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Corporate Social Responsibility Disclosure and Good Corporate Governance toward Firm Value with Profitability as Intervening Variable

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Corporate Social Responsibility (CSR) is a form of corporate responsibility in tackling social inequalities and environmental damage that occur as a result of the company's operational activities. This study examines the relationship between CSR disclosure and Good Corporate Governance (GCG) to the firm value through profitability as an intervening variable. This study used a quantitative research methodology with a sample of 289 manufacturing companies listed on the Indonesia stock exchange (IDX) in the period 2015-2017. The hypotheses are tested using path analysis and regression test gradually through the validity test model to measure the relationship between variables. The results of this study indicate that Corporate Social Responsibility and Good Corporate Governance affect profitability, Corporate Social Responsibility and Good Corporate Governance do not affect the value of the company, profitability affects the value of the company. The better the disclosure and implementation of Corporate Social Responsibility and Good Corporate Governance, the higher the profitability will have an impact on the high value of the company.

Keywords: *Corporate Social Responsibility, Good Corporate Governance, Profitability, Company Value.*

Introduction

Climate change and global warming are major issues for all countries in the world. According to Ormerod (1997), climate change and global warming are inseparable from the view of the capitalist economy shared by almost all countries. The view of capitalist economic encourages every company to obtain the maximum profit from its resources will have an impact on the company's centralistic view to achieve its objectives and ignore other aspects. One aspect that often overlooked is the environmental aspect. Meanwhile, nature and humans in the view of policymakers cannot be separated (Syarifuddin & Damayanti, 2019). The community demands that companies do not only focus on profit but also care and be environmentally responsible in social responsibility activities (Lubis, 2018).

The Indonesian government has issued a policy on environmental management that must be carried out by companies in Indonesia. Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) in article 74 paragraph 1 stated that "limited companies that conduct business in the field and/or concerned with natural resources are required to carry out social and environmental responsibility". The law requires companies operating in Indonesia to carry out social responsibility towards the community and strive to preserve the environment. Marfuah & Cahyono's (2011) research results state that corporate social responsibility (CSR) is a company's commitment to corporate responsibility from the impact of its operations on the economy, social and environment that continuously contributes to society and environment.

The implementation of CSR programs shown through the CSR disclosure in the annual report is carried out in order to give benefits to the stakeholders. The company reveals CSR in the hope to increase the company's value (Rustriani, 2010; Muda et al., 2019). Larger companies who have larger board sizes are more likely to disclose environmental issues (Nasih, et al., 2019). The existence of female executives also plays a role in conducting better CSR disclosure (Prabowo et al., 2017). The information contained in the CSR practices and disclosures is able to show the company’s efforts to benefit all stakeholders in its operations. This is expected to affect investors' perceptions in a positive direction, namely, increasing investor appreciation on the company. As stated by Rosiana, Juliarsa, and Sari (2013), investors will appreciate the positive work of CSR carried out by companies as long as it indicates an increase in the company's stock price.

Qualified corporate governance has also a role to play in determining the value and going-concern of the company. The economic crisis that occurred in Indonesia in 1997 was due to macro factors and the optimisation of companies in implementing corporate governance (CG) and ethics. Therefore, many companies became susceptible to crisis conditions (Budiarti et al., 2012). Good corporate governance (GCG) is needed to overcome problems that affect company performance and value. One of them is agency problem that occurs when the shareholders (principal) authorise the manager (agent) to manage the company. Thus, the company's goals in increasing the value of the company can be achieved. However, the management has goals and interests that conflicted and resulting in neglect of the shareholders’ interest.

To realise the principle (GCG) in creating awareness for the company activities executors, the Indonesian government has issued a policy in Law Number 40 of the year 2007 concerning Limited Liability Companies (LLC). However, this LLC does not explicitly regulate GCG; it only regulates the outline of the mechanism of relationships, roles, authority, duties and responsibilities, meeting procedures, and etiquettes, as well as the decision making process and minimum points that must be present in the company, namely, the General Meeting of Shareholders (GMS) and the Board of Directors and Commissioners. Meanwhile, public companies and financial services companies implement the GCG seen in the Financial Services Authority Regulation Number 21 /POJK.04/2015 About the Implementation of Open Corporate Governance Guidelines because of the nature of these companies, which has a significant impact on the Indonesian economy. With the existence of this law, all companies operating in Indonesia are required to carry out organisational governance in order to make the right decisions and improve efficiency and create a healthier work culture.

Profitability is the ability of a company to generate profits, using sources owned by the company such as capital, assets, and sales (Sudana, 2011). Ayuningtias and Kurnia (2013) state that corporate profitability has a significant positive effect on firm value. Good profitability growth will affect the good valuation of the company in the future. Investors assess the company's ability to generate increased profits that affect the company's stock price, which also increased.

This study examines the relationship between CSR disclosure and GCG towards the firm value through profitability as an intervening variable. Compared to the previous research, this study used the corporate governance index (CGI) to measure CSR disclosure and added profitability as an intervening variable. The reason for adding profitability as an intervening variable is because profitability is the ultimate result of policies and decisions that have been taken by company management regarding the source and use of data.

Literature Review and Hypotheses Development

Corporate Social Responsibility and Profitability

Disclosure of CSR is used by companies to communicate with stakeholders and an entry point for some organisations that use it in order to gain an advantage or improve legitimacy (O'Donovan, 2002). The more extensive the disclosure of CSR to the company means that the more programs are run by the company, which indicate the company's accountability to the community. These CSR programs will encourage the community to give more appreciation, such as giving awards to companies that have revealed greater CSR. Isnalita and Narsa's (2017) study claims that customer loyalty intervenes in CSR disclosure and corporate values. Perceived value and social influence have a positive influence on purchasing management

(Almaida et al., 2019). This is indicated by an increase in product sales at companies that have implemented CSR. The empirical results obtained by Byus et al. (2010) have proven that there is a positive relationship between corporate social responsibility and company profitability.

H1: Corporate social responsibility affects profitability.

Good Corporate Governance and Profitability

Corporate governance is a concept based on agency theory and is expected to function as a tool to provide investors with confidence that they will get a return on the funds they have invested. Implementation of good corporate governance in a company will encourage a company to conduct proper supervision in management performance. This is shown through the suggestions given by the company's management through the existing GCG tools. With the devices owned by the company, it will encourage management to be able to further improve its performance in managing the company, so that profitability in the company also increases. The results found by Tjondro & Wilopo (2011) prove that the better the composite value of GCG, the better the application of GCG to manufacturing companies so that it can improve the company's financial performance, which has been reflected in the value of ROA and ROE.

H2: Good corporate governance affects profitability.

Corporate Social Responsibility and Firm Value

The company's main goal is to increase its value. The value of the company will grow sustainably if the company pays attention to the dimensions of the social, economy, and environmental surroundings as it is the balance of economic, environmental, and community interests. Companies that have good environmental and social performance will be responded positively by investors through an increase in stock prices in the company. The higher the company's stock price, the higher the firm value (Saraswati, 2012).

Disclosure of CSR is considered important because stakeholders need to evaluate and know the extent to which the company carries out its roles and duties in accordance with stakeholder wishes. The better the disclosure of CSR, the more satisfied stakeholders will be and provide full support to the company for all its activities aimed at increasing performance and achieving profits which will ultimately have an impact on increasing the value of the company. The results of the study are consistent a study conducted by Rosiana et al. (2013) which proves that CSR has a significant effect on company value, but it is contrary to the results of research conducted by Nurlela and Islahuddin (2008) which state that there is no influence between CSR and firm value.

H3: Corporate social responsibility affects firm value.

Good Corporate Governance and Firm Value

The implementation of GCG is a signal or sign that the company has a good quality of governance so that it can overcome agency conflicts within the company. The implementation of GCG is expected to minimise the practice of fraud committed by company management. The manipulation practices can be detrimental to investors so that investors do not trust capital market institutions. As a result of this distrust, investors withdraw their capital in a row from the stock exchange and cause heavy pressure on the stock price index on the exchange. With the application of good corporate governance can increase and restore investors' confidence (Prabowo, Beng, & Agoes, 2015). GCG is the solution to agency problems. Agency problems indicate that the value of the company will increase if the company owner can control the behaviour of management so as not to waste the company's resources. Corporate governance can also improve company performance and benefit shareholders in the long run (Ariyani, 2014). According to Retno (2012), the application of GCG has a positive influence on the firm value. The higher the level of GCG implementation, the higher the firm value as indicated by an increase in stock prices.

H4: Good corporate governance affects firm value.

Profitability and Firm Value

Every company certainly wants to gain a high value. This indirectly shows that the prosperity of the shareholders is very high. The high firm value cannot be separated from the underlying theories such as legitimacy theory and agency theory. Agency relations always cause problems between owners and agents because of differences in mindset and prominent interests. High profitability can make a positive signal for potential investors in investing funds for the company. However, the company must be able to overcome agency conflicts that occur in the company besides the company must also be able to apply the theory of legitimacy in the company.

The higher the profit owned by the company, the greater the expectations of investors to get more profits from the investment, so that investors will invest more into companies that have high profitability. This has an impact on increasing the company's stock price as the company's value will also increase along with an increase in the company's stock price. Studies conducted by Ardimas and Wardoyo (2015) provide evidence that financial performance variables measured using return on assets (ROA) and return on equity (ROE) have a significant effect on firm value.

H5: Profitability affects the firm value.

The Effect of Corporate Social Responsibility on Firm Value with Profitability as Intervening Variable

CSR is a business commitment to act ethically in accordance with applicable regulations and contribute to economic development. CSR programs can improve the quality of life of workers in the company, also the community around the company (Lanis, Roman and Richardson, 2012). The company's main goal is to obtain high profits and increase firm value. The firm value will increase continuously if the company pays attention to the economic, social, and environmental dimensions because sustainability is a balance between economic, social, and community interests. Profitability is one of the financial parts that affect firm value. Profitability shows the level of net profit that can be achieved by the company in carrying out its activities.

The greater the profits, the greater the company pays dividends so that more investors want to invest in the company. Many policies are taken by management in order to increase the value of the firm by increasing the owner's prosperity as well as the prosperity of shareholders that is reflected in the stock price. Thus, these conditions investors will be interested in analysing the firm value, because the analysis of firm value can provide beneficial information for investors in assessing the company's performance in the future to generate more profits. Research by Agustine (2014) and Rosiana et al. (2013) states that profitability has an influence on CSR disclosure of the company.

H6: Corporate social responsibility disclosure has an effect on firm value through profitability.

The Effect of GCG Disclosure on Firm Value with Profitability as Intervening Variable

The implementation of GCG by a company is a sign that the company has carried out good governance. GCG illustrates how the management business manages and operates the company's assets well reflected in the company's performance. The better corporate governance, the better the company's performance (Nofiani & Poppy, 2010).

The higher the profitability of the company, the greater the company's profit available for distribution to shareholders. This gives a signal to the public and investors that the company is relatively easy to experience bankruptcy so that it has an impact on the firm value that has increased. With the mechanism of GCG, it is expected that monitoring on company's managers can be more effective. If a company can implement a GCG system, the performance of the company will also improve. With an increase in company's performance is expected to increase the price of stocks, so that the firm value will increase. Previous research conducted by Dewi and Wirajaya (2013) found that profitability has a direct effect on GCG disclosure on firm value.

H7: GCG disclosure affects firm value through profitability.

Research Design

Sample and Source of Data

This type of research used in this study is quantitative research with secondary data sources of manufacturing companies listed on the Indonesia stock exchange (IDX) in the period2015-2017 and processed using the SPSS 20.0 program.

Firm Value

Firm value is a key concept to win customers' hearts (Lubis et al., 2017). Firm value illustrates the public trust in the company for several years since the company was founded and until now. The value of the firm is considered very important because the high the firm value, the higher the prosperity of the shareholders (Brigham & Gapenski, 1996). In this research, firm value is measured using Tobin's Q as a market valuation measure. Tobin's Q is calculated using a formula developed by Chung and Pruitt (1994) as follows:

Tobin's Q: $\frac{(MVE+DEBT)}{(TA)}$

Where:

Tobin's Q	: Firm value
MVE	: Closing Price x outstanding stocks
DEBT	: Total liabilities and debt
TA	: Total assets

Corporate Social Responsibility

Corporate social responsibility is a company's commitment to contribute to sustainable economic development and to pay attention to economic, social, and environmental aspects (Tanudjaja, 2006). Disclosure of corporate social responsibility uses a proxy for the corporate social responsibility index (CSRI) based on the Global Reporting Initiative (GRI 4.0) indicator. Based on GRI4.0, there are three aspects of the disclosure, namely, economic, social, and environment, which include 84 items. The following formula is used to calculate CSRI:

$$CSRI_j : \frac{\sum Xij}{nj}$$

Where:

$CSRI_j$: *Corporate social responsibility* index of the company

$\sum Xij$: total items disclosed by the company

nj : total disclosure items (84 items)

Good Corporate Governance

Good corporate governance is a system (input, process, and output) that set the regulations of governing relationships between various stakeholders, especially in the narrow sense such as the relationship between shareholders, the board of commissioners, and the board of directors for the achievement of a company's goals (Shank et al., 2013).

GCG is measured using the corporate governance index (CGI). Sawicki (2009) proposed a governance index in the DP nexus based on three different elements, namely, the board of directors and commissioners, the audit committees, and the remuneration and nomination committees. In this study, there are three elements that have 13 variables as a whole to identify the criteria used in preparing the governance index, 13 of which have been presented in the annual report of the company. This research was officially announced by the ASX Corporate Governance Council (2003) with the following formula:

$$\text{Voluntary Corporate GI} = \frac{Total\ items\ to\ be\ disclosed}{Total\ disclosure\ items}$$

Profitability

Profitability is the ability of a company to generate profits in the accounting period (Bringham and Houston, 2009). Company profitability can also be considered as a company's ability to generate net income from activities carried out in the accounting period. The ratio used to measure is Return on Assets (ROA). Return on assets is an allocation of wealth to measure profitability that does not look at where the source of funding originated (Caramanolis-Çötelli et al., 1999). The profitability variable in this study is proxied by ROA (return on asset). ROA proxy is chosen as the measure of profitability because ROA take into account of not only the equity but also the debt. According to Retno (2012), ROA is measured using the following formula:

$$ROA = \frac{earnings\ after\ tax}{Total\ assets} \text{ x } 100\%$$

Results and Discussion

Based on data on the Indonesia stock exchange, the total manufacturing companies listed as of December 31, 2017, were 440 companies. Based on the selection of sample results, as shown in the table, a sample of 289 companies was obtained.

Table 1: Sample Selection Criteria

Sample Criteria	**2015**	**2016**	**2017**
Number of manufacturing companies listed on the IDX during the year 2015-2017	143	144	154
The number of manufacturing companies that did not publish a complete annual report in the year 2015-2017	25	28	21
Companies that did not have complete data in 2015-2017 relate to variables used in company research such as Corporate Social Responsibility, Good Corporate Governance, Profitability, and Firm Value in the year 2015-2017	24	16	38
Total Company	94	100	95
Total Sample (N)			289

Table 2: Descriptive Test

	N	Minimum	Maximum	Mean	Std. Deviation
TOBINSQ	289	0.1019	9.8774	1.4519	1.4857
ROA	289	-0.1510	0.2295	0.0460	0.0599
CSR	289	0.0119	0.4048	0.1522	0.0785
GCG	289	0.0769	0.9231	0.4828	0.1671
Valid N (listwise)	289				

The firm value measured using Tobin's Q manufacturing companies in Indonesia during the period 2015-2017 has an average value of 1,451 and a standard deviation value of 1,485. The minimum Tobin's Q value of 0.101 was owned by the company Mulia Industrindo Tbk (MLIA) in 2016. While the maximum value of Tobin's Q of 9,877 was owned by the Barito

Pacific Tbk (BRPT) company in 2016. The results of this study indicate that the BRPT experienced a profit due to the market value that owned by the company is greater than the book value of the company because the revenue strength of BRPT can be obtained from the assets owned by the company, so that the company's value has increased; this information makes investors want to invest in the company.

Disclosure of profitability of manufacturing companies by using the Return on Assets (ROA) proxy has an average value of 0.046 with a standard deviation that shows a profitability variable of 0.059. The minimum return on asset (ROA) value of -0.151 was owned by Argo Pantes (ARGO) in 2017. The maximum ROA value of 0.229 was owned by Semen Indonesia Tbk (SMGR) in 2016. The results of this study indicate that SMGR experienced profits while ARGO lost due to the inability of ARGO in managing company assets to make a profit, so the profit earned by the company was not optimum.

Corporate Social Responsibility (CSR) measured using the Corporate Social Responsibility Index (CSRI) of manufacturing companies in Indonesia as a proxy has an average value of 0.152 with a standard deviation of 0.078. The minimum value of the CSRI of 0.011 was owned by the Langgeng Makmur Industri Tbk (LMPI) company in 2016. The maximum value of the CSRI of 0.404 was owned by the Indocement Tunggal Prakarsa Tbk (INTP) company in 2016. The results of this study indicate that the INTP company has revealed CSR in the annual report is very broad or the quality of CSR disclosure is very complete so that investors are very easy to find information about CSR in the company.

Good Corporate Governance (GCG) which is measured by using the Voluntary Corporate Governance Index proxy shows that manufacturing companies in Indonesia has an average value of 0.482 with a standard deviation of 0.167. The average value (mean) of manufacturing companies is 0.484. The minimum value of Good Corporate Governance of 0.076 was owned by Tirta Mahakam Resources Tbk (TIRT) company. The maximum value of Good Corporate Governance of 0.923 was owned by Malindo Feedmill Tbk (MAIN) company. The results of this study indicate that the MAIN company is very good in applying the principles of GCG because the company has provided information and disclosure so that the company's performance tends to increase for the interests of shareholders.

Table 3: T -Model Test 1

Coefficients[a]						
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Conclusion
	B	Std. Error	Beta			
(Constant)	0.006	0.012		0.470	0.638	
$X_1 \rightarrow Z$	0.120	0.044	0.157	2.707	0.007	* Significant
$X_2 \rightarrow Z$	0.046	0.021	0.127	2.192	0.029	* Significant

X_1: Corporate Social Responsibility

X_2: Good Corporate Governance

Z: Profitability

Tabel 4: T -Model Test 2

Coefficients[a]						
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Conclusion
	B	Std. Error	Beta			
(Constant)	-0.040	0.069		-0.574	0.566	
$X_1 \rightarrow Y$	-0.008	0.250	-0.002	-0.031	0.975	Not Significant
$X_2 \rightarrow Y$	-0.057	0.117	-0.028	-0.485	0.628	Not Significant
$Z \rightarrow Y$	1.826	0.330	0.318	5.534	0.000	* Significant

X1: Corporate Social Responsibility
X2: Good Corporate Governance
Y: Firm Value

Notes:

* = statistically it is significant if $t_{count} > t_{table}$ OR $t^{count} > 1.96$ so hypothesis accepted
Model 1: $ROA = 0.006 + 0.120\, CSR_{it} + 0.046 GCG_{it} + e_1$

Model 2:

$$Tobin's\ Q\ = -0.040 + (-0.008\ CSR_{it}) + (-0.057\ GCG_{it)} + 1.826\ \ ROA_{it} +\ e_2$$

1. The t-test value of the Corporate Social Responsibility (CSR) variable is 2.707. This t-test value is greater than 1.96, so it can be concluded that CSR has a significant positive effect on profitability. Thus, the first hypothesis in this study is accepted.
2. The t-test value of the Good Corporate Governance (GCG) variable is 2.192. This t-test value is greater than 1.96, so it can be concluded that GCG has a significant positive effect on profitability. Thus, the second hypothesis in this study is accepted.

After testing the hypothesis in model 1, then testing the hypothesis in model 2, in the second model we can see the value of t-test that aims to determine the effect of independent variables and intervening variables on the dependent variable.

1. The t-test value of the CSR variable is -0.031. This t-test value is smaller than 1.96, so it can be concluded that CSR has no significant negative effect on company value. Thus, the third hypothesis in this study is rejected.
2. The t-test value of the GCG variable is -0.485. This t-test value is smaller than 1.96, so that it can be concluded that GCG has no significant negative effect on company value. Therefore, the fourth hypothesis in this study is rejected.
3. The t-test value of the profitability variable is 5.534. This t-test value is greater than 1.96, so it can be concluded that profitability has a significant positive effect on firm value. Hence, the fifth hypothesis in this study is accepted.

Sobel Test

Based on the calculation of the sobel test model 1 and model 2, profitability is an intervening variable between the effect of disclosure of CSR and GCG on firm value. The intervening results are proven by t-count, where the results of t-count will be compared with t-table. If the result of t-count is greater than t-table, intervening will occur. In model 1, profitability becomes an intervening variable on the effect of CSR disclosure on firm value, where t-counht shows the results of 2.460 which is greater than t-table (1.96). Both in model 2 and model 1, profitability becomes an intervening variable on the effect of disclosure of GCG on the value of the company, where t-count shows the results of 2.128 which is greater than t-table (1.96).

The Effect of Corporate Social Responsibility (CSR) on Profitability

Companies that have implemented CSR can be checked from the disclosure of CSR in the annual report. The disclosure made by the company aims to provide information to investors and stakeholders that the company has implemented CSR and meets GRI standards. Corporate social responsibility reporting creates trust from the public, both consumers and potential investors, thereby increasing sales of products and programs run by the company.

The results of this study accept O'Donovan's (2002) legitimacy theory, explaining that companies have contracts with the community to carry out their activities based on justice values and how companies respond to various interest groups to legitimise corporate actions. The company's efforts to be socially responsible for the surrounding environment are carried out to get value or a positive response from investors and the legitimacy of the community so that the products produced will be accepted and ultimately encourage an increase in company profitability. The results of this study are in line with Ahmad and Sulaiman (2004) who prove that companies that disclose CSR widely can increase profitability due to positive reactions from the environment and gain legitimacy for the company's business. This result is also confirmed by Byus et al. (2010) stating that CSR affects company profitability.

The Effect of Good Corporate Governance on Profitability

GCG can increase company profitability. Investors will achieve a positive perception from a company which is managed with high accountability and responsibility. They believe that the company can provide a greater return. The implementation of GCG in the company will minimise the risks arising from the company's activities. It can reduce conflicts of interest so that managers and company owners can work together in managing the company. With this synergy, it is expected that the company can increase its profitability.

The implementation of GCG in a good company shows the better performance of the company. The decision-making process will run better because it is based on balance and accountability. It will produce decisions that benefit the company, such as increasing efficiency and creating a healthier work culture. Companies that are able to implement GCG well will provide a positive signal to investors so that the company will more easily get investors, and the company's stock price will increase. This will have an impact on company increased profits.

The results of this study support agency theory (Jensen & Meckling, 1976) and legitimacy theory (Haniffa & Cooke, 2005). With GCR and sufficient profitability, the company will get a positive advantage, which is getting legitimacy from the community, which will ultimately have an impact on increasing profits in the future. The link between these results and the agency theory agency is that the agency perspective is the basis on which to understand GCG. The problem of agency conflict within a company usually occurs because the company owner (principal) cannot play an active role in company management. They hand over the authority and responsibility of managing the company to professional managers (agents) to work on behalf of and for their interests. This problem causes managers to have incentives to make strategic, tactic and operational decisions that can benefit themselves. As a result, agency conflicts arise that are difficult to be harmonised.

The Effect of Corporate Social Responsibility (CSR) on Firm Value

The size of CSR disclosure in the company has not been able to influence the firm value. This shows that the investor has not been able to receive the company's CSR disclosure content properly because of a negative view from the investor regarding the content of the company's CSR disclosure. Another cause is the incompatibility with what is desired by the community around the company so that the program that has been implemented by the company has not received a good response from the surrounding community. CSR expenditures in Indonesia are limited to meeting regulatory requirements (Widiastuti & Soewarno, 2019).

Based on the theory of legitimacy, a company can survive if it is not only focused on the process of achieving profits but also must care or be responsible for the environment and social welfare. The company can maintain the continuity of its business if it is able to meet the expectations of stakeholders as well as the theory of legitimacy that is able to meet the perceptions of values, norms and trust of the surrounding community because recognition from the community is important for business sustainability. If the company does not comply with all kinds of considerations, it will not have a positive impact on the company, in other words, it will not be able to increase the value of the company.

The Effect of Good Corporate Governance (GCG) on Firm Value

Management problems in companies due to the lack of corporate awareness in implementing GCG principles can result in less than optimal performance of company employees and lack of transparency in managing the company. Companies that have a low GCG score will also give a negative signal to stakeholders. The results of this study found the practice of GCG in the company indeed, but its implementation has not been well implemented in companies with existing GCG principles or in other words, the GCG practices have been implemented by the company but only fulfilled as a formality, so there is no significant influence and added value to the company. The results of this study also support the empirical results conducted by Carningsih (2009) stating that GCG does not influence corporate value.

The Effect of Profitability on Firm Value

Return on Assets (ROA) is an indicator of profitability. Profitability affects firm value. Profitability will indicate what level of net profit a company can achievewhile operating. High profitability can be attributed to the Dividend Payout Ratio theory, which incidentally determines the portion of profits distributed to shareholders and will be retained as retained earnings. High profitability can determine the welfare of shareholders. The number of dividends distributed to shareholders shows firm performance. Firm performance certainly influences its valuationand is reflected through its stock price level.

The results of this study are also supported by empirical results conducted by Ardimas and Wardoyo (2015) which provided some evidence that financial performance variables measured using return on assets (ROA) and return on equity (ROE) have a significant effect on firm value. Investors investing stocks in companies are to get returns such as yields and capital gains. The higher the company's ability to earn profits, the greater the return expected by investors, thus making the company's value increases.

The Effect of Corporate Social Responsibility (CSR) on Firm Value with Profitability as Intervening Variable

Profitability in this study is able to influence the relationship between disclosure of corporate social responsibility and firm value. Profitability is an achievement that can be achieved by a company or an activity carried out by the company within a certain period. From a CSR perspective, companies that succeed in increasing company value not only focus on profit but also view the internal and external environment as diverse stakeholders. This is in accordance with the theory, stakeholders, namely, any group inside or outside the organisation that has a stake in the company's performance.

Profitability shows the ability achieved by the company in earning profits during a certain period and also provides an overview of the level of effectiveness of management in carrying out its operations. If the company can meet the expectations of the stakeholders and be able to meet the perception of all values, norms, public trust, satisfaction will arise from all parties that will increase the value of the company. The higher profitability can make management conduct and disclose CSR more broadly. Widespread CSR disclosures are able to strengthen brand positioning, improve company image and company stock prices. This is what can make investors interested in investing in companies so that it will have an impact on increasing the value of the company in the future. This study is similar to the empirical results conducted by Agustine (2014) and Rosiana, et al., (2013) showing that profitability has an influence on CSR disclosure.

The Effect of Good Corporate Governance (GCG) on Firm Value with Profitability as Intervening Variable

Profitability in this study is able to influence the relationship between the effect of GCG disclosure on firm value. GCG implementation makes managers more transparent in managing the company. Companies that have high GCG scores give a positive signal to the stakeholders – where stakeholders assume that companies that have high GCG scores will pay more attention to the interests of stakeholders – and will increase firm value.

Benchmarks of the company's ability to generate profits from its business activities can be seen through the profitability ratio. Through the profitability ratio, investors can examine whether the company in generating profits has allocated wealth and operations effectively and efficiently (Mardiyati, 2012). In the context of stakeholder decision making, the most commonly used indicator is profitability. Various decisions made by stakeholders lead to changes in the stock prices that influence the firm value. Profitability can also explain how far the company performance, as the better the performance of the company, the profitability will increase and the impact on the firm value will increase. This study is similar to the empirical results conducted by Dewi and Wirajaya (2013) who found that profitability directly affects the disclosure of GCG on firm value.

Conclusion

This research was conducted to examine the effect of CSR and GCG disclosure on firm value with profitability as an intervening variable. Based on the analysis and discussion, the following conclusions are obtained:

1. CSR and GCG affect profitability.
2. CSR and GCG do not affect firm value.
3. Profitability affects firm value.
4. Disclosure of CSR and GCG affect firm value through profitability.

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