significant effect on firm value.
11	(Maknuun et al., 2021)	Quantitative	GCG and ERM both affect the company's financial performance.
12	(Ivan &Simatupang, 2021)	Qualitative	The influence of ERM on the value of financial or non-financial companies.

Source: Processed by researchers, 2021

V. Discussion

According to the table above, 95% of scientific studies demonstrate that GCG and ERM have a significant impact on a company's performance value. Globalization and competition have prompted many regions to prioritize values that advance people's welfare and progress in economic, social, and political spheres, while also taking into account environmental developments in business and business activities. Due to the sluggish economy during COVID-19, researchers believe that each country requires business entities to manage its potential. Every business aspires to be the best. Superior performance is inextricably linked to the well-being of its employees and, indeed, to the welfare of society in general. However, many businesses in Indonesia continue to lack the initiative and motivation to improve their performance through the application of sound corporate risk management and governance principles.

In an increasingly competitive business world, a company's ability to maximize shareholder prosperity through increased company value is becoming increasingly important. Company value is the market value that will maximize shareholder prosperity if the company's share price continues to rise. Numerous factors can affect a company's value, including enterprise risk management and sound corporate governance. A company is considered superior if it is capable of making broader disclosures, as this demonstrates that it is capable of applying the principle of information disclosure or transparency.

According to Yuliyanti's (2019) research, stakeholders believe that disclosing their performance equates to announcing good news for the market, which is consistent with the discretionary disclosure theory. As a form of sound corporate management, sound corporate governance can also safeguard the interests of shareholders (the general public) as owners and creditors (external investors) as the company's external financiers. According to the research (Lastanti& Salim, 2019), they added that effective protection for shareholders and creditors is achieved by ensuring that management makes every effort to serve the company's interests. GCG, as proxied by managerial ownership, has a significant positive effect on firm value.

ERM disclosure is information about the company's risk management practices and their impact on the company's future. According to the study's findings in Table 1, ERM disclosure had a positive effect on firm value. According to research (Kurniawanto&Widarno, 2020), (Listiani&Ariyanto, 2021), and (Maknuun et al., 2021), Enterprise Risk Management (ERM) can add value to businesses by assisting management in controlling a variety of risks caused by changing conditions. by integrating all types of risks that arise through the use of integrated tools and techniques and then coordinating activities from risk management to all operating units within an organization in order to minimize all types of risks. Additionally, (Ivan &Simatupang, 2021) explained that the implementation of Enterprise Risk Management (ERM) is viewed positively by investors, as the positive response can result in added value for the business. In addition, Enterprise Risk Management (ERM), according to research results, is influenced by other control variables such as firm size, ROA, and managerial ownership on firm value.

VI. CONCLUSION

According to the table above, 95% of scientific studies demonstrate that GCG and ERM have a significant impact on the performance value of a business. Globalization and competition have compelled many regions to prioritize values that advance human welfare and progress in economic, social, and political spheres, while also keeping up with environmental developments in business and business activities. Due to the slow economy experienced during COVID-19, researchers believe that each country requires a business entity to manage its potential. Each organization strives to be the best. Superior performance is inextricably linked to employee well-being and, of course, to the well-being of society as a whole. Nevertheless, many businesses in

Indonesia continue to lack the initiative and motivation to improve their performance through the application of risk management principles and sound corporate governance. Firm value is the market value at which the company's stock price will maximize shareholder wealth if it continues to rise. Numerous factors, including risk management and good corporate governance, can influence a company's value. When a business is able to make broader disclosures, it demonstrates that it understands and adheres to the principle of information disclosure or transparency. The researcher concludes that the influence of GCG and ERM can improve the performance of a business, both as proxied by other variables and as the dependent variable.

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