International Journal of Economics, Commerce and Management
United Kingdom Vol. VI, Issue 11, November 2018
http://ijecm.co.uk/ ISSN 2348 0386

ROLE OF PROFITABILITY IN MEDIATING THE EFFECT OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY TOWARDS FIRM VALUE ON BANKING COMPANIES IN INDONESIA STOCK EXCHANGE

Ida Bagus Gde Indra Wedhana Purba
Faculty of Economics and Business, University of Udayana, Bali, Indonesia
Indrawedhana93@gmail.com

IB Panji Sedana
Faculty of Economics and Business, University of Udayana, Bali, Indonesia

Abstract

Family Company is one of the foundations of business community in Indonesia where the majority of companies belong to the close family. In general, family companies have a division between stock groups in the company. The majority of shareholders and minority shareholders have those who are only minority shareholders. Data collection methods used in this study are nonparticipant observation methods. Secondary data on this study of are banking companies listed on the Indonesia Stock Exchange for the period 2014-2017. The sampling technique used in this study was using purposive sampling. The data analysis technique used in this study is to use path analysis. The results of this study are Good Corporate Governance and CSR that have a positive and significant effect on the Value of the Company. Good Corporate Governance and CSR have a positive and significant effect on profitability. Profitability has a positive and significant effect on Company Value. Profitability is able to mediate the relationship between Corporate Social Responsibility and the value of the company with the mediation criteria is partial mediation. The results of this study can be used as a reference in determining the policies in regulating the implementation of GCG and CSR in Indonesia, so that the awareness of banking companies seeing the potential of implementing GCG and CSR can provide positive benefits for the environment and Indonesian society. For the management, the results of this research can be used as a basic guide in conducting banking operations. For investors, the *research can be used as a reference so that it can determine how the investment strategy in investing is based on investment strategies. company ability to earn profits and distribution of profits provided. Because the value of the company will be an important image for an investor in investing.*

Keywords: Corporate Social Responsibility, Good Corporate Governance, Firm Value, Profitability, Indonesia Stock Exchange

INTRODUCTION

Family Companies are one of the founding foundations of business communities in Indonesia where the majority of companies in the world belong to close family (Burkart et al, 2003). If speaking in Indonesia, there are 90 percent or more companies controlled by the family environment (The Jakarta Pos, 2010) and have occurred from 1996 in almost all countries, especially in the East Asia region, it is known that Indonesia is the country that has the largest family company In general, the company has a level right decision making because it is managed by managers - managers who directly serve as company owners , In general family companies have a division between groups of shares in the company. The majority shareholders and minority shareholders therefore the controlling shareholders have the ability to maximize personal profits rather than those who are only minority shareholders.

Conflicts that occur between majority shareholders and minority shares will create new problems. In general, Minority Shareholders, which as parties that have a limited number of shares, cause shareholders to only be used as a complement in a company. The majority shareholder makes the decision-making pattern will be based on the percentage of shares owned, therefore all decisions made by minority shareholders will surely be inferior to the majority shareholders. Companies in Indonesia where public ownership will lead to concentrated ownership, where concentrated ownership will be carried out by majority shareholders where they are *controlling shareholders, the* importance of paying attention to ownership concentration because it can provide an increase in company value if the company can monitor managers and reduce agency costs in negotiating and implementing company contracts with various shareholders.

The crisis resulted in the company's main goals being difficult to achieve. Companies as an economic entity generally have a short-term goal of obtaining optimal profits and then long-term goals and also become the main goal of the company is to increase stock prices which also means increasing the value of the company. Moeljadi et al *.* (2014) states that company value is one of the important factors that must be identified by investors before investing and the company's stock price can be used as a reflection of the value of the company.

Company value is a measure of company performance on the implementation of financial functions and the company is said to have good value only if the company has good performance (Tikawati, 2016). Company value is considered a crucial thing because it describes the prosperity of the owner of the company (Hidayah, 2014). The effort that can be made by the company to maximize the value of the company is to give the responsibility of managing the company to professional staff called managers.

A conflict of interest will arise when the manager acts to prioritize personal interests by abusing his authority and ultimately sacrificing the interests of shareholders, this is usually called agency conflict. Agency theory Jensen and Meckling (1976) that agency problems arise when shareholders rely on managers to provide services on behalf of the company and how to solve them by harmonizing the interests of agents and principals.

Good corporate management is also very important to reduce majority and minority conflicts. *Corporate Governance* (CG) in general is a set of mechanisms that balance each other between actions and manager's choices with the interests of *shareholders* (Susanti, 2011). *Good Corporate Governance* began to become an interesting topic in Indonesia in 1998 when Indonesia experienced a crisis. Many banks go bankrupt, one of the reasons is because the principles of GCG have not been implemented (Effendi, 2008: 84). The Government and Bank Indonesia have sought *Good* realization *Corporate Governance* in the banking environment. In 2006, BI issued Bank Indonesia Regulation No. 8/4 / PBI / 2006 dated January 30, 2006 concerning the implementation of GCG for commercial banks in addition to the legal provisions of Indonesian banks, companies that apply GCG principles as they should prioritize *fairness, transparency, accountability* and *responsibility* and if the company has a composite value below 1.5 eating GCG implementation is very good.

According to Jensen and Meckling (1976), *Good Corporate Governance* can reduce the conflict of interest because the purpose of GCG is to be able to improve information precisely as desired by shareholders and the general public, then be able to give participation to minority shares to take part in decision making, make the board of directors work more effectively, independence and can reduce the possibility of parties transactions that can harm minority shareholders in accordance with the supervision of the National Committee on *Governance* Policy BAPEPAM (Capital Market Supervisory Agency)

Cheng and Christiawan (2011) argue that investors tend to invest capital in companies that carry out social activities. McWilliams and Siegel (2001) state that financial conditions are not enough to ensure that the company's value grows sustainably. Sustainable economic development *(Corporate Sustainability)* will only be guaranteed if the company corporate responsibility focus on the balance between attention to aspects of economic, social, and environmental or *triple bottom lines* (Untung, 2008).

Corporate social responsibility is an idea that makes the company no longer faced with the responsibility that rests on the economic aspect which is reflected in its financial condition, the enterprise value *(corporate value)* which is reflected in its financial condition *(financial)* only. *CSR is* intended so that the business community minimizes the negative impacts on social and environmental aspects that are generated while carrying out all its activities. *CSR is*not only the responsibility of the company, more than that *CSR* has great benefits for the survival of the organization.

CSR can provide a positive social *image* to the community and this is important for companies with a high public image (Branco and Rodrigues, 2006). Corporate social responsibility can be the right business strategy if in its implementation it considers all *stakeholders'* interests. The application of appropriate social responsibility by the company is also expected to increase investment funds because of the company's good reputation. The implementation of *CSR* can also minimize the possibility of companies not being accepted by their environment so that it will have an impact on the company's operational activities as a whole.

Rossi's research (2009) states that in companies in Brazil there is an increase in profit if it adopts socially responsible policies. According to Mungky and Rasmini (2015) in Gossling and Vocht (2007), said that CSR is an obligation of the business world to be accountable to all *stakeholders*, not only to one *stakeholder*. If the company does not provide accountability to all *stakeholders*, including employees, customers, communities, the local or global environment, in the end the company will be considered bad and not get support from the community.

Companies are required to have flexibility in dealing with various changes to the external environment that threaten the company. The company's ability to survive when a change occurs such as a problem signifies the ability of financial managers to adapt and show the consistency of managers in achieving the company's main goals. Investors want companies to provide transparent information, accountable organizations and good corporate governance so that it forces companies to provide information about their social activities (Yintayani, 2011).

The demands of investors to the company's management to carry out their duties properly and not deviate ultimately affect the company's financial performance reflected in the profitability and value of the company. The company's ability to generate profits by utilizing the assets it has in one accounting period can increase the profitability and existence of the company. The higher the profitability of the company, the *stockholders* or prospective investors have confidence that the company is able to survive in the midst of competition, the condition of companies like this will attract potential investors to invest their capital.

Profitability is the end result of a number of policies carried out by the company. The ratio will show how effective the company is. Investors will always pay attention to any changes in the value of bank profitability in Indonesia, because these changes will affect the value of the company. High profitability will cause a reaction in the form of a positive response by buying the company's shares. Companies that conduct and disclose *Corporate Social Responsibility* (CSR) and implement *Good Corporate Governance* (GCG) are expected to be able to give an influence on profitability so that the company's main goal of maximizing company value can be realized.

Much research has been done on the value of the company and research on GCG conducted by Cheung *et al* (2008) found that the higher the company's image in implementing GCG will increase the value of the company. In contrast to the results of empirical research conducted by Ragers *et al.* (2009) which proves that GCG does not affect the value of the company. Research conducted by Ardi (2016) found that GCG had a positive effect on the profitability of conventional commercial banks, while Ragers, *et al* (2009) stated that GCG had no effect on profitability.

Research conducted by Crisostomo, et al. (2011) proves that *Corporate Social Responsibility* can lead to market reactions accompanied by increasing market share prices of companies, which means it can increase company value and research conducted by Agustina (2013), Rustiarini (2010) and Kusumadilaga (2010) get the results that CSR has a significant positive effect on firm value. In contrast to the results of research conducted by Fiori, *et al* (2007) which proves that CSR does not affect the value of the company. Research on profitability also gets different results. Byus research, *et al.* (2010) found that *Corporate Social Responsibility* had a positive effect on profitability, while the results of research by Susilowati (2008) proved that CSR had no effect on profitability.

The inconsistency that occurs in the results of research on *Good Corporate Governance* and *Corporate Social Responsibility* on the value of the previous company is the reason for conducting this research by adding profitability as a mediating variable. Profitability is thought to be another variable that also influences the relationship of GCG variables with company value and the relationship of CSR variables with company value into indirect relationships. Profitability is expected to be able to mediate the influence of GCG and CSR towards company value because there is a positive influence between GCG and CSR with profitability and company value.

GCG can increase company profitability because the application of GCG can minimize conflicts of interest between the majority and minorities. Conflict of interest if it can be minimized will make managers optimize profits because the better the quality of company profits can increase profitability. CSR is widely able to increase profitability because good reputation will be formed and the company's products will be better known by the community so that the company's profits will increase. Increase in profit is directly related to the profitability of the company.

Management has more information about the company and company prospects in the future compared to the owner of the company, management is obliged to provide a report on the condition of the company to the owner of the company in the form of financial statements. The banking sector industrial company was chosen as a sample in this study because the banking sector was in the spotlight for the government in carrying out banking improvement programs in order to advance the national economy due to the crisis that had occurred in Indonesia and it was hoped that the banking sector would be able to drive the national economy so that the welfare of the community together.

This study uses endogenous variables, namely company values to be examined whether these variables are influenced by *Good Corporate Governance and Corporate Social Responsibility* with profitability as a mediating variable, profitability is one indicator that is very often used by *stakeholders* in determining and making decisions that will be an impact on Company Values. These variables are chosen because there are still differences in the results of research, so this is a gap for researchers to conduct further research, so this study raised the research title *"The Role of Profitability in Mediating the Effect of Good Corporate Governance and Corporate Social Responsibility on Firm Value in Banking Companies on the Indonesia Stock Exchange" .*

LITERATURE REVIEW

The problem of agency arises because of a conflict of interest between *shareholders* and managers, because the maximum meeting of utilities is not desired. Managers are morally responsible for optimizing the profits of the owners, but on the other hand managers also have the interests of maximizing well-being. There is a high probability that the agent does not always act in the best interest (Jensen and Meckling, 1976).

According to Shank et al. (2013) *Good Corporate Governance* is basically a system (input, process, output) and a set of rules that regulate relations between various stakeholders (stakeholders), especially in the narrow sense of the relationship between shareholders, board of commissioners, and the board of directors to achieve goals company. Corporate governance is a system used to move and manage all company activities. The system has a major impact in translating business objectives or in efforts to achieve corporate governance goals.

The definition of *Corporate Social Responsibility* is very diverse depending on the company's vision and mission that is tailored to the needs, willingness and interest of the community. According to Marnelly (2013) *Corporate Social Responsibility* (CSR) is a business commitment to act ethically, operate legally, and contribute to improving the economy along with improving the quality of life for employees and their families, the local community and the wider community.

Profitability is the ability of a company to generate profits. This profit will be the basis for dividend distribution, whether cash dividends or stock dividends. Profit is obtained from the difference between the assets entered (income and profits) and assets that come out (expenses and losses). The company's profit can be held or not divided (Retained earnings) and can be divided, so that the increase in the company's net profit will increase the return on investment in the form of dividend income for investors (Brigham and Houston, 2001).

Return on Assets (ROA) is one indicator of profitability. The Financial Services Authority (OJK) and Bank Indonesia (BI) suggest banks in Indonesia to measure profitability by using ROA, because most of the bank's assets are from public savings funds, and are channeled back to the community in the form of credit or financing, so that ROA is more right to be used as a measure for bank profitability in Indonesia. The higher the ROA, the higher the level of profit achieved by the bank, thus the position of the bank is getting better at managing or using its assets (Dendawijaya, 2009).

According to Brigham and Houston (2001) argue that company value is the value given by the market to company performance. This value indicates the market's desire and confidence in the intrinsic value of the company. Market appreciation is indicated by the stock price above the book value, and market depreciation is indicated by the stock price below the book value. If the market gives more value, it means showing the market to think the company has good prospects.

HYPOTHESES

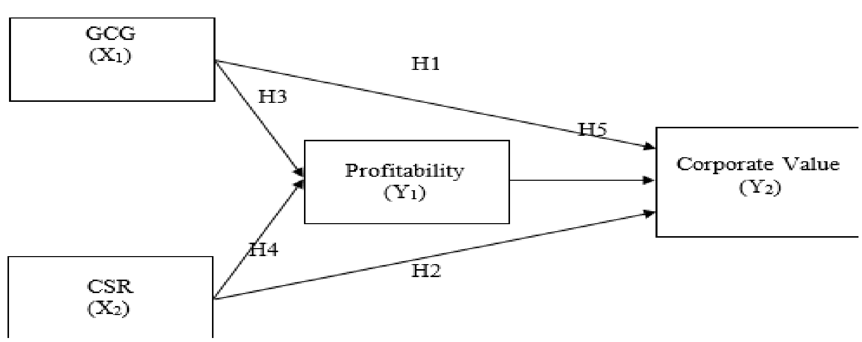

Figure 1 Conceptual framework

H_1 : GCG has a positive and significant effect on Company Value

H_2 : CSR has a positive and significant effect on firm value

H_3 : GCG has a positive and significant effect on profitability

H_4 : CSR has a positive and significant effect on profitability

H_5 : Profitability has a positive and significant effect on the value of the company

H_6 : GCG has a positive and significant effect on firm value through Profitability

H_7 : *Corporate Social Responsibility* has a positive and significant effect on Firm Value through Profitability

RESEARCH METHOD

The scope of this research area is the banking sector companies listed on the Indonesia Stock Exchange, by accessing the *website* www.idx.co.id. The decision to use data from the IDX is because the data on the financial statements of the banking sector are completely available, making it easier to analyze financial statements.

The data collection method used in this study is a nonparticipant observation method, namely by observing and recording the data needed on companies in the banking sector on the IDX. Data source used is secondary data. Secondary data in this study is that banking companies are listed on the Indonesian stock exchange for the period of 2014-2017, the data in this study were obtained from the official IDX website.

The population studied was a Banking sector company listed on the Indonesia Stock Exchange (IDX) in 2014 - 2017. With the stipulation of several criteria used to determine the number of samples. The sampling technique used in this study was using purposive sampling. The sample criteria used in this study were: 1) Banks that operate using conventional systems for the period of January 1, 2014 to December 31, 2017. 2) Banking companies that publish full annual reports including disclosure of *Corporate Social Responsibility* and are available to the public. Based on these criteria, the number of research samples can be seen as follows.

Table 1 Number of Research Samples

No.	Information	total
1	Number of Banking Companies in Indonesia Stock Exchange Period 2014-2019 7	168
2	Banks that do not operate using conventional systems for the period 1 January 2014 to 31 December 201 7	(4)
3	Peru banking companies that do not publish full annual reports including disclosure of *Corporate Social Responsibility* and are available to the public	(60)
Total Samples		104

The data collection method used in this study is the *non participant observation* method *,* is a technique used to collect data by means of observation where researchers are not directly involved (Sugiyono, 2009: 204). In this study data collection by observing, reading and recording all the data description attached to the annual report on banking companies on the Indonesia Stock Exchange. Data is obtained by accessing the official website (www.idx.co.id).
The data analysis technique used in this study is using *path analysis*. Path analysis can be done using the SPSS program (*Statistical Package for Social Science*).

RESULTS

Table 2 Descriptive Results

	N	Minimum	Maximum	Mean	Std. Deviation
X1	104	1.23	3.38	1.7536	,45271
X2	104	,33	,80	,5244	,10347
Y1	104	,08	386.00	4,9688	37,73367
Y2	104	,35	4.63	1.5364	,94949
Valid N (listwise)	104				

From Table 2, it can be seen that the variables *of Good Corporate Governance* (X1) with the lowest value (minimum) during the study period ie 1.23 and *Good Corporate Governance* maximum values during the study period, namely 3.38 and had average - arithmetic average *(mean)* of 1.7536 which means that the average implementation of *Good Corporate Governance* of banking companies in the Indonesia Stock Exchange during the 2014-2017 period is 1.7536 or equal to 175.06%. This value shows that application *Good corporate governance* and direct supervision make it possible to increase the value of the banking company.

Variable *Corporate Social Responsibility* (X2) were measured using 15 items of disclosure derived from an index which has the lowest value (minimum) during the study period is 0:33 which means that there is awareness of the importance of implementation of *Corporate Social Responsibility* in the company of banks amounted to 33% and *Corporate Social Responsibility* has the maximum value during the study period is 0.80 where the banking company's CSR program as an incentive for the sake of the country's economy and has a flat - arithmetic average *(mean)* of 0.5244 which means the average - average implementation of *Corporate Social Responsibility* banking company in Indonesia Stock Exchange during the period 2014 to 2017 is amounting to 0.5244.

Profitability variable (Y1) which is proxied by *Return on Assets* (ROA) has the lowest value (Minimum) during the study period which is 0.08 which means there is a profit of up to 8% of all company equity values and Profitability has a maximum value during the study period of 386.00 the company can generate net income of up to 386% of the total equity held by the company by having a calculated average (*mean)* of 4.9688.

The Corporate Value variable (Y2) which is proxied by *Price to Book Value* has the lowest value during the study period of 0.35 which means that the value of the company is 35% in the banking company and the Company Value has the maximum value during the study period which is 4.63 the company got an increase of 463% of the company by having an average (*mean)* of 1.5364.

The classic assumption test is done first with the intention to test whether the model used is feasible or not and does not deviate from the assumptions of the least squares method. BLUE (*Best, Linear, Unbias Estimator)*. Path analysis is used to divide the two test stages Classical assumptions, namely:

(1) First Model Class Assumption Test (against Y1)

The classic assumption test of the first model will test the independent variables namely *Good Corporate Governance* (X1) and *Corporate Social Responsibility* (X2) on the dependent variable namely Profitability (Y1)

(2) Test the classic second assumption (against Y2)

The classical assumption test of the second model can test the independent variables, namely *Good Corporate Governance* (X1), *Corporate Social Responsibility* (X2), and Profitability (Y1) on the dependent variable, namely Corporate Value (Y2).

The Classical Assumption Test consists of four tests, namely the Multicollinearity Test of the two models showing that the value of *tolerance* and *Variance Inflation Factor* (VIF) has a *tolerance* value of more than 0.10 and the VIF value is less than 10 which means that the second model in this study is not multicollinearity problem, so that the second model is feasible to do the next analysis test, the Hesteroscedasticity test in this first model shows the results with a significance value in the Hesteroscedasticity test greater than 0.05 where the *Good Corporate Governance* (X1) variable has the Sig. 0.768 while *Corporate Social Responsibility* (X2) has Sig. 0.681 then the first model can be collected free from the symptoms of Hesteroscedasticity , the Hesteroscedasticity test results in the Second model show results with a significance value in the Hesteroscedasticity test greater than 0.05 where the *Good Corporate Governance* (X1) variable has the Sig. 0.775 while *Corporate Social Responsibility* (X2) has Sig. 0.709 and Profitability (Y1) has a Sig. 0,130 the second model can be collected free of symptoms of Hesteroscedasticity and the autocorrelation test p has the first model DW value of

2.207, the value of dU for the number of samples 104 with 3 independent variables is (blank). Then the 4 - dU value is (empty), so the autocorrelation test result is dU <DW <4 - dU which is 1.72 <2,207 <2,28, then the regression model created does not contain symptoms of Autocorrelation and test on the second model DW Value of 2,243, The value of dU for the number of samples 104 with 3 independent variables is (Blank). Then the 4 - dU value is (empty), so the Autocorrelation test result is dU <DW <4 - dU, that is 1, 72 <2,243 <2,28, then the regression model created does not contain symptoms of Autocorrelation.

Hypothesis testing

Hypothesis testing in research using path coefficient models are of two types, namely, the first test model and the second model test. Test The path analysis hypothesis uses the SPSS program (*Statistical Package for Social Science)*.

Table 3 Recapitulation of Direct Effect *Outputs*

First Model

Coefficients [a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1(Constant)	3,595	,497		7,233	.000
X1	,473	,165	,301	2,866	.005
X2	,623	,173	,377	3,591	.001
R Square = 0.383		F Calculate = 31,354			
Adj R Square = 0.371		Sig. = 0,000			

a. Dependent Variable: Y1

Table 3 shows the magnitude of the direct effect value on the first model which obtains values in the structural equation, namely:

$Y_1 = 0,301 X_1 + 0,377 X2$

Where :

Y_1 = Profitability

X_1 = *Good Corporate Governance*

X2 = *Corporate Social Responsibility*

Regression equations give where and how much influence on each independent variable on the dependent variable as follows:

1) $\beta_1 = 0.301$ That when applying *Good Corporate Governance* will increase by 1 percent, profitability will increase by 30.1%.

2) $\beta_2 = 0.377$ That when the implementation of *Corporate Social Responsibility* increased by 1 percent, profitability would increase by 37 , 7 %.

Table 4 Recapitulation of Direct Effect *Outputs*

Second Model

Coefficients [a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	2,041	1,097		1,861	, 066
X1	,268	,106	,229	2,539	, 013
X2	,442	,094	,339	4,717	.000
Y1	,464	,110	,374	4,238	.000
R Square = 0.571	F Calculate = 44,390				
Adj R Square = 0.558	Sig. = 0,000				

a. Dependent Variable: Y2

Table above shows the value of the direct effect on the second model and gets the results of structural equations, namely:

$Y2 = 0.299\ X_1 + 0.339\ X2 + 0.374\ Y_1$

Where :

Y2 = Company Value

Y_1 = Profitability

X_1 = *Good Corporate Governance*

X2 = *Corporate Social Responsibility*

The equation shows the direction and magnitude of the influence of each independent variable on the dependent variable as follows:

1) $\beta_1 = 0.229$ Explain that when disclosure of *Good Corporate Governance* will increase by one percent it will increase the value of the company by 22.9%.

2) $\beta_2 = 0.339$ Explained that the current implementation of *Corporate Social Responsibility* will be increased by one percent, it will increase the company's value by 33, 9%.

3) β3 = 0.374 Explain when profitability increased by one percent, the value of the company will increase by 37, 4%.

Simultaneous Test

Simultaneous significance tests indicate the ability of independent variables to influence the dependent variable simultaneously, this test can be said by the feasibility test of the model. Simultaneous significance test can be accepted if the significance value in the calculated F value is smaller than the significance level (α), namely 0.05.

Table 5 Results of F Count

Model	Value F Calculate	Significance F Calculate
First Model	31,354	0,000
Second Model	44,390	0,000

In Table 5 the first model results in a calculated F value of 31,354, where a significance value of 0,000 is smaller than the significance level (α) = 0,05. The results of the significance values above indicate that Good Corporate Governance and Corporate Social Responsibility simultaneously have a significant positive effect on profitability. It is seen in the Second Model that the calculated F value is 44.390 with a significance value of 0.000 smaller than the value of the significance level (α) = 0.05. This gives the meaning that Corporate Social Responsibility and profitability simultaneously have a significant positive effect on Firm Value.

Partial Test (t-test)

Partial test (t-test) will be conducted to be able to determine the effect on each individual variable on the related variable by comparing the significance level of each independent variable with (α) = 0.05. If the significance level is t <0 , 05 then Hı is accepted and H0 is rejected. Conversely, if the significance level is t> 0 , 05 then Hı is rejected and H0 is accepted.

(1) The significance value of *Good Corporate Governance* (XI) is 0.013 smaller than 0.05 with a t value of 2.539. This value means that *Good Corporate Governance* (XI) has a significant positive effect on Company Value (Y2).

(2) The significance value of *Corporate Social Responsibility* (X2) is 0,000 smaller than 0 , 05 with a t value of 4,717. This value means that *Corporate Social Responsibility* (X2) has a significant positive effect on Company Value (Y2).

(3) The significance value of *Good Corporate Governance* (XI) is 0.005 smaller than 0 , 05 with a t value of 2.866. This value means that *Good Corporate Governance* (Xı) has a significant positive effect on profitability (Yı).

(4) The value of *Corporate Social Responsibility* (X2) is 0.001 smaller than 0 , 05 with a value of t of 3.591. This value means that *Corporate Social Responsibility* (X2) has a significant positive effect on profitability (Yı).

(5) The value of the significance of profitability (Yı) is 0,000 smaller than 0 , 05 with a t value of 4,238. This value means that profitability (Yı) has a significant positive effect on Company Value (Y2).

Total Influence Test

The Total Influence Test aims to jointly test the direct influence of the independent variable on Company Value and the indirect effect of the independent variable on the firm's value through its media variable, namely Profitability.

Table 6 Recapitulation of Direct Effect *Outputs*, Indirect Effects, and Total Influence

Relationship			Influence Directly	Influence Indirectly	Influence Total	Coefficient	Significance	Remarks
Model 1	X1 => Y2	b	0.229		0.229	0.268	0.013	Significant
	X1 => Y1	c	0.301		0.301	0.473	0.005	Significant
	Y1 => Y2	d	0.374		0.374	0.464	0,000	Significant
	X1 => Y1 => Y2		0.229	0.113	0.342	-	-	Able
Model 2	X2 => Y2	b	0.339		0.339	0.442	0,000	Significant
	X2 => Y1	c	0.377		0.377	0.623	0.001	Significant
	Y1 => Y2	d	0.374		0.374	0.464	0,000	Significant
	X2 => Y1 => Y2		0.339	0.141	0.48	-	-	Able

Information :

X1 = *Good Corporate Governance*

X2 = *Corporate Social Responsibility*

Y1 = Profitability

Y2 = Company Value

According to Shour and Bolger (2002) a variable can be said to be a mediator of relationships between variables if the results are as follows:

1) If x1 and X2 against Y1 the results are significant.

2) If Y1 against Y2 the result is significant.

While stages X1 and X2 against Y2 and stages X1 and X2 against Y2 with Y1 (Mediation) are only to test whether the mediator model is perfect or not. According to Solimun (2011). The criteria for mediating variables are as follows:

1) If (c) and (d) are significant, and (b) are not significant, they can be said to be perfect mediating variables (*complete Mediation).*

2) If (c) and (d) are significant and (b), it is also significant, where the coefficient of (b '') is smaller (down) than (b), it can be said to be *Partial Mediation* .

3) If (c) and (d) are significant and (b) are also significant, where the coefficient of (b '') is almost the same as (b) then it can be said that it is not a mediating variable.

4) If one (c) and (d) or both are not significant, then it can be said not as a mediating variable.

Based on the criteria outlined above, it can be said that profitability is able to mediate the relationship of *Good Corporate Governance* and *Corporate Social Responsibility* to Company Values with the mediation criteria being *Partial Mediation*.

Model 1

The magnitude of the direct effect between X1 => Y2 is 0.229

The magnitude of the indirect effect X1 => Y1 => Y2 is 0.301 x 0.374 = 0.113

Model 2

The magnitude of the direct effect between X2 => Y2 is 0.339

The magnitude of the indirect effect X2 => Y1 => Y2 is 0.377 x 0.374 = 0.140

Model Validity Test

Test the validity of the model or the accuracy of the model aims to determine the magnitude of the influence of independent variables on the dependent variable. Valid whether or not the results depend on whether or not the underlying assumptions are fulfilled. Indicator of model validity in path analysis used in this study. Namely the total determination coefficient with the formula: known e_1 = 0.785 and e2 = 0.654 so that the total value is 0.736 or equal to 73.6%. This value means that the variation of company value can be explained by the model formed, namely *Good Corporate Governance, Corporate Social Responsibility* and profitability of 73.6%, while the remaining 26.4% is explained by other factors outside the model formed.

DISCUSSION OF RESULTS

Effect of *Good Corporate Governance* on Company Values

The first hypothesis proposed states that *good corporate governance* has a positive and significant effect on firm value. Based on the results of the study, the significance value of *good corporate governance* (Xı) is 0.013 smaller than 0.05 with a t value of 2.539. The first hypothesis states that *good corporate governance* (XI) has a positive and significant effect on firm value (Y2) can be accepted.

The role of *Good Corporate Governance* can reduce the conflict of interest because GCG is closely related to how to make investors believe that managers work to optimize profits for the company, convinced that managers will not embezzle or invest capital invested by investors for unprofitable projects. Perceptions of company valuations made by investors against a company can change not separated from the investor's assessment of companies that have high social value (Jensen and Meckling, 1976).

The results of this finding support the results of a study conducted by Cheung, et al. (2008) and Gurbuz et al. (2010) which found that *Good Corporate Governance* has a positive and significant effect on firm value. It is explained that investors will spend more on banking companies listed on the Indonesian stock exchange if the Company provides transparency in implementing the *Good Corporate Governance* that they have explained in the annual report. Explaining banking company that has a value *of good corporate governance* which is lower the higher the value of the banking company can be indicated by the high price of the banking company's stock.

Effect of *Corporate Social Responsibility* on Corporate Values

The second hypothesis proposed states that *Corporate Social Responsibility* has a positive and significant effect on firm value. Based on the results of the study, the significance value of *Corporate Social Responsibility* (X2) is 0.000 smaller than 0.05 with a t value of 4,717. Thus the second hypothesis states that *Corporate Social Responsibility* (X2) has a positive and significant effect on firm value (Y2) can be accepted.

CSR can provide a positive social *image* to the community and this is important for companies with high public visibility. Corporate social responsibility can be the right business strategy if in its implementation it considers all *stakeholders'* interests. The application of appropriate social responsibility by the company is also expected to increase investment funds because of the company's good reputation. The implementation of *CSR* can also minimize the possibility of companies not being accepted by their environment so that it will have an impact on the company's operational activities as a whole (Branco and Rodrigues, 2006).

The results of this finding support the results of a study conducted by Agustina (2013), Rustiarini (2010), Kusumadilaga (2010) and Wahyuning (2015) which found that CSR significantly had a positive effect on firm value, but this study was supported by the results of research conducted by Sayekti and Wondabio which gets CSR results has a positive effect on Company Value. The implementation of CSR can directly improve the market performance of a company's stock. The stock market performance can fully increase the value of a company.

Effect of *Good Corporate Governance* on Profitability

The third hypothesis proposed states that *Good Corporate Governance* has a positive and significant effect on Profitability. Based on the results of the study obtained the significance value of *Good Corporate Governance* (X1) is 0.005 smaller than 0.05 with a t value of 2.866. Thus the third hypothesis states that *Good Corporate Governance* (X1) has a positive and significant effect on Profitability (Y1) can be accepted.

The results of this finding support the results of the research conducted by Ardi (2016) and Tjondro and Wilopo (2011) which obtain results that *Good Corporate Governance* has a positive and significant effect on Profitability. This shows that the magnitude of the composite score on the value of GCG means that in a banking system the results will be better which has a relationship of improvement in banking performance and the results are indicated at the level of the value of ROA.

Effect of *Corporate Social Responsibility* on Profitability

The fourth hypothesis proposed states that *Corporate Social Responsibility* has a positive and significant effect on Profitability. Based on the results of the study, the significance value of *Corporate Social Responsibility* (X2) is 0.001 smaller than 0.05 with a t value of 3.591. The fourth hypothesis states that *Corporate Social Responsibility* (X2) has a positive and significant effect on profitability (Y1) can be accepted.

The results of this finding support the results of research conducted by Ardi Byus, et al (2010) and Ahmad and Sulaiman (2004) who obtain results that *Corporate Social Responsibility* has a positive and significant effect on Profitability. The company's ability to earn profits is an attraction for investors to invest funds, if a banking company can offer a high return. Therefore investors will be interested in investing in which CSR programs are an alternative to profit.

Effect of Profitability on Company Values

The fifth hypothesis proposed states that Profitability has a positive and significant effect on Firm Value. Based on the results of the study obtained a significance value of Profitability (Y1) is 0,000 smaller than 0.05 with a t value of 4,238. Thus the first hypothesis states that Profitability (Y1) has a positive and significant effect on Peruashaan Value (Y2) can be accepted.

The results of this finding support the results of research conducted by Ardi Ardimas and Wardoyo (2014) and Wardoyo and Veronica (2013) who obtain results that Profitability has a positive and significant effect on Firm Value. Prospective investors believe that the high profit that can provide a *return* to prospective investors towards the company is higher, accompanied by an increase in the market price of the company's stock. Along with the increase in demand for shares will cause the value of the company also increased (Herdiyanti, 2012).

Effect of *Good Corporate Governance* on Company Values Through Profitability

The results of the analysis of the direct effect of *Good Corporate Governance* on Profitability obtained from the contribution value (Effect) of 0.229 with a coefficient of 0.268 and a significance of 0.013. This shows that there is a direct influence of *Good Corporate Governance* on the value of the company. The relationship of *Good Corporate Governance* to profitability is found the value of contribution (influence) of 0.301 with a coefficient of 0.473 and significance of 0.005, this indicates there is a positive and significant effect of *Good Corporate Governance* on profitability.

The effect of profitability on firm value also obtained results that have a positive and significant effect that can be seen from the value of contribution (influence) of 0.374 with a coefficient of 0.464 and a significance value of 0.000. Based on these data there are indirect effects of *Good Corporate Governance* on company value through profitability, where the magnitude of the indirect influence must be calculated by diverting the indirect coefficient which is (0.301) x (0.374) = 0.113.

According to Shrout & Bolger (2002), variable Y1 can be said to be a mediator of the relationship between variables X1 and Y2 if the relationship of variable X1 to Y1 is significant and Y1 to Y2 the result is also significant. The results of this study found that the effect of the *Good Corporate Governance* variable on profitability results was significant and the effect of profitability on firm value also showed significant results. Based on these results, it can be said that profitability is able to mediate the relationship of *Good Corporate Governance* to the value of the company with mediation criteria, which is *partial mediation.*

Composite scores on GCG values which have meaning in a banking system give better results that have a relationship where there will be an increase in banking performance so that prospective investors will see high profits can provide high *returns* so that potential investors believe that the higher is accompanied by the increase in market prices of the company's shares. Along with the increase in demand for shares will cause the value of the company also increased (Herdiyanti, 2012).

Effect of *Corporate Social Responsibility* on Corporate Values through Profitability

The results of the analysis of the direct effect of *Corporate Social Responsibility* on Profitability are obtained from the contribution value (Effect) of 0.339 with a coefficient of 0.442 and a significance of 0.000. This shows that there is a direct effect of *Corporate Social Responsibility* on the value of the company. *Corporate Social Responsibility* relationship to profitability found the value of contribution (influence) of 0.377 with a coefficient of 0.623 and significance of 0.001, this indicates there is a positive and significant effect of *Corporate Social Responsibility* on profitability.

The effect of profitability on firm value also obtained results that have a positive and significant effect that can be seen from the value of contribution (influence) of 0.374 with a coefficient of 0.464 and a significance value of 0.000. Based on these data there are indirect effects of *Corporate Social Responsibility* on the value of the company through profitability, where the magnitude of the indirect influence must be calculated by diverting the indirect coefficient which is (0.377) x (0.374) = 0.140. Profitability can be said to be able to mediate the relationship of *Corporate Social Responsibility* to Corporate Value with the criteria of mediation is *partial mediation.*

The ability of a company to earn a profit is an attraction for investors to invest funds , if a banking company can offer a high return. Therefore investors will be interested in investing, where CSR programs are an alternative to profit.

CONCLUSION

The research results and discussion in this study can be summarized as follows:

1) *Good Corporate Governance* has a positive and significant effect on Company Value. Companies with composite predicate are very good will get a reputation and become an attraction for investors in making investments with good composite points, it will become a measure in increasing the value of the company.

2) *Corporate Social Responsibility* has a positive and significant effect on Corporate Value. *Corporate Social Responsibility is* intended so that the business community minimizes the negative impacts on the social and environmental aspects that are generated while carrying out all its activities. *Corporate Social Responsibility is* not only the responsibility of the company,

more than that the *Corporate Social Responsibility* has great benefits for the survival of the organization.

3) *Good Corporate Governance* has a positive and significant effect on Profitability. Showing that the magnitude of the composite score on the value of GCG has meaning in a banking system shows the results will be better and have a relationship where there will be an increase in banking performance and the results are indicated at the level of the value of ROA.

4) *Corporate Social Responsibility* has a positive and significant effect on Profitability. The company's ability to earn profits is an attraction for investors to invest funds, if a banking company can offer a high return. Therefore investors will be interested in investing in which CSR programs are an alternative to profit.

5) Profitability has a positive and significant effect on Company Value. The value of the company. Prospective investors believe that high profits can provide a high *return* so that the perception of prospective investors is higher, accompanied by an increase in the market price of the company's shares. Along with the increase in demand for shares will cause the value of the company also increased (Herdiyanti, 2012).

6) The effect of *Good Corporate Governance* on profitability results is significant and the effect of profitability on firm value also shows significant results. Based on these results, it can be said that profitability is able to mediate the relationship of *Good Corporate Governance* to the value of the company with the mediation criteria as *partial mediation.*

7) The effect of *Corporate Social Responsibility* on profitability results is significant and the effect of profitability on firm value also shows significant results. Based on these results, it can be said that profitability is able to mediate the relationship between *Corporate Social Responsibility* and company value with the mediation criterion as *partial mediation*.

SUGGESTIONS

This research is expected to be useful for the company and for further research. Based on the conclusions available, researchers can provide suggestions as: *Good Corporate Governance* which has a composite value with a low score shows that the company has a good reputation and a low risk of investing in the company. with a good composite value, the company's ability to obtain profits is also high, which will have an impact on increasing the value of the company, along with the implementation of CSR will provide a good reputation for the company and product image among the community as well as the implementation of CSR each year increase the value of the company. For Further Researchers, considering that there are 26.4% variations of Corporate Value explained by other factors outside the model formed, further research can examine other independent variables such as sales growth and capital structure. Extending the research population is to cover all types of companies listed on the Indonesia Stock Exchange. Research Next can also use other measurement indicators such as *Tobin Q's, CSRDI,* and *Return on Equity.*

For further research, it is expected that the application of good corporate governance becomes a reference so that the company has a good reputation, which can be seen from the composite value of GCG under 1.5 that investors will have a low investment risk and protect minority shareholders by implementing GCG programs. in the corporate environment accompanied by running a Corporate Social Responsibility program every year the company will profit periodically because the implementation of CSR in banking companies will attract consumers to save and use services in the banking company, the importance of the government's influence in monitoring the implementation of GCG and CSR in banking companies in Indonesia so that foreign investors want to invest their money in banking companies in Indonesia, the role of Good Corporate Governance and Corporate Social Responsibility will provide a positive image to the company in order to increase the value of AI company. There are other variables that can increase profitability such as capital structure and sales growth and are expected to provide different results going forward and further research will provide different results if other proxies such as CSRDI and Return on Equity are used.

REFERENCES

Ahmad, NikNazliNikdan Maliah Sulaiman. (2004). "Environmental Disclosures in Malaysian Annual Reports: A Legitimacy Theory Perspective". International Journal of Commerce and Management, 4, 14-44.

Agustina, Silvia. 2013 "PengaruhProfitabilitasdanPengungkapan Corporate Social Responsibility terhadapNilai Perusahaan (StudiEmpirispada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia)". ArtikelPenelitian. Padang :FakultasEkonomi UNP.

Ardi, GedeWirasetiaPujana, 2016. Pengaruh Good Corporate Governance Dan Corporate Social Responsibility TerhadapNilai Perusahaan DenganProfitabilitasSebagaiVariabelMediasi, FakultasEkonomidanBisnisUniversitasAirlangga.

Ardimas, W. danWardoyo. (2014). PengaruhKinerjaKeuangandanCorporate Social ResponsibilityterhadapNilai Perusahaan pada Bank Go Publik yang Terdaftar di BEI. Research Methods And Organizational Studies.

Branco, M.C. and Rodrigues, L.L. 2006. Communication of corporate social responsibility by Portuguese banks; a legitimacy theory perspective. Corporate Communications: An International Journal. Vol 11 No. 3. pp. 232-248.

Brigham, Eugene F. dan Joel F. Houston. (2001). ManajemenKeuangan II. Jakarta: Erlangga

Byus, Kent , Donald Deis, dan Bo Ouyang. (2010). Doing Well by Doing Good : Corporate Social Responsibility and Profitability. Advanced Management Journal, 2, 44-55

Cheung, Yin-Wong, Menzie D. Chinn, danEijiFujii. (2008). China's Current Account and Exchange Rate. Journal of Accounting and Economics, 2, 275-300

Crisostomo, Vicente Lima, Fatima de Souza Freire, dan Felipe Cortes de Vasconcellos. (2011). Corporate social responsibility, firm value and financial performance in Brazil. Social Responsibility Journal, 7, 295-309.

Effendi, Muh. Arif. 2008. The Power of Good Corporate Governance: TeoridanImplementasi. Jakarta: SalembaEmpat.

EnggalSriwardiningsih. 2010 "DampakPenularanKrisis Global TerhadapAliranInvestasiAsing Di Indonesia" JurusanManajemen, FakultasEkonomidanBisnis, UniversitasBina Nusantara, Fiori, Giovanni.,Donato, Francesca di., and Izzo, Maria F. 2007. Corporate Social Responsibility and Firm Performance, An Analysis on Italian Listed Companies. Luiss Guido Carli University, Italy.

Gossling, Tobias and Chris Vocht. 2007. “Social Role Conceptions and CSR Policy Success”. Journal of Business Ethics, No.74. Hal. 363–372. The Netherlands : Tilburg University.

Hidayah, Nurul. 2014. The Effect Of Company Characteristic Toward Firm Value In The Property And Real Estate Company In Indonesia Stock Exchange. International Journal of Business, Economics and Law, 5(1): 1- 8.

Jensen, Michael C. dan William H. Meckling. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3, 305-360.

Kusumadilaga, Rimba. 2010. “Pengaruh Corporate Social Responsibility terhadap Nilai Perusahaan dengan Profitabilitas sebagai Variabel Moderating (Studi Empiris pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia)”. Semarang : Fakultas Ekonomi UNDIP.

Marnelly, T. Romi (2013). Corporate Social Responsibility (CSR) : Tinjuan teori dan praktek di Indonesia. ejournal unri.

Ragers, S. Hayibor, dan Beagle. (2009). The Relation between Good Coorporate Governance, Financial Performance and Market Performance. Business and Society, 4, 110-127

Rustiarini, Ni Wayan. 2010 “ Pengaruh Corporate Governance padaHubungan Corporate Social Responsibility danNilai Perusahaan”. SimposiumNasionalAkuntansi XIII Purwokerto 2010. Denpasar :UniversitasMahasaraswati Denpasar.

Rossi, Jośe L. 2009 “What is the Value of Corporate Social Responsibility? An Answer from the Brazilian Sustainability Index.” Journal. Sâo Paulo IBMEC.

Sayekti, YosefadanLudovicusSensiWondabio. (2007). Pengaruh CSR disclosure terhadapearning response coefficient. SimposiumNasionalAkuntansiX, 1-35.

Shank, Todd, Ronald Paul Hill, dan John Stang. (2013). Do investors benefit from good corporate governance? Emerald Group Publishing Limited, 13, 384- 396.

Shrout, P.E. & Bolger, N. 2002. Mediation in experimental and nonexperimental studies : New procedures and recommendation. Psychological Methods, 7(4), 422-445.

Sriwardiningsih, Enggal. 2010. Dampak Penularan Krisis Global Terhadap Aliran Investasi Asing Di Indonesia. Journal The WINNERS. 11 (2), h: 130-140

Sugiyono. 2010. MetodePenelitianBisnis. Bandung :Alfabeta

Susanti, Serli Ike Ari. 2011. PengaruhKualitasCorporate Governance, Kualitas Audit, danEarnings ManagementTerhadapKinerja Perusahaan. JurnalEkonomi Dan Bisnis, 5(2): h: 145-161.

Susilowati. (2008). PengaruhCorporate Sosial ResponsibilityterhadapProfitabilitas. JurnalRisetAkuntansiUniversitas Islam Indonesia, 6, 150- 159

Tjondro, David danRomanusWilopo. (2011). PengaruhGood Corporate Governance (GCG) TerhadapProfitabilitasdanKinerjaSaham Perusahaan Perbankan yang Tercatat di Bursa Efek Indonesia. Journal of Business and Banking, 1(1), 1-14

Untung, Hendrik Budi. 2008. Corporate Social Responsibility .Jakarta :SinarGrafika.

Utama, 2006. PraktekPengungkapanSosialpadaLaporanTahunan Perusahaan di Indonesia. SimposiumNasionalAkuntansi 3.

Wardoyodan Theodora Martina Veronica, 2013.Pengaruh KinerjaKeuangan, Good Corporate Governance and Corporate Social Responsibility terhadapNilai Perusahaan. JurnalDinamikaManajemen Vol. 4, No. 2, 2013, pp: 132-149

Yintayani, Ni Nyoman. 2011. Faktor-Faktor yang Memengaruhi Corporate Social Responsibility (StudiEmpirispada Perusahaan yang Terdaftar di Bursa Efek Indonesia tahun 2009). Program Magister Akuntansipada Program PascasarjanaUniversitasUdayana. Denpasar.