

IJEBA: International Journal of Economic, Business and Applications

p-ISSN: 2477-1244, e-ISSN: 2477-1236

DOI: <https://dx.doi.org/10.31258/ijebe.5.1.83-97>

Received: March 4th 2020; Accepted: May 30th 2020

The Effect of Corporate Social Responsibility and Good Corporate Governance on Firm Value with Financial Performance as the Mediation Variable

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Abstract: *The idea behind corporate social responsibility (CSR) is that companies not only have economic and legal obligation to shareholders but also obligations to stakeholders. Social responsibility (CSR) has close links with good corporate governance, like two sides of a coin; both have a strong foothold in the business world. The aim of this research was to analyze corporate social responsibility and good corporate governance to financial performance that influence the value of manufacturing companies sector basic industry and chemicals in 2015-2017, listed on the Indonesia Stock Exchange. The results of this study stated that Corporate Social Responsibility has a positive effect on financial performance; Good Corporate Governance does not affect financial performance. Corporate Social Responsibility has a positive effect on company value. Good Corporate Governance has a positive effect on company value. Financial performance has no effect on firm value. Financial performance does not mediate the relationship between Corporate Social Responsibilities to firm value. Financial performance does not mediate the relationship between Good Corporate Governance and firm value.*

Keywords: *Financial Performance, Firm Value, Corporate Social Responsibility, Good Corporate Governance*

Introduction

Indonesia is one of the developing countries in the world. This is proven by the development in every sector, including economy. The improving economy in Indonesia has created a passion for entrepreneurs to manage their company in Indonesia. One of the management that must be considered is the financial problem that is important for the company's performances. The company's finance is related to the source of fund and its usefulness. The more efficient the use and the management of funds, means the better for the company. To make the funds in the company can be fulfilled adequately, so the company should manage and determine the proper source of funds. Source of funds can be chosen or determined whether from internal sources or external sources.

In 2016, manufacture company has a big contribution on the gross domestic product (GDP) growth is 20.5% then the agricultural sector 13.5% trade and car reparation sector 13.2% and the construction sector 10.4%. However in 2017, GDP growth was actually contributed by sectors which the contribution relative small. Information and communication sector which grew 9.1% only contribute 3.6% on GDP, then transportation and warehousing sector which grew 7.6% only contribute 5.2% on GDP. Agriculture sector grew 7.1%, constructor sector grew 6.3% above the GDP growth, while the manufacture sector only grew

4.2%, the cars and motorcycle reparation and trade sector only grew 4.7% (Badan Pusat Statistik, 2017).

Table 1. GDP Growth per Sector in the First Quarter of 2017

Sectors	2011	2012	2013	2014	2015	2016	2017*
Manufacturing Industry	6.26	5.62	4.37	4.65	4.33	4.29	4.21
Agriculture, Forestry, & Fishery	3.96	4.59	4.20	4.24	3.77	3.25	7.12
Wholesale & Retail Trade, Cars & Motorcycles Reparatons	9.66	5.40	4.81	5.18	2.59	3.93	4.77
Contraction	9.02	6.56	6.11	6.97	6.36	5.22	6.26

Source: BPS 2017

Table 1 explains that although it continues to decline, the role of manufacturing sector in GDP still being the highest, 20.5% in 2016. However, if it is seen from the manufacturing sector continues to decline from 6.26% in 2011 to 4.21% in 2017. In 2017, Indonesia's economy succeed to get through the turmoil in global financial and is in good position to overcome the challenges in the future that can have an effect on the growth. The government is optimistic that the economy growth will be better than 2016 reaching 5.2%-5.3%.

In measuring the company performance, investors usually look at the financial performance that reflected in several of ratio. *Return on Equity* (ROE) and *Return on Asset* (ROA) is the example of the important indicator that commonly used by the investors to measure the level of the company's profitability before doing investment. Another research on factors that affect the firm value is conducted by (Cahyaningdyah, D., & Ressany, 2012). Among these factors are investment policy, funding policy, and dividend policy.

Lately, many companies are more aware the importance to apply the Corporate Social Responsibility (CSR) program as the part of their business strategy. According to (Yuniasih & Wirakusuma, 2009), accountability can be fulfilled and the asymmetry information can be reduced if the company reports and ravel their CSR activities to the stakeholders.

Corporate Social Responsibility (CSR) is also one of the information that must be included in the company's annual report as stated in RI law No.40 of 2007 about social and environmental responsibility that obligate companies whose business activities in the fields and or related with natural resources are required to carry out the social and environmental responsibility. With a strong legal basis, CSR disclosure in the company's annual report was originally only voluntary disclosure which is disclosure that is not required by regulations to be mandatory disclosure.

CSR activities are the presentation of the company has made in the company's annual report. There are two types of CSR, which is compulsory (mandatory) disclosure of information that is required to be done by the company based on certain rules or standards, and there is a voluntary, which is an additional disclosure from the company. Social disclosures made by the company are generally voluntary, unaudited, and unregulated (not influenced by certain rules). CSR in Indonesia, has been arranged by the Indonesian Institute of Accountants (IAI), the Statement of Financial Accounting Standards (SFAS) Number 1 Paragraph 9, which states that "The Company may also present additional statements such as statements regarding the environment and report value added, especially for industries where environmental factors play an important role and the industry that considers employees as a group users report that plays an important role". In addition, social responsibility disclosure is also contained in the decision of the Chairman of the Capital Market Supervisory Agency Number 38/PM/1996 Regulation VIII.G.2 of the Annual Report (Murwaningsari et al., 2009). This regulation contains

the freedom of companies to disclose their CSR for not misleading and contradictory. The basis of GCG is the Financial Services Authority circular number 32/SEOJK.04/2015 which is on the guidelines for public company governance. There are 5 aspects of public company governance that is (1) public company relations with the shareholders in guarantying the rights of shareholders (2) functions and roles of the board of commissioners, (3) functions and roles of the directors, (4) participation of stakeholders, and (5) information disclosure.

(Tumirin, 2007)states that the implementation of GCG will affect the achievements of the company value. Company must certainly ensure to the investors that the funds they invest in financing, inviting, and company's growth are used appropriately and responsibly as well as ensuring that the management acts best for the benefit of the company. The implementation of GCG can be encouraged by two sides, which are ethics and regulations.

Based on the explanation above there are inconsistencies from the result of previous studies and also a different phenomenon between the theories and the facts that occur in manufacturing companies in Indonesia conducted a research with title "The Effect of Corporate Social Responsibility and Good Corporate Governance on the Firm Value with Financial Performance as the Mediation Variable (case study in Manufacturing Companies in the period 2015-2017)".

Literature Review

An agency relationship is defined as one in which one or more persons the principal(s) engages another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (Jensen, M. C., & Meckling, 1976). It can be said in the agency relationship there is a contract where one or more people (agent) to perform a service on behalf of the principals and gives authority to the agents to make the best decision for the principals.

Since the 1930s, scholars have studied firms' social performance. In line with stakeholder theory, CSR is broadly understood from distinct stakeholders' perspectives suggesting that firms must create value not only for their shareholders but also for other stakeholders, including, customers, employees, investors, suppliers, and their communities (Freeman, 1984), and CSR activities lead firm to maintain positive relationships with their diverse stakeholders(Epstein & Roy, 2001).

This theory is based upon the notion that business operates in society via a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival. It therefore needs to disclosure enough social information for society to assess whether it is a good corporate citizen. In legitimising its actions via disclosure, the corporation hopes ultimately to justify its continued existence (Lehman, 1983). This theory is largely reactive in that it suggests that organisations aim to produce congruence between the social values inherent (or implied) in their activities and societal norms (Lindblom, 1983). Corporate social disclosures may then be conceived as reacting to the environment where they are employed to legitimise corporate actions.

Financial performance was one factor that shows effectiveness and efficiency of an organization in order to achieve its objectives. Effectiveness was achieved when management has ability to choose right destination or an appropriate tool to achieve those objectives. Efficiency was defined as the ratio (ratio) between input and output was with certain inputs to obtain the optimal output (Pertiwi & Pratama, 2011).

The value of the investors' assessment of the company is linked to the market value. The market value of the company is the market value of all equity firms with no dividends similarity expected cash flows before taxes plus the effect of the tax value of the expected

dividends and interest payments (Fama & French, 2007). The value of the firm can also be measured using Tobin's Q. This ratio indicates the current estimate of the financial markets on the value of the return on each dollar of incremental investment. Profits that give a higher value than the investment expenditure will produce one on this q-ratio. This number indicates that investment in new assets is increasing. Economics theory states that the q-ratio greater than one will attract new investment and competition to the q-ratio that close to one (Herawaty, 2008).

One tool for conducting a self assessment of Good Corporate Governance was developed by FCGI (Forum for Corporate Governance in Indonesia). The tool is in the form of a set of questionnaires that can be filled out by the company itself and then the company gives an objective assessment or score for the answers.

The main objective of the establishment of the FCGI is to socialize the principles and regulations of Good Corporate Governance to the business activities in Indonesia. In order to carry out these main objective, FCGI collaborates with Asian Development Bank (ADB) has developed a self assessments a tool to measure the implementation of Corporate Governance in every companies in Indonesia. The self assessment is in form of a questionnaires is called as Corporate Governance Self Assessment Checklist.

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Framework of Thoughts and Hypothesis Development for the Effect of Corporate Social Responsibility on Financial Performance

When a firm engages in CSR in an inconsistent manner, its financial performance suffers. This finding is a warning to firms that dress up their operations with occasional CSR activities. Stakeholders do not perceive such token gestures as genuine and thus, the expected benefits rarely materialize. To make matters worse, an inconsistent approach disrupts the learning process, and long inactive periods hurt the firm's ability to absorb CSR knowledge. Finally, because the company's financial performance suffers as a result of these sporadic, potentially half-hearted forays into CSR, its managers are conditioned to avoid full-scale commitment to CSR, as their experiences teach them— falsely — that CSR hurts financial performance. Thus, 'bad' firms have little hope of ever engaging properly in CSR and enjoying the benefits of well-managed CSR. Managers seeking to help their bottom line should grasp the nettle firmly and engage full-throttle and constantly in CSR. Anything less may worsen the performance(Tang et al., 2012). Based on the explanation above described previously, the following hypothesis formulated:

H1: Corporate Social Responsibility affects the financial performance

The effect of Good Corporate Governance on Financial Performance

Good Corporate Governance formulated in (Khotimah & Wuryanti, 2015) in his book entitled *Corporate Governance and Accountability*, which is Corporate Governance is a system of supervision and balance both the internal or the external to the company, that ensures the companies will carry out their obligations to the parties who have an interest with the company (stakeholders) and act with social responsibility in every fields of the concerned company's business. Based on the explanation above described previously, the following hypothesis formulated:

H2: Good Corporate Governance affects the Financial Performance

The Effect of Corporate Social Responsibility on the Firm Value

Many arguments stated that excessive investment in CSR activities would lead to a negative influence on the value of the firm because the CEO and directors have a primary motivation for doing CSR in order to get a reputation. This led to a conclusion that CSR activities of the company are just wasting the company resources. The company should be able to allocate the funds in the company's operations that can give more profit for CSR activities (Rubin, 2010).

Iturriaga & Crisóstomo (2010) is also proved that CSR has a negative effect on firm value in Brazil. In contrast, the study of Servaes found that CSR has a positive relationship with firm value for companies whose customers have a high awareness of their product. Another study said the company's involvement in CSR activities could increase the value of the firm (Jo, H., & Harjoto, 2011). The conflicts between stakeholders and corporate managers can be solved through the implementation of CSR activities. The right communication will help the stakeholders to accept the manager's decisions about CSR activities and help them to understand that CSR activities will give a positive effect to the company's sustainability efforts.

H3: Corporate Social Responsibility affects the Firm Value

The effect of Good Corporate Governance on the Firm Value

Agency costs represent important issues in corporate governance in both financial and nonfinancial industries. The separation of ownership and control in a professionally managed firm – one source of agency conflicts – may result in managers exerting insufficient work effort, indulging in perquisites, choosing inputs or outputs that suit their own preferences, or otherwise failing to maximize firm value. In effect, the agency costs of outside ownership equal the lost value from professional managers maximizing their own utility, rather than the value of the firm (Berger & Bonaccorsi di Patti, 2006).

Good Corporate Governance is a set of research by (da Silveira et al., 2007) finding that the CG quality influences on the regulations that secede the relationship between the shareholders, management, creditors, government, employees and other internal and external stakeholders that related on their rights and obligations, or in another words system that directs and controls the company. Corporate governance is the guidelines for the manager to manage the company in best practice. Based on the explanation above described previously, the following hypothesis formulated:

H4: Good Corporate Governance affects the Firm Value

The Effect of the Financial Performance on the Firm Value

According to Herawaty (2008) "If the Q ratio is above one, it indicates that the investments in assets earn profits that gives a higher value then the investment expenditure. It will stimulate a new investment. Conversely, if the Q ratio is below one, investing in assets is not attractive."

ROE was considered important for investors. The higher the ROE then the higher returns they received. They get better assess company that will ultimately enhance shareholder value. Higher ROE affect on higher company value. This study shows that stock price and number of shares outstanding received greatest effect of ROE. This study supports (Cho & Pucik, 2005). Based on the explanation above described previously, the following hypothesis formulated:

H5: Financial Performance affects the Firm Value

Financial Performance mediates the relationship between Corporate Social Responsibility on Firm Value

CSR can signal to important stakeholder groups that firms participating in socially responsible activities are willing to act altruistically or at least not completely in their own self-interest (Carnahan et al., 2010). Because of its voluntary nature, CSR helps improve firm social conditions when stakeholders recognize such signal (Mackey et al., 2007).

CSR is able to provide additional information regarding social and environmental responsibility that has been carried out by the company which is also will influence in the decision making. CSR requires companies to be accountable to the stakeholders and report the accountability that has been done by the company.

The firm value will be guaranteed to grow sustainable if the company pays attention on economic, social and environmental dimension because sustainability is a balance between economic, social and environmental interest. This dimensions found in the implementation of corporate social responsibility that carried out by the company as a form of responsibility and care on the environment around the company. Based on the explanation above describe previously, the following hypothesis formulated: H6: Financial Performance mediates the relationship between the Corporate Social Responsibility on the Firm Value

Financial Performance mediates the relationship between Good Corporate Governance on the Firm Value

Signal theory states that the company gives signals to the external parties in order to increase the firm value. In addition to the required financial information, the company also makes a voluntary disclosure. Agency Theory discusses the relationship between the principles (shareholders) and agent (management). One of the most important indication concerns on the company's financial policies, especially on two choices whether to use debt or own capital (equity) to finance the business activities (Prasetyantoko, A., & Rachmadi, 2008).

This research uses the disclosure of financial performance as the intervening variable with the thought that the company's financial performance will give a positive appreciation that is indicated by the increasing in the achievements of the company stated in percentage. This increase will cause the firm value also increase. Based on the explanation above described previously, the following hypothesis formulated:

H7: Financial Performance mediates the relationship between Good Corporate governance on the Firm Value

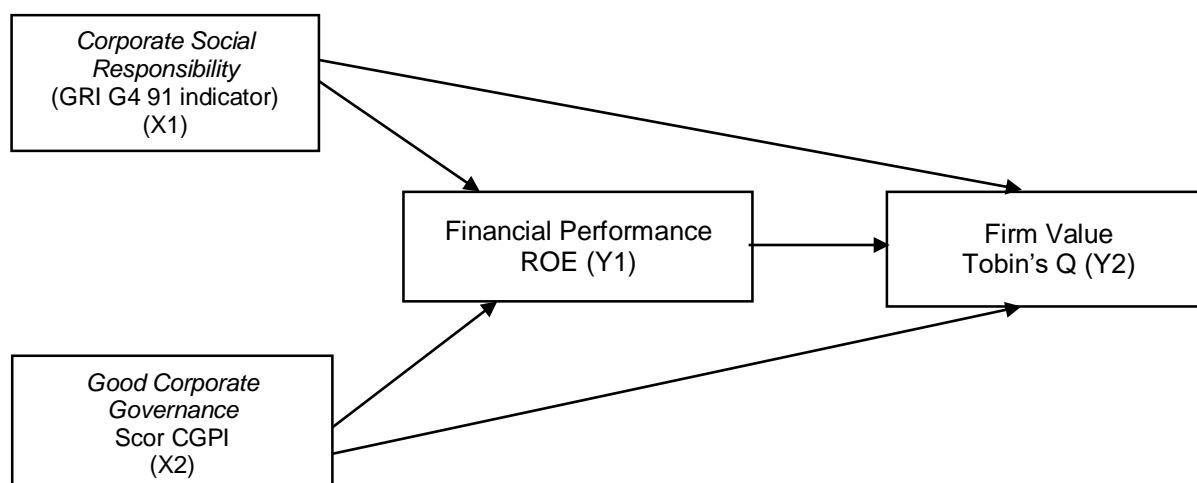


Figure 1. Research Model

Methodology

The selected populations for this study are industrial and chemical manufacturing companies that listed on the Indonesia Stock Exchange and have a complete financial report during the period of 2016-2017 with total 71 companies. The sample selection is done by purposive sampling method, so can find a sample of 60 companies.

This research is a type of quantitative research, which is the data in the form of number and can be to analyze using statistical calculation method. The source of the data used in this research is secondary data that obtained from the annual report and the financial audit report of industrial basic and chemical manufacturing companies in stock exchange (BEI) in 2016-2017.

Firm Value

Measuring the firm value is using Tobin's Q method which was developed by James Tobin. Tobin's Q is calculated by comparing the ratio of market value of the company's stock with the book value of the company's equity (Budiharjo, 2019).

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Description:

- Q : firm value
- EMV : market value of equity
- EBV : book value of total assets
- D : book value of total debts

Financial Performance

The Financial Performance is measured with ROE. Profitability (ROE) is the factor that makes the management free and flexible to express social responsibility to the shareholders (Qiu et al., 2016).

The following formulation and the ROE calculation:

$$ROE = \frac{\text{Earning after tax}}{\text{Equity}}$$

Corporate Social Responsibility

CSR obtained from the company's annual report. The list of social disclosures used are list of items that refer to previous researchers that is research that conducted by Nurlela and Islahuddin (2008) with four themes that are measured by using dummy variable with score 0 if the company does not disclose the items on the questionnaire. The Score 1, if the company discloses the items on the questionnaire. If the company discloses the CSR activities in full then the maximum value achieved is 91. The CSRI calculation formula is as follows:

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

Description:

$CSRI_j$: CSRI company j

n_j : Total items for company j, $n_j = 91$ (maximum score)

$\sum X_{ij}$: Total number of CSR disclosures by the company.

Good Corporate Governance

The method used to create the corporate governance index is by applying unweighted index using dichotomous value, which is 5 for items disclosed and 0 for the undisclosed items. The disclosure items used in this study were taken from FCGI. These items are classified into 5 that are the rights of the shareholders, corporate governance policies, corporate practices, and how far the company discloses the information about corporate governance.

$$CGPI = \frac{\text{total skor of the item dislosed}}{\text{maximum score of CGPI}}$$

Result and Discussions

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GCG	180	45.60	93.33	64.1118	9.82227
CSR	180	.11	1.08	.2799	.09563
ROE	180	-964.36	148.24	-2.1055	79.98110
Tobin's Q	180	-2.92	6.55	1.2248	1.07115
Valid N (listwise)	180				

Source: *processed data, 2019*

A description of research variables is presented in a descriptive statistical table in table 1.

Table 2. Model Fit and Quality Indexes

Model Fit and Quality Indices	Index	P-value	Criteria	Statement
Average path coefficient (APC)	0,130	P = 0,019	P < 0,05	Accepted
Average block VIF (AVIF)	1,051	≤ 5 and ideally ≤ 3,3		Accepted
Sympson's paradox ratio (SPR)	1,000	≥ 0,7 and ideally = 1		Accepted
Statistical suppression ratio (SSR)	0,800	≥ 0,7		Accepted
Nonlinear bivariate causality direction ratio (NLBCDR)	0,900	≥ 0,7		Accepted

Source: *processed data, 2019*

In the table 2 above, it can be seen that the average path coefficient (APC) is 0.130 with p-value = 0.019 < 0.05 which means that the research model has a good fit. Then the average variance inflation factor (AVIF) is 1,051 < 3.3 which means that there is no multicollinearity problem between the indicators and exogenous variables. For the symson's paradox ratio (SPR) index is valued of 1.000 > 0.70; statistical suppression ratio (SSR) is valued of 0.800 > 0.7 and nonlinear bivariate causality direction ratio (NLBCDR) is valued of 0.900 > 0.70 which means that there is no causality problem in the model.

The value of average path coefficient (APC) is 0.130 with p-value = 0.019, the value of average variance inflation factor (AVIF) is 1.051 and ≤ 3.3, it can be interpreted that there is no multicollinearity problem between the indicators and the exogenous variables. The value of Sympson's paradox ratio (SPR) = 1.000 and = 1. Statistical suppression ratio (SSR) = 0.800 and ≥ 0.7.

Table 3. Coefficient of Determination

GCG	CSR	Financial Performance	Firm Value
		0.053	0.057

Source: *Processed data, 2019*

The coefficient of determination is using R-squared that shows the percentage of variation in endogenous construct or criterion that can be explained by the construct hypothesized to influence it. In the structure 1 with dependent variable of financial performance, the coefficient of determination is obtained by 0.053 or 5.3%. It means that the percentage of the effect of GCG and CSR on the financial performance is 5.3%. Then in the structure 2 with the dependent variable of firm value, the coefficient of determination is obtained by 0.057 or 5.7%. It means that the effect of GCG, CSR and financial performance on the firm value is 5.7%.

Table 4. Direct Hypothesis Testing

No	Dependent Variable	Independent Variable	Path Coefficients	P values	Statement
1	Financial Performance	GCG	0,075	0,153	<i>Rejected</i>
2		CSR	0,200	0,003	Accepted
3	Firm Value	GCG	0,223	0,001	Accepted
4		CSR	-0,141	0,027	Accepted
5		Financial Performance	0,011	0,442	<i>Rejected</i>

Source: *Processed data, 2019*

It is obtained that the path coefficient is 0.200 with P value = 0.003. Because the P value < 0.05, so it can be concluded that CSR affects the financial performance. Then it is obtained that the path coefficient value is 0.200 which means that every increase in CSR in one unit, it will increase the financial performance by 0.200 units and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the direct effect of CSR on financial performance meets one of the testing requirements so that the Ha hypothesis is accepted.

It is obtained that the path coefficient is 0.075 with P value = 0.153. Because the P value > 0.05 so it can be concluded that GCG has no effect on the financial performance. Then it is obtained that the path coefficient value is 0.075 which means that every increase in GCG in one unit, it will increase the financial performance by 0.075 units and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the direct effect of GCG on financial performance is not meet one of the testing requirements so that the Ha hypothesis is rejected.

It is obtained that the path coefficient is -0.141 with P value = 0.027. Because the P value < 0.05, so it can be concluded that the CSR affects the firm value. Then it is obtained that the path coefficient value is -0.141 which means that every increase in CSR in one unit, it will decrease the firm value by 0.141 units and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the direct effect of CSR on firm value meets one of the testing requirements so that Ha Hypothesis is accepted.

It is obtained that the path coefficient 0.223 with P value = 0.001. Because the P-value < 0.05, so it can be concluded that GCG affects the firm value. Then it is obtained that the path coefficient value is 0.223 which means that every increase in GCG in one unit, it will increase the firm value by 0.223 units and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the direct effect of GCG on firm value is not meet one of the testing requirements so that the Ha hypothesis is rejected.

It is obtained that the path coefficient is 0.011 with P value = 0.442. Because the P value > 0.05, so it can be concluded that the financial performance has no effect on the firm value. Then it is obtained that the path coefficient value is 0.011 which means that every increase in financial performance in one unit, it will increase the firm value by 0.011 units and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the direct effect of the financial performance on firm value is not meet one of the testing requirements so that the Ha hypothesis is rejected.

Table 5 Indirect Hypothesis Testing

No	Dependent Variable	Intervening Variable	Independent Variable	Path Coefficients	P values	Statement
1	Firm Value	Financial Performance	GCG	0.001	0.494	Rejected
2	Firm Value	Financial Performance	CSR	0.002	0.484	Rejected

Source: Processed data, 2019

It is obtained that the path coefficient is 0.002 with P value = 0.484. Because the P-value > 0.05, so it can be concluded that the financial performance does not mediate the relationship between the CSR with the firm value. Then it is obtained that the path coefficient value is 0.002 which means that every increase in CSR through the financial performance in one unit, it will increase the firm value by and vice versa with assuming that the other variables are constant. Based on the explanation above, to test the indirect effect of CSR on firm value through the financial performance meets one of the testing requirements so that the Ha hypothesis is rejected.

It is obtained that the path coefficient is 0.001 with P value = 0.494. Because the P-value < 0.05, so it can be concluded that the financial performance does not mediate the relationship between the GCG with the firm value. Then it is obtained that the path coefficient value is 0.001 which means that every increase in GCG through the financial performance in one unit, so it will increase the firm value by 0.001 and vice versa with assuming the other variables are constant. Based on the explanation above, to test the indirect effect of GCG on firm value through the financial performance meets one of the testing requirements so that the H_a hypothesis is rejected.

Discussions

(Carningsih, 2013) stated that ROE has no effect on the firm value. (Cheng & Christiawan, 2011) stated that the information about the profits used by the investors, but the usage of the profit information for the investors is very limited so the investors also consider the other information. The higher disclosures of a company, the lower the level of investor dependence on the company's profits information. Investors can predict the firm performance through the information disclosed, not only depending on the value of profits.

(Muda et al., 2018) The independent good corporate governance variable which consists of the Composition of Commissioners and audit committee, affects the manufacturing companies' earnings management in Indonesia Stock Exchange. Partially, GCG composition variable on Board of Commissioners has no effect on earnings management; and audit committee has no effects on earnings management. The present research is only limited to manufacturing companies listed on Indonesia Stock Exchange. However, it is advisable to be conducted to all companies listed on Indonesia Stock Exchange.

(Jo, H. and Harjoto, 2011) the impact of CSR intensity on firm value is both statistically and economically significant indicating that CSR intensity plays an important role to increase the firm's value. This finding important because previous studies were unclear about the CG-CSR value relationships after controlling for both simultaneously and endogeneity. They found evidence that corporate governance system influences the firm value.

Ammann et al (2011) find a strong and positive relation between firm level corporate governance and firm valuation and between a company's social behavior and firm value. These results are robust to the different techniques used to construct the corporate governance indices, a breakdown of the sample by both calendar year and country, and a dynamic panel GMM estimator. Corporate governance practices are reflected in statistically and economically significantly higher market values. Hence, at least for the average firm in our sample, the costs of the implementation of the corporate governance mechanisms seem to be smaller than the monitoring benefits, resulting in higher cash flows accruing to investors and lower costs of capital for the firms. Consequently, from the companies' perspective, corporate governance should be understood as an opportunity rather than an obligation and pure cost factor.

Mahrani and Soewarno (2018), the result of the research shows that the GCG mechanism has a significant negative effect on the earnings management. This suggests that a large number of independent board of commissioners will provide more supervision for management to manage the company better. As per agency theory, management considers independent commissioners more alert to agency problems as independent commissioners are fully dedicated to overseeing management's performance and behavior. This supervision can certainly prevent or reduce the action of earnings management because such supervision becomes an incentive for management as an agent to act as best as possible in the interest of the principal (stakeholders) and suppress deviant behavior in order to account for its duty.

In addition to the independent commissioners, audit quality can reduce the earnings management action. Managers in companies that are Big 4 Public Accounting Firms tend to avoid earnings management practice because the Big 4 Public Accounting Firms that are well known to the public would be more cautious and uphold independence so it raises the manager's concern that manipulated reporting will be detected and uncovered which can then destroy the company's name. In addition, the reputation of public accountants as independent external auditors can minimize the earnings management case and increase the credibility of accounting information in the financial statements. High-quality auditors have the ability to detect questionable accounting practices, and when they are detected, the auditor will issue an opinion in the audit report.

Conclusions and Recommendations

Based on the results and discussions, then the conclusion can be made in this study as follows: Corporate Social Responsibility has positive effect on financial performance, Good Corporate Governance has no effect on financial performance, Corporate Social Responsibility has positive effect on firm value, and Good Corporate Governance has positive effect on firm value. , Financial performance has no effect on firm value, Financial performance does not mediate the relationship between the Corporate Social Responsibility and the firm value, Financial performance does not mediate the relationship between the Good Corporate Governance and firm value through financial performance. Based on the results of the tests above, so the researcher can provide further advices to the next researchers as follows:

Companies should pay more attentions the implementation and reporting of CSR based on the standard issued by Global Reporting Index (GRI). Companies can also implement GCG with a complete CGPI assessment. Thus, it is expected can increase the firm value, where companies must keep the financial performance to attract investors to invest in their company.

Investors in deciding to invest should choose in companies that have implemented social responsibility consistently. Based on the result of this study, the quality of the GCG and CSR is still low so investors must be selective in choosing the companies to invest their capital. Basic industrial and chemical manufacturing company that have received the trusted title in implementation the Good Corporate Governance based on GRI G4 such as Semen Baturaja Tbk, Asahimas Flat Glass Tbk, Arwana Citra Mulia Tbk, Keramika Indonesia A Tbk, Mulia Industrindo Tbk, Sarana Central Bajatama Tbk, Indal Aluminium Industry Tbk, Steel Pipe I of Indonesia Tbk, Intan Wijaya Internasional Tbk, Indo Acitama Tbk, Aneka Gas IndustriTbk, Argha Karya Prima Industry Tbk, Asiaplast IndustriesTbk, Berlina, Champion Pasific IndonediaTbk, Impack Pratama Industri Tbk, Tunas Alfin Tbk, Trias SentosaTbk, Yana Prima Hasta Persada Tbk. While for the companies that have been implemented the Corporate Social Responsibility well such as Indo AcitamaTbk, Argha Karya Prima Industri Tbk, Trias Sentosa Tbk, Kertas Basuki R Indonesia Tbk, and Krakatau Steel Tbk.

The next researcher should add some samples for the research which it is expected to get a better result. Besides that, the measurement of the CSR and GCG indexes must follow the existing development and adapted with the circumstances in the environment especially in Indonesia in general, as well as giving a different weight to each disclosure item in measuring the CSR and GCG. The other variables that can be used in the next research are profit management, profitability, stock returns, managerial ownership, institutional ownership, size of the board of commissioners.

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