THE INFLUENCE OF CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY, FIRM SIZE ON FIRM VALUE: FINANCIAL PERFORMANCE AS MEDIATION VARIABLE

Choirun Nisful Laili
Master of Management, Faculty of Economics and Business, Universitas Brawijaya
Atim Djazuli
Nur Khusniyah Indrawati
Faculty of Economics and Business, Universitas Brawijaya

Abstract: This study aims to examine and analyze the effect of directly or indirectly between the variables of corporate governance, corporate social responsibility, firm size, the financial performance of the company with the sample value amounted to 53 companies engaged in the manufacturing sector with years of observations from 2015 to 2017. Methods of data analysis using path analysis with AMOS software 24. Corporate governance is proxied by the Corporate Governance Index (CGI), corporate social responsibility is proxied by the Corporate Social Responsibility Index (CSRI), firm size is proxied by Size, financial performance proxied by Return on Assets (ROA), and the value of the company is proxied by Tobin’s Q. The results showed that the direct effect of the test results show that 1) corporate social responsibility, firm size effect on financial performance. 2) Corporate social responsibility, firm size, financial performance affects the value of the company 3) corporate governance does not affect the company’s financial performance and value. As for the indirect effect of the test showed that corporate governance, corporate social responsibility, firm size, to the value of the company through the financial performance of no significant impact. Therefore, the three did not mediate financial performance affects the value of the company 3) corporate governance does not affect the company’s financial performance and value. As for the indirect effect of the test showed that corporate governance, corporate social responsibility, firm size, to the value of the company through the financial performance of no significant impact. Therefore, the three did not mediate.

Keywords: Corporate governance, corporate social responsibility, Company value, financial performance.

The success of management in managing a company is reflected in the value of the company. Maximizing the value of the company is very important for the company because the company’s value also means maximizing the welfare of shareholders, who are the main objectives of the company. According to G Martini (2014), the company’s value can be achieved in several ways. First, improve financial performance, profitability. Second, implement and disclose corporate social responsibility in accordance with applicable guidelines. Third, implement good corporate governance in accordance with applicable guidelines. Fourth, concerning increasing the scale or size of the company.

Globalization is one of the challenges that must be answered by the company to still exist in the business world. Globalization is forcing companies to be able to continue to balance the desires of consumers and what is offered by the company, as well as forcing the company to be competitive both in the domestic market or the international market, so the standardization of the company must be synchronized with the international standards for example related to the presentation of an annual report that comes with the disclosure of the activities of corporate governance according to the Organization for Economic Cooperation and Development (OECD) principals and sustainability reports that meet the standards of the Global Reporting Initiative (GRI) guidelines. Therefore, good corporate governance and also the implementation of corporate social responsibility activities essential to overcome these challenges.

The purpose of this study is to examine and analyze the direct and indirect effects of corporate governance, corporate social responsibility, firm size, the financial performance of the firm value in the manufacturing sector companies listed on the Indonesia Stock Exchange 2015-2017 period.

**BASIS THEORY AND HYPOTHESES**

**Agency theory**

Agency theory according to Jensen and Meckling (1976), a contract under which one or more persons the principals engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent.

**Signal theory**

Signalling Theory by G Martini (2014), describes how the company is represented by an agent or management have an incentive to provide information related to the financial statements to external parties.

**Stakeholder theory**

According to Freeman (1983), states that the stakeholder theory is a theory that describes the corporate responsibility to the parties concerned. Companies must maintain relationships with stakeholders in a way to accommodate the needs and desires of stakeholders.

**Legitimacy theory**

Legitimacy is an enterprise management system that is oriented to empowering communities, governments, individuals and community groups. According to this theory, the company and the surrounding community have close social relations as both are engaged in a “social contract” (Wahyudi and Busyra, 2008).

**Firm Value**

Firm value can be interpreted value that reflects the company’s performance in the form of stock price where this value will be the reference value investors are willing to pay if the company will be sold.

**Hypotheses**

Implementation of corporate governance is one way to tackle the problem of agency, so to have the implementation of corporate governance will certainly better corporate performance. It is also supported by the results G Martini (2014), Siagian, et al. (2013), and Septianto (2016). Based on the above presentation it was built the following hypothesis: H1: Application of corporate governance significant effect on the financial performance of the company.
Companies that carry out corporate social responsibility activities are getting two kinds of profit that are profit macro and micro (Wu, M and Shen, C, 2013). This is supported by research Choi et al. (2010), Bidhari (2013), Widyatama (2013), and G Martini (2014).

H2: Application of corporate social responsibility a significant effect on financial performance

Buzzle and Gale (1987), found a positive effect of firm size on firm performance means that with increasing size of the firm, the firm increasingly able to manage economic resources properly, then cause a value of the firm increases. This is supported by the results G Martini (2014), Siagian, et al., (2013), and Carey (2012).

H3: Firm size a significant effect on financial performance

Garay and Gonzalez (2008) in Septianto (2016), shows that corporate governance affects the value of the company. This is supported by the results of research Agustina (2016), Siagian, et al., (2013), and Sheikh, et al., (2013).

H4: The application of corporate governance significant effect on the value of the firm.

Joseph (2016), in his research results show that the disclosure of corporate social responsibility influences the value of the firm. Results were also supported by research Arafat, et al. (2012).

H5: Corporate social responsibility a significant effect on the value of the firm

Buzzle and Gale (1987), the size of the company's positive effect on the company’s performance means that with increasing size of the company, the company increasingly able to manage economic resources properly, then cause a value of the firm increases. Results were also supported by research Weshah et al., (2012), Carey (2012), and G Martini (2014).

H6: Firm size a significant effect on the value of the firm

Firm value for investors is a benchmark for firm performance that is often associated with the company’s stock price. This is supported by the results of research Ghosh (2008) and Bidhari (2013).

H7: Financial Performance significant effect on the value of the firm

The company’s main purpose is to maximize the value of the firm, and this is an advantage for our stakeholders as prosperity increases with increasing value of the firm. As research Ghosh (2008) and Bidhari (2013) which showed that the financial performance (ROA, ROE) effect on firm value (Tobin’s Q).

H8: Corporate governance significant effect on the value of the firm through the financial performance

Scoring the Corporate Governance Index (CGI) aims to inform how the application of corporate governance is implemented and reported by the company. To realize the implementation of corporate governance and healthy business will create a good image for the company to encourage increased firm value through investor interest in investing capital. Results of research support the statement is Sari and Sedianingsih research (2014), G Martini (2014), and Septianto (2016).

H9: Corporate social responsibility a significant effect on firm value through financial performance

Corporate social responsibility and Corporate Governance as well as the aims, namely to create a healthy business and will create a good image for the company to encourage increased firm value through investor interest in investing capital. The result of research that supports the G Martini (2014).

H10: firm size significantly influence the value of the company through the financial performance

Firm size is a reflection on the assets owned by the company. Total assets were great means hav-
ing a good cash flow, so it has good prospects in the future, and more and more companies can manage economic resources properly, and likely to produce higher profits which would then impact on the value of the firm increases. The results of the research indicate that firm size affects the value of the company through the financial performance is a research G Martini (2014).

METHOD
Population and Sample
The population of this research is manufacturing companies listed in Indonesia Stock Exchange within the study period, 2015-2017. Sampling using a purposive sampling method and acquired 53 companies as samples. This study used a sample saturated with a three-year study period, and a total of N observation as much as 159.

Operational definition
The study consists of three variables, namely the independent variable (corporate governance, corporate social responsibility, and firm size), the dependent variable (firm value), and mediating variables (financial performance).

Firm value (Y) based on Hoyt and Liebenberg (2011), is proxied by Tobin’s Q. The financial performance (Z) based on Alkausar (2017), is proxied by **Return on Assets** (ROA). **Corporate governance** (X1) by Agustina (2016), with the corporate governance index (CGI), the methods of corporate governance index developed by the OECD to compare items published company by the number of OECD indicator. Corporate social responsibility is based Narullia (2017), is proxied by corporate social responsibility index (CSRI), which also compare items published company by the number of GRI indicators 4. Firm size by Dang et al. (2017) Size which is proxied by the logarithm of total asset value.

RESULTS
The study sample consisted of three sub-sectors namely basic industry and chemical sector (20 companies), the consumer goods industry sector (21 companies), miscellaneous industry sector (12 companies).

Results Categorization Level of Implementation of Corporate Governance, Corporate Social Responsibility
The level of implementation of corporate governance, corporate social responsibility in manufacturing companies, is seen from the average index of each company. The categorization is based on the comparison of per industry and per comparisons throughout the manufacturing industry.

Based on the results of scoring or index corporate governance shows that of the 53 companies, 25 companies in the category above average, the 24 companies in the category below average, and 4 companies equal to the average. This shows that the implementation of corporate governance and disclosure manufacturing company has been good enough, but much more needs to be increased again to the fore the company has good governance, both in terms of application, or in terms of reporting.

Based on the categorization Corporate Social Responsibility shows that of the 53 companies, 22 companies in the category above average, the 28 companies in the category below average, and three companies equal to the average. This indicates that the disclosure of Corporate Social Responsibility activities of manufacturing companies still need to be improved and enhanced since the disclosure still further with GRI standards.

Descriptive Statistics Analysis Results
Results of the descriptive statistical analysis showed that the maximum value achieved corporate governance = 0.87 Indocement Tunggal Prakasa Tbk. The maximum value of corporate social responsibility = 0.69 Asahimas achieved Flat Glass Tbk. The maximum value achieved sized companies = 30.44 Kalbe Farma Tbk. The maximum value of the value of the company = 22.99 achieved
The Influence of Corporate Governance, Corporate Social Responsibility by Unilever Indonesia Tbk. The maximum value = 0526 achieved financial performance Multi Bintang Tbk. The standard deviation of the four variables are smaller than the average value of this means that there is little variation value between the minimum and maximum values during the observation period, only one variable value is a different company where standard deviation greater than the average this indicates that there is great value variation between maximum and minimum values during the observation period.

Path Analysis Results
Testing is done by using path analysis software SPSS and AMOS 24. The path coefficient test results are presented in Figure 1:

![Figure 1 Diagram Research Line](image)

Hypothesis Testing Results
Based on Figure 1 shows that the direct effect of X1 to Z is 0.023 with a significance value of the effect is not so significant that 0753 first hypothesis is not proven. The magnitude of the direct influence of X2 to Z is 0030 -0129 with significant value and significant influence that hypothesis 2 is proven. The magnitude of the direct influence of X3 to Z is 0000 -0351 with significant value and significant influence that the third hypothesis is proven. The amount of direct influence on Y X1 is 0395 -0042 with significant value and the effect is not significant, so the hypothesis 4 is not proven. The amount of direct influence on Y X2 is 0.120 with 0.016 significance value and the effect is not significant, so the hypothesis 5 is proven. The magnitude of the direct effect of Z to Y is 0789 with significant value 0.000 and the significant impact that proven hypothesis 7. The magnitude of the indirect effect X1 to Y by Z is 0.018 with Z count (Sobel coefficient) which is 0289 less than the Z table is 1.96, so hypothesis 8 is not proven. The amount of influence is not X2 to Y by Z is -0.1255. Z count (Sobel coefficient) which is 0.383 less than the Z table is 1.96, so hypothesis 9 is not proven. The amount of indirect influence of X3 to Y by Z is -0.2769 with Z count (Sobel coefficient) which is 0387 less than the Z table 10 is 1.96, so the hypothesis is not proven.

DISCUSSION
Based on path analysis showed that hypothesis 1, 4, 6, 8, 9, 10 rejected while hypothesis 2, 3, 5, 7 accepted. And based on test indirect effect with Sobel test proved that financial performance does not directly influence the value of the company so that financial performance can not mediate third independent variables are corporate governance,
Corporate social responsibility, the size of the company.

Corporate governance well proven insignificant effect on financial performance and corporate value. The research result is consistent with research Jamali (2014), Sari and Sedianingsih (2014), and Septianto (2016), also showed that corporate governance is not a significant effect on the financial performance or the value of the company. This is presumably due to the implementation of corporate governance disclosure is not optimal where some companies have not disclosed in accordance with existing standards. Disclosure of corporate information governance to be important to investors to reproduce the information for the consideration of investment decision.

Corporate social responsibility proven effect on financial performance and corporate value. However, corporate social responsibility a significant negative effect on financial performance. It shows that the relationship between the two is an anomaly whereby when corporate social responsibility has increased its implementation will lower the company’s financial performance. The results of this study are consistent with Sari, et al. (2016).

The size of the company proved a significant negative effect on financial performance. It is proved that the development of firm size is not always followed by an increase in financial performance. Negative means that when there is an increase in the size of the company will lower the company’s financial performance. In addition, the size of the company also proved no significant effect on the value of the company, consistent with research Gherghina and Georgeta (2015) and Pratiwi and Rahayu (2015), which means that the size of the company proxy to log the total assets of the company has no significant effect on the value of a company means increasing or decreasing the size of the company does not necessarily increase or decrease the value of the company.

Financial performance of a proven effect on the value of the company. Increasing financial performance will further enhance shareholder value. The company’s value for investors is a benchmark for the performance of companies that are often associated with the company’s stock price. If the stock price is high, it will make the company’s value too high and vice versa. High enterprise value is a reflection of the company’s performance not only at this time but also can be a measure of the company’s prospects in the future. The results of this study are consistent with research Ghosh (2008) and Bidhari (2013).

Based on testing proved that the indirect effect of financial performance also proved unable to mediate the three independent variables due to the non-optimal management of the asset management company in generating profits and it is estimated for the years 2015-2016 unfavourable business conditions of its profit is not optimal. The results support the research Ward (2013), Aziz (2016).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Corporate governance as the company’s internal controls has not been able to balance the interests of stakeholders and is unable to improve financial performance. Application and implementation of corporate social responsibility is also a negative impact on financial performance. This shows that the implementation of which has been running just lowered financial performance. It is proved that corporate social responsibility activity is still seen as a burden that reduces the profit in vain, but basically would benefit the implementation of corporate social responsibility will be felt in the long term. But if the company wanted to improve performance through corporate governance and corporate social responsibility will be very good.

Recommendation

Suggestions for further research include an excavating various supporting documents (1) to reduce the level of subjectivity researchers when using index measurement in measuring corporate governance and corporate social responsibility (2) to support the annual report that has not revealed application of corporate governance and corporate social responsibility as the guidelines or existing ref-
The Influence of Corporate Governance, Corporate Social Responsibility (3) Develop the relationship between the variables of research in the wider framework relevant to current issues.

LIMITATIONS
This study has several limitations, among others (1) Measurement of the index for corporate governance and corporate social responsibility is still dependent on the subjectivity of the research (2) There is still a lack of disclosure of the implementation of corporate governance and corporate social responsibility in the annual report in accordance with some existing reporting standards

REFERENCES
Dikti Accredited SK No. 30/E/KPT/2018 ISSN: 1693-5241 185


Yuniasih, Ni Wayan., And Made Gede Wirakusuma. 2007. Effect of Financial Performance on the Corporate Value Disclosure of Corporate Social Responsibility and Good Corporate Governance As moderating variables. Accounting Department, University of Udayana.