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Factors Affecting Firms Value of Indonesia Public Manufacturing Firms

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ABSTRACT: *This study purpose is to determine effect of social responsibility, Corporate Governance and Firm size on corporate Profitability and corporate value in Manufacturing Firm listed at Indonesia Stock Exchange. This study uses three variables type, namely: exogenous, endogenous and intervening variables. Exogenous variable are social responsibility, Corporate Governance and Firm size. Endogenous variable is Firm value, while intervening variable is Profitability. This studi population is manufacturing firm listed on Indonesia Stock Exchange, with amount of population is 133 firms. After selection process then 42 firms are used as research sample. This study analysis method is path analysis using Partial Least Square. Results showed that Corporate Social Responsibility, Corporate Governance, and Firm size have positive effect on Profitability. Corporate Social Responsibility, Corporate Governance, Firm size, and Profitability have positive effect on Firm value.*

KEYWORDS*: Corporate Social Responsibility, Good Corporate Governance, Size, Profitability, and Firm value*

I. INTRODUCTION

Firm value is investors' perception toward firm that often associated with stock prices. Main goal is to maximize firm wealth or Firm value (Sujoko, 2007). Maximizing Firm value is very important it also means maximize shareholders wealth as main objective of firm. Firm value is reflected in stock prices that steady and increase. High stock price makes firm high valued and affect on market confidence toward current firm performance and outlook for future firm Firm value becomes something very important in investment transactions. Data on Indonesian Stock Exchange shows that book Firm value is addressed differently by investors. Price To Book Value (PBV) is not always equal to 1 (one). This suggests that investors look firm sometimes higher or lower than its book value. To obtain Firm value, firm managers can implement a number of ways. First, using one indicator of financial ratios that improve Profitability. Profitability increase can lead to raise stock market prices. Second, managers can implement and disclose Corporate Social Responsibility. By implementing and revealed good Corporate Social Responsibility extensively, it can enhance firm's image and sales growth. It is not separated from trust and acceptance public to firm's products. Third, managers implement good Corporate Governance. Better Corporate Governance process can increase Firm value. Fourth, Firm size to reflect firm assets scale that owned by firm. If included in a large scale, usually information available to investor in making an investment decision with respect to bigger firm, and large firms have drive to boost firm economic growth, so it is expected to increase Firm value .

Megawati (2010) defines Profitability as firm's ability to generate profit. Higher Profitability it can lead to increase in firm stock prices. Higher stock price affect effect to higher Firm value, increasing investors desire to invest their capital in firm. Modigliani and Miller (Brigham, 1999) states that Firm value is determined by firm's Profitability, meaning that higher profit create greater likelihood that more dividends will be shared to that creates high Firm value. Sujoko (2007) revealed based on Signaling Theory that high firm Profitability shows good firm's prospects. It makes investors will respond positively and will increase firm's value. Higher dividend payments demonstrate better firm's prospects. Investors have different perception assessment toward stock price at a manufacturing firm listed on Stock Exchange. Firm's value perception changes investor perceptions. It could not be separated from manufacturing firms that having high social values, such as care for social, economic, and environment. Social responsibility implementation is expected to stimulate sales growth that accompanied by firm's products acceptance by consumers. Corporate investors want good Corporate Governance within existing dynamic competition. It demand firm's management to implement their duties properly and not deviates to improve firm's financial performance and corporate value. Another perception of Firm value could not be separated from investors view toward Firm size itself, namely firm assets size that owned. Large firms tend do not experience financial difficulty and has good economic growth in future.

Manufacturing firms that implement and report information about good social responsibility, good Corporate Governance, and has a large size are expected to give effect to firm's financial performance improvement in Profitability review, so firm achievement is to maximize shareholder value. Number of assets owned makes firm be able to use it better. Corporate Social Responsibility can be interpreted to give concept that firm will voluntarily integrate social and environmental concerns into their business operations and interactions with stakeholders (Djalil, 2003). Broader understanding assumes that social responsibility becomes an integral part of strategic investment, core business strategy, management instruments, as well as firm's operations. This concept considers that social responsibility is not a cost but an investment for firm (Kusumadilaga, 2010). Corporate Social Responsibility is a claim that firm not only operates for its shareholders benefit, but also for stakeholders benefit in business practices, namely the workers, local communities, government, NGOs, consumers, and environment. The Global Compact Initiative (2002) calls this understanding with 3P (profit, people, and planet). Business purpose is not only for profit (profit), but also people welfare and ensures the planet sustainability.

Firms carry out activities and disclose social responsibility information widely as one of firm's strategy. This activity is used as a long-term investment which is expected to create good firm image for public. It indicated by the acceptance of firm's products by market or society (Crisostomo, 2007). The relationship between Corporate Social Responsibility and performance can also be analyzed from institutional and stakeholders theory. This theory develops conceptualization of organization as a social system that is broad and shaping behavior (Freeman, 1984; Donaldson and Preston, 1995). Stakeholder theory says that firm is not the only entity that operates for its own sake, but should provide benefits to stakeholders. Thus, existence of a firm is influenced by support that needed by stakeholders to firm (Donaldson and Preston, 1995). Several previous studies show different results. Some researches indicate that there isn’t relationship between social responsibility disclosure and financial performance (Margolis and Walsh, 2003; Griffin and Mahon, 1997; Orlitzky et al. , 2003; Mc Williams and Siegel, 2000; Aupperle et al. , 1985; Waddock and Graves, 1997; Mc Guire et al. , 1989; Susilowati et al. , 2008). Neoclassical economists argue that stakeholders prefer firms with high profit compared with firms with social conscience (Aupperle et al. , 1985).

Crisostomo et al. (2011) investigated the effect of Corporate Social Responsibility, corporate values , and financial performance in Brazil by using the Corporate Social Responsibility, Firm value, and firm's financial performance variables. Corporate Social Responsibility is measured by CSR index and use Tobin's Q as a proxy of Firm value by using control variables: Firm size, risk, and sector. Samples are 78 non-financial firms in period 2001-2006. Research results showed a negative correlation of Corporate Social Responsibility on Firm value while Corporate Social Responsibility and financial performance is neutral. Agency theory provides a framework to think about Corporate Governance issues that resulted in separation of ownership and control. Jensen and Meckling (1976) identifies two ways to reduce manager chance to damage investors namely outside investors makes supervision (monitoring) and managers themselves restrict their actions (bonding). Both of these activities will reduce irregularities by manager so firm performance will increased visits in view of Profitability and Firm value increase. There are several monitoring mechanisms includes oversight by independent commissioners and major shareholders such as institutional shareholders.

Gibrat 's Law implies that growth process is random. Average growth of independent firms associated with Firm size and other firm characteristics. In this context, issue of whether Firm size has a systematic effect on average growth become interesting subject research. Similarly, if Firm size has a relationship with level of firm profits. Generally, empirical testing using Gibrat's law does not provide clear evidence on relationship between Firm sizes with firm's financial performance. (Hart and Oulton, 1996; Sutton, 1997; Caves, 1998 ;). Positive accounting theory (Watts and Zimmerman, 1976) mentions that large firms politically more sensitive than small firms. Large firms face greater political costs due to a few high profile of public entities. Firms size show that a certain amount of resources can be compared by other same resources. More intensive scrutiny make big firm more motivated than smaller firms to show higher Profitability. Based on background, literature study and previous research, as well as results of a preliminary survey, it is important to expand research studies that have been done in previous studies. Some research gap will be filled by linking variables that have not been filled in previous studies. These studies gap provide an opportunity for researchers to reexamine current relationship between variables such as Corporate Social Responsibility, Corporate Governance, Profitability and corporate value and adding variables Firm size and Profitability becomes an intervening variable in this research model. Based on above research, the problem formulation of this research are :

[1] Is social responsibility affect on firm Profitability level?
[2] Is Corporate Governance affect on firm Profitability ?
[3] Is Firm size effect on firm Profitability ?

[4] Does Corporate Social Responsibility affect on Firm value ?
[5] Is Corporate Governance affect on Firm value ?
[6] Does Firm size affect on Firm value ?
[7] Is Profitability affect on Firm value ?
[8] Are social responsibility, Corporate Governance, and Firm size affect on Firm value through Profitability as intervening variable ?

The purpose of this study is :
[1] Testing and analyzing effect of Corporate Social Responsibility on corporate Profitability.
[2] Testing and analyzing effect of Corporate Governance on firm Profitability
[3] Testing and analyzing effect of Firm size on corporate Profitability
[4] Testing and analyzing effect of Corporate Social Responsibility on corporate value
[5] Testing and analyzing effect of Corporate Governance on Firm value
[6] Testing and analyzing effect of Firm size on Firm value
[7] Testing and analyzing effect of Profitability on Firm value
[8] Testing and analyzing indirect effect of social responsibility, Corporate Governance, and Firm size on Firm value through Profitability as intervening variable.

LITERATURE

Agency Theory

Agency relationship perspective is basis to understand Corporate Governance. Agency problems in corporate conflicts that usually occur because owner (the principal) can not play an active role in management. They delegate authority and responsibility for management to managers (agents) to work on behalf and for his interests. Delegation of authority makes managers have a vested interest to make strategic, tactical and operational decisions that can benefit them, triggering conflict agency conflict. According to agency theory, agency conflicts occur due to differences in interests between owners and managers (Jensen and Meckling, 1976). On one hand, owners want manager to work hard to maximize owner utility. On other hand, managers also tend to strive to maximize their own utility.

stakeholder theory

Stakeholder theory says that firm is not the only entity that operates for its own sake, but should provide benefits to its stakeholders. Existence of a firm is influenced by stakeholders support to firm. Corporate Social Responsibility should go beyond measures to maximize profit for shareholders' interests, but more broadly that prosperity can be created by firm and not limited to interests of shareholders, but also for stakeholders interests, namely all those that have linkages or claim against firm (Waryanti, 2009).

Legitimacy theory

Legitimacy theory states that firm has a contract with the public to perform activities based on justice values and how firm responded to various interest groups to legitimize firm actions. If there is a misalignment between firm's value system and society value system, then firm will lose its legitimacy, which in turn would threaten firm survival (Haniffa et al. , 2005).

Positive Accounting Theory

According to positive accounting theory, accounting procedures that can be used by firm are not necessarily the same as others. However, firms should be given freedom to choose one alternative procedures available to minimize costs and maximize value of corporate contracts. Because managers freedom to choose available procedure, managers have a tendency to perform an act by positive accounting theory named as opportunistic actions. Thus, opportunistic action is an action taken by managers to select accounting policies that benefit themselves or to maximize their satisfaction (Suranta and Institution, 2004).

Capital structure theory (Modigliani - Miller)

Theory of Modigliani - Miller (MM) suggested that perfect capital market assumption makes firm’s capital structure does not affect Firm value . But if any tax then firm will use more debt so that Firm value be increased (Modigliani and Miller, 1958).

Signaling Theory

This theory was introduced firs time by Akerlof (1970). This theory explains how success or failure signals from management (agent) should delivered to owner (principal). Signaling theory explains firm’s incentive to voluntarily report information to capital markets even though there is no mandate from regulatory agencies. Information reporting by management aims to maintain investor interest in firm. Financial information submitted aims to reduce information asymmetry between firms and external parties (Walk et al. , 2001).

Corporate market performance

Siallagan and Machfoedz (2006) stated that firm's main goal is to increase Firm value. Low quality of earnings will cause investors and creditors make wrong decision-making so that firm's market performance decreases. Wahyudi and Pawestri (2006) states that firm’s market performance will be reflected in stock market price.

Profitability

Firm Profitability is a firm's ability to generate net income from activities performed in an accounting period. Profitability can become an important consideration for investors in their investment decisions. Larger dividend payout will save capital costs. On other hand, managers (insider) increase power to increase its stake due to receipt of dividends as a result of high profits. An high profits offer is expected to attract investors to invest. Today many leaders look firm’s performance based on financial performance. Paradigm adopted by many firms is profit oriented. Firms that can get huge profits or have a good financial performance are said successful. Conversely, if firms profits relatively small, then firms can are said less successful or less good performance. Profitability is end result of a number policies and decisions of corporate management (Brigham and Gapenski, 2006). Thus it can be said that firm Profitability is a firm's ability to generate net income from activities performed in an accounting period.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a mechanism for an organization to voluntarily integrate social and environmental concerns into their operations and interactions with stakeholders, which exceeds the organization legal responsibility (Anggraini, 2006). Susanto (2007) defines Corporate Social Responsibility as a corporate concern income (profit) for benefit of human development (people) and environment (planet) on an ongoing basis based on proper procedures and professional. Boone and Kurtz (2007) said that social responsibility is general management support to obligation to consider profit, customer satisfaction and well-being of society equally in evaluating firm performance.

Corporate Governance

Corporate Governance as a system is used to direct and manage firm activities. This system has great effect in determining business objectives and in achieving goal. Corporate Governance also has effect to achieve optimal business performance as well as analysis and control of business risks faced by firm. Unhealthy Corporate Governance can create abuse temptations of Board office that having weak business ethics and morals, then he can also harm stakeholder’s members, especially shareholders, creditors, suppliers and employees (Piet, 2010).

Firm size

Firm size can be defined as assessment of how large or small a firm that represented by assets, sales number, average total sales and average total assets. Thus, Firm size is size or amount of assets owned by firm. Generally, researches in Indonesia use total assets or total sales as a proxy of Firm size. Firm size will be very important for investors and creditors as it would relate to risk of investment made. Siregar (2005) mentions that firm with great total assets shows that firm has a good or positive cash flow, so it is considered to have good prospects in long term. It also reflects that firm is relatively more stable and better able to generate profits than firms with small total assets.

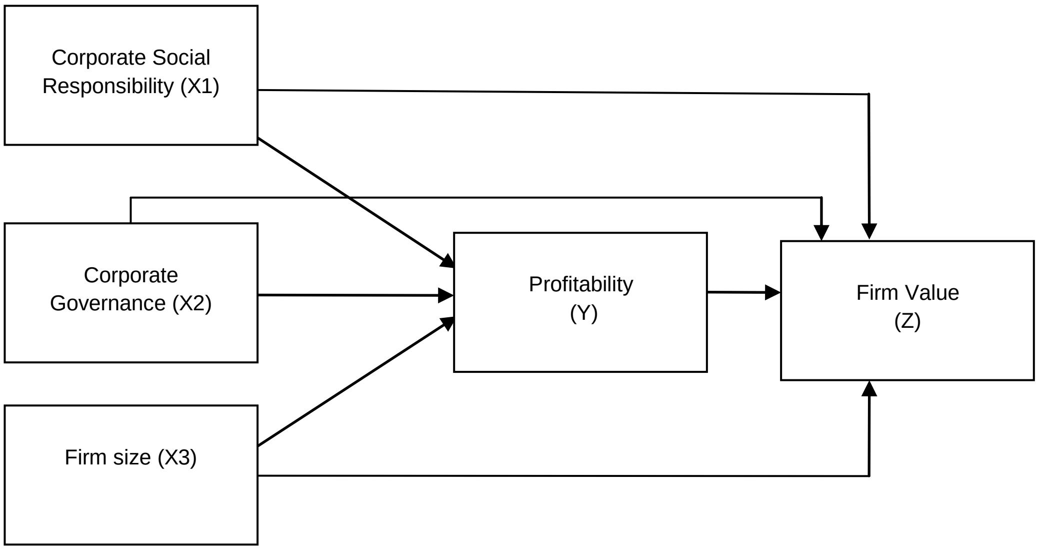
Firm value

Firm value can be viewed from several approaches. Approaches assume that Firm value in balance sheet is value of its assets. This method is simple to see Firm value listed on balance sheet. Method to measures the income statement is based on Firm value at income statement. Firm value can be determined by sales, earnings or other indicators. For this study purposes, Firm value is based on Brigham (1999) to use market value toward firm performance. This value indicates market confidence toward firm intrinsic value. It indicated by giving market appreciation to stock price above book value, and market depreciation shown by the stock price below book value. If market gives more value, it indicate market considers firm has good prospects. Adversely, if market indicate lower value, it indicates market considers firm does not have good prospects.

CONCEPTUAL FRAMEWORK FOR RESEARCH

Based on research hypothesis, model of conceptual framework can be described in figure 1 below.

Figure 1. Conceptual Framework



H5

RESEARCH HYPOTHESIS

Hypothesis 1: The wider Corporate Social Responsibility disclosure, the higher Profitability level of manufacturing firms.

Hypothesis 2: The better Corporate Governance, the higher Profitability level of manufacturing firms.

Hypothesis 3: The larger size of manufacturing firm, the higher Profitability level of manufacturing firms.

Hypothesis 4: The more extensive Corporate Social Responsibility disclosure, the higher manufacturing firms value.

Hypothesis 5: The better Corporate Governance, the higher manufacturing firms value.

Hypothesis 6: The larger Firm size, the higher manufacturing firms value.

Hypothesis 7: The higher Profitability, the higher manufacturing firms value.

METHODS

Population and Research Sample

Population as region generalization is consisting of objects/subjects that have a certain quantity and characteristics (Singarimbun and Effendi, 1995). Indriantoro and Bambang (2002) suggested that population is all objects or individuals that have certain characteristics, clear and complete to be studied. This study population is a manufacturing firm listed on Indonesia Stock Exchange year 2009-2011 with amount of 133 firms. Sampling method is saturated population or census.

Variables classification

Variables study can be divided into three part namely:

[1] Endogenous variables, namely Firm value (Z).
[2] Exogenous variables that consists of Corporate Social Responsibility (X1), Corporate Governance (X2), Firm size (X3),
[3] Intervening variable, namely Profitability (Y).

Time and Research Location

This research was conducted at Indonesian Stock Exchange. Data is obtained from Indonesia Stock Exchange using annual report period of January 1st 2009 until December 31st 2011.

Hypothesis Testing

Partial Least Square (PLS) using Smart PLS software is used to analyze data. PLS is a structural equation analysis (SEM) variant-based that simultaneously can test measurement model and structural model (Jogiyanto, 2011). Ghaozali (2006) says that PLS is an alternative approach that shifts covariance-based SEM approach becomes variant-based approach. Generally, covariance -based SEM makes causality or theory test while PLS is tend to analyzes predictive models.

RESULTS, DISCUSSION, AND LIMITATIONS

Research Object Description

Based on data obtained from www. idx. co. id, this study population is a manufacturing firm that is listed from 2009-2011 with total 133 firms. Summary of sample selection criteria is shown in Table 1 below :

Table 1 Criteria Sample Research

No	*Description*	Amount
1	*Firm is listed on Indonesia Stock Exchange from 2009-2011*	133
2	*Corporate ever make acquisitions and mergers in 2009-2011*	(44)
3	*Firm has negative equity in period of observation*	(35)
4	*firm's Financial Statements is reported in Dollars*	(12)
	Total sample of study	**42**

Source: Indonesia Stock Exchange, 2012

Descriptive Statistics

This study variables are Corporate Social Responsibility (X1), Corporate Governance (X2), Firm size (X3), Profitability (Y), and Firm value (Z), each variable is measured using the following indicators :
a. Corporate Social Responsibility (X1) : X1
b. Corporate Governance (X2) : X2.
c. Firm size (X3) : X3
d. Profitability (Y) : Y
e. Firm value (Z) : Z

Table 2 below show descriptive statistics for each indicators used in study :

Table 2. Descriptive Statistics Results

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Corporate Social Responsibility (X1)	126	0,31	0,991	0,7223	0,14974
Corporate Governance (X2)	126	0,00	98,18	72,7214	18,86222
Firm size (X3)	126	10,84	13,59	11,9983	0,56867
Profitability (Y1)	126	0,01	3,24	0,1864	0,32108
Firm value (Z1)	126	0,06	35,45	2,0361	3,90665
Valid N (Listwise)	126				

Sources : Data Processed in 2012

Hypothesis Testing

This study analysis use Partial Least Square (PLS) approaches using SmartPLS software. PLS is a structural equation analysis (SEM) variant-based that can simultaneously test measurement model and structural model (Jogiyanto, 2011). There are two tests were performed using PLS approach, namely outer models test (indicator test) and inner model (structural testing). Based on research model above, it can be seen outer loadings can to assess convergent validity. Results 1 outer loadings can be seen in Table 3 below.

Table 3. Results of Outer loadings

Variable Indicators	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)
CSDI (Corporate Social Responsibility index)	1,000	1,000	0,000
Institutional Ownership (Corporate Governance)	1,000	1,000	0,000
Total Assets (Firm size)	1,000	1,000	0,000
PBV (Value Firm)	1,000	1,000	0,000
ROE (Profitability)	1,000	1,000	0,000

Sources : Data Processed in 2012

Discriminant validity was measured by looking at RD value to determine value validity construct of this study. Research model construct is considered valid if AVE value greater than 0. 5. AVE results can be seen in Table 4 below.

Table 4. Results of Average Variance Extracted (AVE)

Variabel	AVE
Corporate Social Responsibility	1,000
Corporate Governance	1,000
Firm size (Size Firms)	1,000
Profitability	1,000
Corporate Value	1,000

Sources : Data Processed in 2012

Outer test models also performed by looking at composite reliability. Composite reliability has good value if ≥ 0. 70. Composite reliability results can be seen in Table 5.

Table 5. Results of Composite Reliability

Variables	AVE
Corporate Social Responsibility	1,000
Corporate Governance	1,000
Firm size (Size Firms)	1,000
Profitability	1,000
Corporate Value	1,000

Sources : Data Processed in 2012

Path analysis

Path analysis shows the effect and significance among the variables latent. Path analysis result is seen from structural path coefficients and t -values for significance of prediction model. Path coefficients result for direct and indirect effect can be seen in Table 6 and Table 7 below.

Table 6. Results of Path Coefficients

Variables relationship	Original Sample (O)	t Statistic	Significance (t Statistic > 1,96)
Corporate Social Responsibility → Profitability	0,197	1,986	Significant
Corporate Governance → Profitability	0,808	4,403	Significant
Firm size → Profitability	0,306	2,715	Significant
Corporate Social Responsibility → Firm value	0,172	1,968	Significant
Corporate Governance → Firm value	0,359	2,732	Significant
Firm size → Firm value	0,105	2,008	Significant
Profitability → Firm value	0,869	4,751	Significant

* Significance above 1. 96 or t Statistics > 1. 96
Sources : Data Processed in 2012

Table 7. Path Coefficients Result of Indirect Effect

NO	Independent variable	Dependent Variabel	Intervening variable	Effect			t-statistic ($t_{critical}$=1,96)	Description
				Direct	Indirect	Total		
1	Corporate Social Responsibility	Firm value	Profitability	0,197	0,171	0,368	1,968	Significant
2	Corporate Governance	Firm value	Profitability	0,808	0,702	1,510	2,732	Significant
3	Firm value	Firm value	Profitability	0,306	0,265	0,571	2,008	Significant

* Significance above 1. 96 or t Statistics > 1. 96
Sources : Data Processed in 2012

Hypothesis Testing

Direct hypotheses testing between variables of Corporate Social Responsibility, Corporate Governance, Firm size, Profitability and Firm value can be seen in Table 5. 7. Effect between study variables can be seen from the t - statistic or path coefficients. Based on hypothesis test, research results are explained below.

[1] Increasing implementation of Corporate Social Responsibility can increase firm Profitability, so first research hypothesis is accepted. These result indicates that path coefficient the direct effect of Profitability on Corporate Social Responsibility is 0. 197 at t - statistic of 1. 986 with a positive path coefficient.

[2] Better implementation of Corporate Governance can increase firm Profitability, so second research hypothesis is accepted. These result indicates that path coefficient the direct effect of Corporate Governance on Profitability is 0. 808 at t- statistic of 4. 403 with positive path coefficient.

[3] Larger firm can increase firm Profitability , so the third research hypothesis is accepted. These result indicates that path coefficient the direct effect of Profitability on Firm size is 0. 306 at t-statistic 2. 715 with positive path coefficient.

[4] Increasing implementation of Corporate Social Responsibility can enhance corporate Firm value , so fourth research hypothesis is accepted. These result indicates that path coefficient the direct effect of CSR on Firm value is 0. 172 at t-statistic of 1. 968 with positive path coefficient.

[5] Better implementation of Corporate Governance can increase Firm value, so fifth research hypothesis is accepted. These result indicates that path coefficient the direct effect of Corporate Governance on Firm value is 0. 359 at t-statistic of 2. 732 with positive path coefficient.

[6] Larger firm can increase Firm value, so sixth research hypothesis is accepted. These result indicates that path coefficient the direct effect of Firm size on firm is 0. 105 at t-statistic of 2. 008 with positive path coefficient.

[7] High Profitability can increase Firm value, so seventh research hypothesis is accepted. These result indicates that path coefficient the direct effect of Profitability on Firm value is 0. 869 at t-statistic of 4. 751 with positive path coefficient.

[8] <u>Corporate Social Responsibility, Corporate Governance, and Firm size has indirect effect on Firm value, so the eighth research hypothesis is accepted. These result indicates that path coefficient the direct effect of Corporate Social Responsibility, Corporate Governance, and Firm size on Profitability is lower than path coefficient of effect Corporate Social Responsibility, Corporate Governance, and Firm size on Firm value.</u>

Goodness of fit

Goodness of fit shows variability of latent variables in research model. Goodness of fit value is obtained from the R^2 coefficient. Results of R square can be seen in Table 7 below.

Table 7. Results of R Square

Variables	R^2
Profitability	0. 577
Firm value	0. 690

Test results from R^2 in at Table 7 show that variability of Corporate Value (Y) can be explained by variability of Corporate Social Responsibility (X1), Corporate Governance (X2), Firm size (X3) and Profitability (Y) with amount 69 %. Remaining 31% is explained by another variability that not included in research model. In addition, variability of Profitability (Z) can be explained by Corporate Social Responsibility (X1), Corporate Governance (X2), and Firm size (X3) by 57 %. Remaining 43 % is explained by another variable that are not included in research model.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on analysis results and discussion that has been described above, conclusions that can be drawn are below.

[1] The extent of CSR affects on higher manufacturing firm Profitability. Benefits that achieved from implementing and revealing Corporate Social Responsibility can lead to better corporate finance so firm profits can be increased and followed by firm Profitability increase.

[2] Good Corporate Governance leads to increase Profitability of manufacturing firms. It because higher institutional ownership will increase firm Profitability. This is due to application of Corporate Governance proxies of institutional ownership in manufacturing firms to make institutional investors function as monitoring agents that can reduce agency cost and deter opportunistic behavior of managers, as well as

encourage more optimal control on insider performance and eventually creates financial performance both in terms of firm's ability to generate profits through firm's equity (Profitability).

[3] Larger firm can increase Profitability of manufacturing firm. That is because manufacturing firm in this study showed an average size scale, thus reflecting a firm success that has a stable financial and increase economies of scale.

[4] The extent of Corporate Social Responsibility disclosure affects to increase Firm value. That is because manufacturing firms are aware the benefits received from application of social responsibility practices and disclosure Integration widely. One example is to raise firm image, which in long time will increase firm reputation that have an affect on Firm value increase.

[5] Good Corporate Governance leads to increase manufacturing firm's value. This is due to high awareness of manufacturing firms to implement good Corporate Governance, not just comply with existing regulations, and one way to implement good Corporate Governance is to increase share ownership by institutional investors which causes pressure to firms to implement better Corporate Governance because elements of culture flourished in national business environment to support application of good Corporate Governance.

[6] Larger firm may increase manufacturing firm's value. That is because manufacturing firm has an average size, so have create an urge to make improvements to firm's value, than smaller scale firms because large firms are seen as more critical externally and more optimal to manage their business activities.

[7] Higher value of firm Profitability can increase firm to generate profits, so it will affect on high Firm value. High profit firm would give a good indication of prospects that can lead investors to increase demand for stock. Furthermore, increased demand can increase stock Firm value .

[8] Corporate Social Responsibility, Corporate Governance, and Firm size indirectly affect on Firm value , because they should through be Profitability. This is because the more extensive disclosure of Corporate Social Responsibility the Corporate Governance will better, and larger Firm size can create high Profitability, and therefore contributes to high Firm value .

SUGGESTION

1. Further research is expected to make addition or replacement of other exogenous variables to explain Firm value and firm Profitability more broadly.
2. Further research is expected to increase sample size, so study results have a stronger generalize power and complement each other.
3. Indonesia firms can increase Profitability and its value should increase disclosure of Corporate Social Responsibility, enhancing good Corporate Governance, and has a large size firms.
4. Further research is recommended to use an index to measure numeric loading, eg 1-5 scale (Likert scale).

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