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ORIGINAL ARTICLE

Corporate Governance, Corporate Social Responsibility and Firm Value: Evidence from Indonesia

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ABSTRACT
This study aims to determine the effect of good corporate governance on firm value and corporate social responsibility as a moderating variable. The sample of this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2012-2017. Based on purposive sampling criteria, there were 504 samples obtained This studi uses a quatitative approach with multiple linear regression analysis methods. This study found that good corporate governance has a positive effect on firm value. Then, corporate social responsibility strengthens the relationship between corporate governance and firm value. Contributions of this study is develops a research model of the influence of good corporate governance dan corporate social reponsibility on increasing firm value by measuring that variables in accordance with firm conditions in developing countries. Future resarch is very interesting to add criteria to determine the final score for good corporate governance and corporate social responsibility disclosure by following the changing times

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Keywords: Corporate governance, Corporate Social Responsibility, Firm Value

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INTRODUCTION

This study examines the effect of corporate governance on firm value in public companies in Indonesia. Corporate governance arises as a result of the separation between business ownership and control where the company is directed and controlled (Cadbury, 2000). The presence of good corporate governance in Indonesia is one of the solutions to create conducive business activities and can avoid all forms of scandal in a company. Corporate governance is believed to be a strategic factor in increasing firm value. Companies that have good corporate governance will gain investor trust so that the share price will continue to increase. Business relations will also give high trust because they believe they will be treated fairly by getting the best prices so they can achieve efficiency. Likewise, creditors will not be alarmed because the debt and interest will be paid on time.

Research on corporate governance and firm value have been carried out in developed countries (Adegbite & Nakajima, 2011; Du, Hou, Tang, & Yao, 2018; Huang & Kang, 2017; Leung & Cheng, 2013; Li & Zaiats, 2017; Lozano, Martínez, & Pindado, 2016; Saona & Martin, 2010). While the research in developing countries includes research of (Chandren, Ahmad, & Ali, 2015; Fadjar, 2013; Haryono & Iskandar, 2015; M'Ithiria & Musyoki, 2014). These researches examine the effect of good corporate governance on firm value with the object of research in companies listed on the Indonesia Stock Exchange. In Indonesia as in developing countries, ownership is concentrated (Al-Saidi & Al-Shammari, 2014; Javid & Iqbal, 2018; Kartika & Indriastuti, 2014; Machek & Kubíček, 2018; Utama, Utama, & Amin, 2016). The main agency problem is the control of the rights of the majority owner at the expense of minority owners (Javid & Iqbal, 2018). The ownership concentration is also potential to choose CEOs from the commissioner elements in order to fulfill the interests of the majority shareholders (Biswas, 2015; Javid & Iqbal, 2018). In concentrated ownership, controlling shareholders also tend to enrich themselves by conducting transactions with special parties so that profits can be transferred to companies that are under their control (Chau & Gray, 2010).

The results of somebadresearches on the effect of corporate governance on the firm value are not consistent in both developed and developing countries. Non-consistent results are predicted because investors have more expectations for the company regarding the company's commitment to its stakeholders as indicated by its social responsibility activities. Corporate social responsibility is a business social responsibility that includes economic, legal, ethical, and policy expectations that the community has about the organization at any given time (A. B. Carroll, 1979). The attention of the entity through corporate social responsibility activities to various corporate stakeholders can improve the image and reputation of the company (Crisóstomo, De Souza Freire, & De Vasconcellos, 2011; Famiyeh, 2017).

In Indonesia, the company's obligation to carry out its social responsibility has been regulated in Law No. 40 of 2007 and its implementing regulation in Government Regulation No. 47 of 2012. However, in its implementation, there are no standards and there is no assessment from the regulator regarding the extent of the CSR implemented by the company. The implementation of CSR in Indonesia is very dependent on the top leaders of the corporation. If corporate leaders have high moral awareness, it is probable that the corporation will implement CSR properly, but if the orientation of the corporate leaders is only for shareholder satisfaction and the achievement of personal profit, then perhaps CSR policies are merely such cosmetic. This is the reason why the implementation of CSR in Indonesia varies. (Chrisna and Maya, 2014, Taridi, 2018) found that the average CSR in the banking industry is below 50%. The manufacturing industry produces more waste in the production process compared to other industries. Therefore, how is the influence of CSR in moderating the relationship between corporate governance and firm value is interesting to be observed.

This study provides new evidence of the relationship between corporate governance and firm value in emerging markets. We contribute to the literature in several respects: (1) the sample of this study is manufacturing companies in Indonesia in 2012-2017. (2) GCG instruments developed by this study are in accordance with the characteristics of GCG in Indonesia, as in other emerging markets with concentrated share ownership characteristics that have an impact on the selection of directors, commissioner structures, and the transactions with special parties. (3) the moderation of CSR towards the relationship of corporate governance with the firm value is interesting to be observed because there is no standard and there is no evaluation of regulators on the implementation of CSR.

Hypothesis development

Signaling Theory

The signaling theory states that the company's executives that have better information about their company will be motivated to convey open information to prospective investors so that the company's stock price increases (Ross, 1977).Signaling theory explains why companies have the urge to provide financial statement information to externa lparties. The company encourages to provide information because there is information asymmetry between the company and outside parties, meaning that the company knows more information about itself and its future prospects than outside parties.

The firm value can be improved by reducing asymmetric information, how to provide signals to outside parties in the form of reliable financial information so as to reduce uncertainty about the company's growth prospects in the future. Financial statement information that reflects firm value is a positive signal that can affect the opinions of investors and creditors or other interested parties.

Legitimacy Theory

Legitimacy is the core concept of the new institutionalism theory. The basic idea is that the social rule system, the cultural system, when it is widely accepted as a social reality, has great power, limits and regulates human behavior (Parsons, 1956). Legitimacy theory states that organizations must continually ascertain whether they have operated within the norms that are upheld by the community and ensure that their activities (companies) can be accepted by parties outside the company. Every company has a contract with the community based on the values of justice and how the company responds to various groups to legitimize the company's actions (Dowling, 1975).If there is an inconsistency in the company's value system and the community value system, the company will lose its legitimacy so that it can threaten the survival of the company (Gray, Kouhy, & Lavers, 1995).Corporate social responsibility disclosure is a way to legitimize the survival and operations of the company in society (Gray et al., 1995).

Firm Value

Firm value is the investor's perception of the success of a company. This is reflected in the stock price of the company. The increase in stock prices shows investor confidence in the company, so they are willing to pay more with the aim of a higher rate of return. It can be said that firm value is the book value of assets owned by the company. This value consists of stock market value and liabilities (Damodaran, 2002). The firm value can provide maximum shareholder wealth if the share price rises. The higher the stock price, it will be the higher the shareholder wealth.

In this case, firm value is related to signaling theory (Ross, 1977). In signal theory, management hopes to provide a signal of prosperity to the owner or shareholder in presenting financial information. Publication of the annual financial report presented by the company will be able to signal dividend growth and the development of the company's stock price (Brigham & Houston, 2016). This information is important for investors and business people because it contains many records, details, and descriptions of past, present, and of course future periods to estimate the company's progress and the consequences for the company. Financial statement information that reflects the firm value is a positive signal that can influence the opinions of investors and creditors or other interested parties (Miller & Rock, 1985).

The use of dividends as a signal in the form of an announcement stating that a company has decided to increase dividends per share may be interpreted by investment as a good signal, because higher dividends per share indicate that the company believes that future cash flows will be large enough to bear dividend rates high (Copeland & Weston, 1988).In addition, the announcement of accounting information signals that the company has good prospects in the future (good news) so that investors are interested in investing their funds (Treynor, 1977).

Corporate Governance in Indonesia

Corporate governance according to Governance, (2006) is one of the pillars of the market economic system. Corporate governance is closely related to the trust of one company to conduct business in a country (Adam, Mukhtaruddin, Soraya, & Yusrianti, 2015). The application of corporate governance encourages fair and conducive competition for the business climate. Therefore, the application of corporate governance in Indonesia is very important to support sustainable economic growth and stability and is expected to support the government's efforts to enforce corporate governance in Indonesia.

Corporate governance becomes as the principle that directs and controls the corporation with the aim of achieving a balance between the strength and authority of the company in providing accountability to shareholders in particular and stakeholders in general (Cadbury, 1992). There are principles of good corporate governance according to (OECD, 2004), namely protection of the rights of shareholders, the equality of treatment of all minority shareholders and foreign shareholders, the important information disclosure, prohibiting the distribution for their parties and stock trading by insiders, the role of stakeholders related to the company, and also the openness, transparency and accountability of the board of commissioners.

Corporate governance in Indonesia has characteristics like corporate governance in developing countries, namely concentrated ownership (Machek & Kubíček, 2018, Indri & Maya, 2014), because of uncertain economic and political systems and inadequate institutional support (Singh & Gaur, 2009). When ownership is concentrated in the hands of several shareholders, shareholder incentives to control and monitor management can be stronger (Alexandrina, 2007; Javid & Iqbal, 2018; Machek & Kubíček, 2018). A higher concentration of ownership can produce structures with controlling owners who can be significantly involved in company management, actively monitor management and reduce management opportunistic attitudes (Burkart, Gromb, & Panunzi, 1997). However, in Indonesia, the majority share ownership is controlled by the family which has the potential to harm external companies (Purkayastha, Veliyath, & George, 2019).

With concentrated ownership, it is likely that the majority of shareholders will practice multiple positions. CEO duality refers to a situation where the board of commissioners concurrently positions as a CEO in a company(Chandren et al., 2015). Duality can lead to agency problems because when the CEO is controlled concurrently with the commissioner, the decisions that have been made will benefit management and the majority shareholders, so that, this can harm external parties (Shuhada, 2016).

In addition to concentrated ownership, the possibility of transactions with related parties between companies can occur. Companies affiliated with groups play an important role in developing countries. This is due to an immature legal system, inadequate transparency, and disclosure of information and uncertain economic and political systems (Shyu, 2013). The theory of market failure proposed by (Leff, 1976)shows that companies affiliated with groups can avoid market inefficiency. Companies affiliated with other groups perform better than non-affiliated companies in emerging markets (Castaneda, 2007; Guillen, 2000; Khanna & Palepu, 2000; Khanna & Rivikin, 2001).

However, these things can be minimized by the independent auditor's assessment. A qualified audit can determine the good or bad presentation of financial statements in a company (Al-ajmi, 2009). The principles of corporate governance formulated by (OECD, 2004)state that annual audits must be carried out by independent, competent and quality auditors, to provide external and objective guarantees to the board of commissioners and shareholders on financial statements fairly representing financial position and company performance in all material matters.

Corporate Social Responsibility

Corporate social responsibility is a business social responsibility that includes economic, legal, ethical, and policy expectations that the community has about the organization at any given time (A. B. Carroll, 1979). In addition, organizational policy aims to consider stakeholder expectations in terms of economic, social and environmental performance or what is called as the triple bottom line (Aguinis, 2011). The CSR framework is designed to provide sustainable value to the wider community. The corporate social responsibility disclosure provides information to the public about company activities with the community, environment, employees, consumers and energy use in the company.

Corporate social responsibility disclosure can be defined as the provision of financial and non-financial information relating to organizational interactions with their physical and social environment, as stated in annual reports or reports of separate social responsibility disclosures (Hackston & Milne, 1996). (Dahlsrud, 2008) analyzes some of the research conducted by (Archie B Carroll, 1999; Hopkins, 1998; Jones, 1980; Mcwilliams, 2001; Perrini, 2005)and concludes different characteristics. However, most definitions of corporate social responsibility relate to the social context. The concept of CSR develops over time, starting from the obligation to the community to the integration of several dimensions. These dimensions include environment, energy, workforce health and safety, others about labor, community involvement, and general(Crisóstomo et al., 2011; Javaid, Amjad, & Khan, 2016; Karagiorgos, 2010; Liu & Zhang, 2017; Nekhili, Nagati, Chtioui, & Rebolledo, 2017; Rodriguez-Fernandez, 2016). It can be concluded that corporate social responsibility is not just a social activity. However, it can be a strategy for companies to maintain their business continuity.

Corporate social responsibility is in line with legitimacy theory (Deegan, Rankin, & Tobin, 2002; Dowling, 1975; Gray et al., 1995; Parsons, 1956; Shocker & Sethi, 1973). Every company has a contract with society based on values of justice and how companies respond to various groups to legitimize company actions. Legitimacy is important for organizations, boundaries that are emphasized by social norms and values, and reactions to these constraints encourage the importance of analyzing organizational behavior with regard to the environment

(Dowling, 1975). Most of the knowledge related to corporate social responsibility disclosure stems from the use of a theoretical framework that states that environmental and social disclosure is a way to legitimize the survival and operations of companies in society (Gray et al., 1995).

Control Variable

The relationship between corporate governance and firm value is that many researchers find that there is a causal relationship between the two variables. In this research, corporate governance becomes as an independent variable and firm value becomes as the dependent variable. The causal relationship between corporate governance and firm value can be controlled through other variables. These variables include growth (Al-Najjar & Al-Najjar, 2017; Jara, López-Iturriaga, San-Martín, & Saona, 2018; Siagian, Siregar, Rahadian, & Siagian, 2013), size (Loncan, 2014; Siagian et al., 2013), profitability (Jara et al., 2018; Siagian et al., 2013), leverage (Jara et al., 2018; Sheikh, 2018; Siagian et al., 2013), and age (Jara et al., 2018). The existence of control variables is able to control the relationship between corporate governance and firm value with corporate social responsibility as a moderating variable.

The Impact of Corporate Governance on Firm Value

Good corporate governance arises from the interests of the company to ensure investors that the funds invested can be used appropriately and efficiently (Noorlailie, 2018). Good corporate governance can also be recognized as one of the most important implications in building market trust and attracting investors in organizations specifically and economy in general (Hamdan, 2015). Companies that implement better good corporate governance tend to result in higher firm value (Siagian et al., 2013). Then, companies with good corporate governance have higher investment opportunities(Leung & Cheng, 2013).

Companies that adhere to good corporate governance practices can be expected so that companies can meet higher market values (Ammann, Oesch, & Schmid, 2011; Arora & Sharma, 2016; Connelly, Limpaphayom, Nguyen, & Tran, 2017; Lozano et al., 2016; Mahrani & Soewarno, 2018; O'Connor, 2011; Siagian et al., 2013; Suhadak, Kurniaty, Handayani, & Rahayu, 2018). It can be concluded that good corporate governance has a positive effect on firm value. On the basis of theoretical studies and the results of previous research, hypotheses are formulated as follows:

H_1: Good corporate governance has a significant positive effect on firm value

The Impact of Corporate Governance on Firm Value and Corporate Social Responsibility as Moderating Variable

Corporate governance is a mechanism used to reduce agency problems between managers and shareholders, including in the company's control system decisions. Companies that implement better corporate governance tend to have higher firm value(Fadjar, 2013). Research related to the impact of corporate governance on firm value was conducted by (Aboud, Diab, Aboud, & Diab, 2018; Aggarwal, Schloetzer, & Williamson, 2016; Ammann et al., 2011; Arora & Sharma, 2016; Bhat, Chen, Jebran, & Bhutto, 2018; Connelly et al., 2017; Isshaq, A.Bokpin, & Onumah, 2009; Leung & Cheng, 2013; Li & Zaiats, 2017; Lozano et al., 2016; Mouselli & Hussainey, 2014; O'Connor, 2011; Siagian et al., 2013).

The results of those researches have no consistency. Companies that implement better corporate governance tend to result in higher firm values to meet high market values (Aboud et al., 2018; Aggarwal et al., 2016; Ammann et al., 2011; Arora & Sharma, 2016; Bhat et al., 2018; Connelly et al., 2017; Isshaq et al., 2009; Li & Zaiats, 2017; Lozano et al., 2016; Mouselli & Hussainey, 2014; O'Connor, 2011; Siagian et al., 2013). However, research conducted by(Leung & Cheng, 2013) stated thatthe application of corporate governance in developing countries is more dominated by concentrated ownership to support and channel listed companies as profits that will provide value-added to the company itself. In addition, the largest shareholders seek profits at the expense of other shareholders. However, corporate social responsibility can minimize the gap that occurs. Allegedly, corporate social responsibility is able to strengthen the relationship that occurs between corporate governance and firm value.

Corporate social responsibility is a strategic investment for companies that aim to obtain benefits not only from their involvement in social responsibility activities, but also from the communication about involvement with external stakeholders (Nekhili et al., 2017).Attention to the interests of various corporate stakeholders can enhance the image and reputation of the company as a result of investment in corporate social responsibility activities (Crisóstomo et al., 2011; Famiyeh, 2017).

Good corporate governance with a high level of corporate social responsibility disclosure will improve returns on investment. In addition, it will lead to an increase in market share when stakeholders invest (Famiyeh, 2017; Kim & Kim, 2014; Nekhili et al., 2017; Noorlailie, 2018; Sheikh, 2018).It can be concluded that corporate social responsibility is able to moderate the relationship between corporate governance and firm value, the hypothesis can be formulated as follows.

H_2:Corporate social responsibility moderates the relationship between corporate governance and firm value

METHODS

Sample and Data Collection

This study used a purposive sampling method that used sampling methods with several criteria. The criteria are as follows: (1) companies registered as manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2012-2017, (2) companies that use rupiah, (3) manufacturing companies that consistently report their financial in 2012-2017. Based on these criteria, there were 504 samples obtained. Secondary data used in this study were obtained from annual and financial reports available on the Indonesia Stock Exchange (IDX) website.

Measurement of Variables

Dependent Variable

In this study, Tobin's Q is used as a proxy for the company's market value because there are 3 reasons (Nekhili et al., 2017). *First* is a step forward because it is based on stock market prices. *Second*, market-based measures reflect the ideas of external stakeholders (Orlitzky, Schmidt, & Rynes, 2003).*Third*, Tobin's Q can be used to compare companies in the industry because they are not influenced by accounting conventions (Chakravarthy, 1986).

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

Which means:
EMV : Firm value
EBV : Book value of total assets
D : Book value of total debt

Independent Variable

This study used 4 proxy measures of corporate governance variables as follows.*First*, majority ownership used dummy variables where category 1 is for a company that has less than 50% ownership, while category 0 is for a company that has more than 50% ownership. In addition, majority ownership is also measured using the number of holders of ownership above 20%. The number of ownerships that is above the average is given a score of 1 and below the average is given a score of 0. This is because of the more owners of the company, it will be the more control over the company. *Second*, the board of commissioners used a dummy variable in which category 1 is for a boardof commissioner that does not carry out the duality position, while category 0 is for the company that carries out duality position. *Third*, audit quality used a dummy variable where category 1 is for the party that used the big four KAP (Public accounting firm), while category 0 is for companies that use non-big four KAP. *Fourth*, transactions with special parties used dummy variables, where category 1 is for a party that does not carry out transactions with related parties, while category 0 is for companies that conduct transactions with related parties. So that corporate governance calculated as follows:
CG:$\sum_{t=1}^{nj} Xcg$ / 5expected score

Moderating Variable

The moderating variable used in this study is corporate social responsibility. This study used as many as 88 question items that are combined items based on (GRI), 2013) and (Nekhili et al., 2017). The items consist of the environment (15 items), energy (9 items), health and safety of labor (8 items), others about labor (33 items), products (10 items); community involvement (10 items); and general (3 items). Corporate social responsibility variables are measured using a weightless disclosure index. Companies that report according to available items will be given a score of 1, while companies that do not report are given a score of 0. CSR disclosure index is calculated as follows:
CSR =$\sum_{t=1}^{nj} Xij$ / 88 expected score

Model

Regression coefficient testing is done to test how far all the independent variables included in the model have an influence on the dependent variable with a significance of 5%. Criteria for acceptance and rejection of the hypothesis are based on a significant p-value (probabilityvalue), if the p-value (significant)> 5% meaning that the alternative hypothesis is rejected. Conversely, if p-value ≤ 5%, the hypothesis is accepted. The Moderate Regression Analysis model used to test the hypotheses in this study are as follows:
Firm Value = α + β_1 Corporate Governance + β_2 Growth + β_3 Size + β_4 Profitability + β_5 Leverage + β_6 Age + β_7 Corporate Governance*Corporate Social Responsibility + ε

Table 1. Measurement of Variable

Variable	Measurement
Dependent Variable	
- Tobin's Q	Tq = $\frac{Equity\ Market\ Value + Total\ Debt}{Total\ assets}$
Independent Variable	
Corporate governance	
- Majority ownership	-Category 1 for those who control more than 50% share ownership, while 0 for those with less than 50% share ownership

Variable	Measurement
	-The average number of holders of ownership is above 20%. The number of ownerships above the average is given a score of 1, and for those below the average, a score of 0 is given.
- Board of Commissioners	-Category 1 for those who do not carry out duality position, while 0 for those who do duality position -Number of board of commissioners
- Audit Quality	Category 1 for companies that use big four KAP, while 0 for those other than big four KAP
- Transactions with special parties	Category 1 for parties that do not carry out transactions with related parties, while 0 for companies that conduct transactions with related parties.
Total Score	$\sum_{t=1}^{nj} Xcg/$ 5expected score
Moderating Variable	
- Corporate Social responsibility	The corporate social responsibility reporting index includes the environment (15 items); energy (9 items); health and safety labor (8 items); others concerning labor (33 items); product (10 items); community involvement (10 items); and general (3 items), so that the total is 88 items. CSR $=\sum_{t=1}^{nj} Xij$ / 88expected score
Other Control Variable	
Growth	Growth = $\frac{Current\ year\ profit - Earlier\ year\ profit}{profit\ in\ the\ previous\ year}$
- Size	Natural Logarithm Total Assets
- Profitability	ROA = $\frac{Net\ profit\ in\ current\ year}{Total\ Assets}$
- Leverage	DER = $\frac{Total\ debts}{Equity}$
- Age	List of age of manufacturing company

RESULTS AND DISCUSSION

Table 2 . Descriptive Sratistics

Variable	N	Min	Max	Median	Mean	St. dev
Tobin's Q	504	0,200784	23,28575 23,28575	1,091623	1,866764	2,452142
CSR	504	0,113636	0,659091	0,375000	0,376353	0,120578
CG	504	0,000000	1,000000	0,333333	0,378638	0,192033

In table 2, descriptive statistics can be seen in the Tobin's Q variable (firm value) with a total of 504 samples (N), having a minimum value of 0.200784 and a maximum value of 23.28575. The minimum value of 0.200784 in the table can be interpreted that the sample of manufacturing companies shows the lowest share price so that investors are reluctant to invest their capital. Conversely, the maximum value of 23,28575 shows the highest stock price so that the company has many opportunities to invest. While the mean (average) is 1.866764 at the standard deviation of 2.452142. So, it can be said that the Tobin's Q variable (firm value) has a standard deviation that is greater than the mean so that the distribution is not evenly distributed. Then the mean value of 1.866764 is greater than the median value of 1.091623. Then, it can be concluded that Tobin's Q in manufacturing companies is high.

The corporate social responsibility variable with a total of 504 samples has a minimum value of 0.113636 and a maximum value of 0.659091. The minimum value of 0.113636 in the table can be interpreted that the company sample on CSR variable shows the disclosure of the lowest or not the maximum corporate social responsibility activities. Conversely, the maximum value of 0.659091 shows that in the company sample on the CSR variable shows the disclosure of the highest / maximum corporate social responsibility activities. Meanwhile, the mean is 0.378638 at the standard deviation of 0.120578. So, it can be said that the variable corporate social responsibility has a standard deviation less than the mean so that the distribution is evenly distributed. Then, the mean value of 0.376353 is greater than the median value of 0.375000. So, it can be concluded that corporate social responsibility is a high manufacturing company.

Corporate governance variable with a total of 504 samples (N) have a minimum value of 0.000000 and a maximum value of 1.000000. The minimum value of 0.000000 in the table can be interpreted that the sample of manufacturing companies is not good at having a corporate governance component. Conversely, the maximum value of 1.000000 indicates that the company has the best corporate governance component. Meanwhile, the mean value is 0.378638 at the standard deviation of 0.192033. So, it can be said that corporate governance variable has a standard deviation that is greater than the mean so that the distribution is not evenly distributed. Then, the mean value of 0.378638 is greater than the median value of 0.333333. So, it can be concluded that corporate governance is a high manufacturing company.

Table 3 . Hypotesis

Hypotesis	Regression	Coef	p-value	Status
H1	CG→FV	6.000	0.000	Accepted
H2	CG*CSR→FV	0,002	0.000	Accepted

This study used MRA (Moderated Regression Analysis), before further testing, testing classical assumption is conducted. In this research, the classical assumption criteria have been fulfilled. *First*, autocorrelation test of the Durbin Watson value is 3.662555 more than the Upper Down value that is 1.83261. Then, it can be concluded that the regression analysis has no positive autocorrelation and there is no negative autocorrelation so that there is absolutely no autocorrelation. *Second*, the normality test has a probability value of 0.096010 more than 0.05 can be stated that the data is normally distributed. *Third*, the multicollinearity test of the VIF value is more than 1, meaning that there is no multicollinearity. *Fourth*, heteroscedasticity tests using the glejser test have a significance value above 0.05, so that it can be stated that the model does not occur heteroscedasticity.

Discussion

The Impact of Corporate Governance on Firm Value

Based on the results of the analysis using linear regression, corporate governance has a positive and significant effect on firm value. Shareholders have a frame of mind regarding the application of corporate governance to manufacturing companies. This is very important to shift the old mindset or paradigm that still depends on other variables to assess the company. Thus, the firmvalue will increase with increased perceptions of companies that implement corporate governance.

The percentage of companies in Indonesia during the observation period that practiced ownership was concentrated at 76.8% (see appendix 2). The data shows a very high percentage of ownership concentration. The positive effect of ownership concentration is related to the monitoring role played by large investors so that it is responded positively by investors. In addition, in general, operating companies in developing countries also show good corporate governance (Machek & Kubíček, 2018).

Corporate governance can also be seen from the side of duality position that has a positive effect. The percentage of companies in Indonesia that practice duality position is 54.6% which is a high enough percentage and has a positive effect on firm value (see appendix 2). The main benefit of duality position is the superiority of information compared to ownership that is separate from managerial activity. Because the CEO has company-specific information that is unmatched so that the costs of revenue, transmission, and information processing are lower. Besides that, the duality position directs the CEO to be more careful in making decisions related to the company because the impact of the decision will be felt directly by the CEO. Therefore, the duality position practice in a company can increase the firm value (Yang, 2014).

Furthermore, corporate governance is seen by the existence of related party transactions. It can be seen from the percentage of manufacturing companies in Indonesia that practice related party transactions is 78.6%, which means a high number (Seeappendix 2). The practice of transactions with related parties has many benefits such as synergy and diversification, while also showing the significance of the existence of internal market factors of production such as financial capital, labor and raw materials (D.Murray & W.White, 2014; H.Gertner, Scharfstein, & Stein, 1994; Harris & Raviv, 1988). Internal capital markets facilitate the allocation of capital between companies in a group, by providing adequate financial resources. So, it allows affiliated companies to finance low-cost projects. This can be an attractive investment opportunity and can increase firm value (Gadhoum, Gueyie, & Zoubeidi, 2007).

Then, audit quality is an important component in corporate governance. Audit quality that is proxied by KAP affiliated to Big 4 is given a score of 1, while KAP that is not affiliated with Big 4 is given a score of 0. A frequency distribution shows that 36.90% of the company's financial statements are audited by KAP big 4, the market continues to respond positively to indicated by a high stock market value in manufacturing companies in Indonesia. This result is consistent with research conducted by (Arora & Sharma, 2016; Lozano et al., 2016; Siagian et al., 2013)that corporate governance variable has a positive and significant effect on firm value. However, it is not in accordance with the research of(Leung & Cheng, 2013)which shows that corporate governance has a negative effect on firm value.

The Impact of Corporate Governance on Firm Value and Corporate Social Responsibility as Moderating Variable

Based on the results of the analysis using MRA regression (Moderated Regression Analysis), corporate social responsibility is able to moderate the relationship between corporate governance and firm value. Corporate governance requires the existence of good corporate governance in the company that describes management's efforts in managing the company's assets and capital to attract investors. In addition, corporate social responsibility disclosure (37.60%) which is quite high in the company, can strengthen the relationship between corporate governance and firm value. Attention to the interests of various corporate stakeholders can improve the image and reputation of the company (Crisóstomo et al., 2011). With the image and reputation of a high company, it will gain the legitimacy of the community to buy the offered product which will result in an increase in the firm value.

In addition, corporate social responsibility is the company's long-term strategy in an effort to maintain the sustainability of the company, and the influence of corporate social responsibility can be felt in the short term. Then, corporate social responsibility disclosure needs to be carried out as a form of corporate communication and responsibility regarding the performance and condition of the company. Corporate social responsibility is a matter that can affect the characteristics of a company and the firm value both directly and indirectly.

CONCLUSION

The purpose of this study is to investigate the impact of corporate governance practices on firm value with corporate social responsibility as a moderating variable. This study used 504 samples listed on the Indonesia Stock Exchange from the period 2012-2017. This study found that corporate governance has a positive and significant effect on firm value. Companies that implement better corporate governance tend to have a greater firm value which will open up very high investment opportunities. This result is consistent with the research conducted by(Aboud et al., 2018; Aggarwal et al., 2016; Ammann et al., 2011; Arora & Sharma, 2016; Bhat et al., 2018; Connelly et al., 2017; Isshaq et al., 2009; Li & Zaiats, 2017; Lozano et al., 2016; Mouselli & Hussainey, 2014; O'Connor, 2011; Siagian et al., 2013).

Corporate social responsibility strengthens the relationship between corporate governance and firm value. However, corporate social responsibility disclosure in a company will strengthen the relationship between corporate governance and firm value. Because corporate social responsibility disclosure will have a legitimate effect on the community. So, people trust the company more and buy the products they produce and can increase the value of the investment.

Specific limitations in this study are;*first*, research is carried out in all sectors of manufacturing companies listed on the Indonesia stock exchange (IDX) with certain criteria, the application of the same models in various sectors and countries can obtain mixed results. *Second*, corporate social responsibility variable used the score for corporate social responsibility disclosure at the annual report of the sample company. It can be perceived differently by other researchers. It would be very interesting to add criteria to determine the final score for corporate social responsibility disclosure in a company by following the changing times. *Third*, the moderating effect of corporate social responsibility variablecan be explored in future studies using other structural equation models. *Fourth*, there are several other antecedents that have not been considered in the model, such as financial performance (Crisóstomo et al., 2011). In the future, testing the role of these variables in increasing firm value is still needed in the development of science related to investment.

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