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CSR, GCG and Company Size Impact on Profitability and Company Value

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Abstract: This research investigates the influence of CSR, GCG, and Company Size on the profitability and firm value of manufacturing companies listed on the Indonesia Stock Exchange. With a sample of 234 companies using purposive sampling, the study adopts a quantitative descriptive and explanatory approach, applying SEM for hypothesis testing. The results indicate a positive influence of CSR on firm value, while GCG and company size negatively affect profitability. Other findings include the negative impact of GCG and company size on firm value and the positive influence of CSR on firm value through profitability. The implication is that companies need to consider CSR, GCG, and company size in their strategies to enhance value and investment attractiveness.
Keywords: CSR; GCG; Profitability; Company Size; Company Value.

Abstrak: Penelitian ini bertujuan untuk mengetahui pengaruh CSR, GCG, dan Ukuran Perusahaan terhadap profitabilitas dan nilai perusahaan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. Dengan sampel sebanyak 234 perusahaan dengan menggunakan purposive sampling, penelitian ini menggunakan pendekatan deskriptif kuantitatif dan eksplanatori, dengan menerapkan SEM untuk pengujian hipotesis. Hasil penelitian menunjukkan adanya pengaruh positif CSR terhadap nilai perusahaan, sedangkan GCG dan ukuran perusahaan berpengaruh negatif terhadap profitabilitas. Temuan lainnya adalah adanya pengaruh negatif GCG dan ukuran perusahaan terhadap nilai perusahaan serta pengaruh positif CSR terhadap nilai perusahaan melalui profitabilitas. Implikasinya adalah perusahaan perlu mempertimbangkan CSR, GCG, dan ukuran perusahaan dalam strateginya untuk meningkatkan nilai dan daya tarik investasi.
Kata Kunci: CSR; GCG; Profitabilitas; Ukuran Perusahaan; Nilai Perusahaan.

INTRODUCTION

The rapidly evolving global economy has significantly impacted Indonesia's economic landscape. Economic instability, exchange rate fluctuations, and uncertainty in international trade policies create substantial challenges for companies striving to maintain business sustainability. Furthermore, domestic political factors also influence national economic growth. In an increasingly competitive environment, businesses are not only required to survive but also to enhance their firm value to attract investors and other stakeholders (Zam-Zam et al., 2023). One of the primary challenges facing companies today is increasing firm value amid intense business competition and growing stakeholder expectations. According to the World Economic Forum (2023), economic uncertainty has put tremendous pressure on companies in developing countries, including Indonesia, to optimize their business strategies for enhanced competitiveness. Additionally, a report by the OECD (2022) reveals that over 65 per cent of companies in Asia struggle to sustain growth and gain investor confidence due to market volatility and regulatory changes.

To navigate these challenges, firms must go beyond short-term profit maximization and incorporate other strategic factors such as Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), and effective asset management to enhance firm value. However, previous studies have yielded inconsistent findings regarding the extent to which these factors influence firm value. Some studies suggest that CSR and GCG have a direct and significant impact, while others indicate that their influence is indirect, mediated through profitability (Erlangga et al., 2021; Nurlaili & Andayani, 2021) caturc. This phenomenon is further supported by data from the Indonesia Stock Exchange (IDX) 2023, indicating that companies with stronger governance practices and CSR commitments have experienced an average 12 percent annual increase in stock prices, compared to those with weaker governance frameworks. This trend highlights that investors and stakeholders are increasingly prioritizing business sustainability and governance quality as key performance indicators rather than solely focusing on current profitability.

One of the key determinants of firm value is profitability, which measures a firm's ability to generate earnings from its business operations. Profitability serves as a critical indicator for investors assessing a company's growth potential. Additionally, firm size plays an essential role in determining firm value. Larger firms typically have broader access to external funding sources, which can enhance their long-term valuation (Br Siboro & Putu Widanta, 2023). Beyond internal factors, corporate social responsibility and good corporate governance also play a crucial role in enhancing firm value. When strategically implemented, CSR initiatives can strengthen customer loyalty and corporate reputation, ultimately contributing to improved financial performance (Suleman et al., 2023). Likewise, GCG has been shown to positively influence firm value by fostering transparency and accountability, which are highly valued by investors and stakeholders (Nurlaili & Andayani, 2021).

Research by (Erlangga et al., 2021) shows that Corporate Social Responsibility (CSR) has a positive and significant effect on company value. Meanwhile, (Makrifat, 2019) emphasised the importance of implementing good corporate governance (GCG) to influence financial performance and company value. On the other hand, research by (Nurlaili & Andayani, 2021) states that CSR and GCG do not directly impact company value. This indicates that CSR and GCG are more of a company's obligation to government regulations than a standard for measuring the effectiveness of corporate values. Profitability positively impacts company value. However, research by (Budisaptorini et al., 2019) concluded that profitability has no effect on company value. More importantly, a company's value depends more on the quality of its operations over the long term than just its current profitability. This illustrates that investors are likelier to assess a company's ability to control and maintain it well rather than how much profit it can make at a certain time. Research by (Firdaus & Tanjung, 2022) states that company size impacts profitability, and show that company size positively impacts company value. Research by (Arbelo et al., 2022) also supports that company size influences profitability but does not impact company value. In this context, profitability is a mediator in connecting company size with company value. It should be remembered that large company size does not always guarantee high company value because other factors, such as investment and debt management, also have an essential role in investor assessment.

Profitability is essential as a mediator in the relationship between CSR, GCG, and company size and value. Profitability influences company value by showing the company's ability to generate profits and meet investor expectations. Apart from that, profitability also affects stakeholder perceptions of the company's image and investor confidence in the company. As a result, profitability mediates the impact of CSR, GCG, and company size on company value. This research aims to fill the gap in the literature by analysing the relationship between CSR, GCG, company size, profitability, and company value, as well as the role of profitability as a mediator in this relationship. Implementing Corporate Social Responsibility (CSR) in a company requires allocating additional funds, which can reduce company income and decrease profitability. However, by implementing CSR, a company's reputation can improve, increasing customer loyalty. Higher loyalty from customers has a positive impact on company sales and profitability, which will increase company value overall (Asngari & Yulianita, 2023).

This study contributes to academic research by analyzing the mediating role of profitability in the relationship between Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), firm size, and firm value. While previous studies have examined the impact of CSR, GCG, and firm size on firm value, the findings remain inconsistent. Some studies suggest that CSR and GCG have a positive influence on firm value, whereas others indicate that their impact is insignificant or indirect. Therefore, this study provides a new perspective by investigating the mediating mechanism of profitability, which serves as a bridge between internal and external corporate factors and firm value. By doing so, this study not only confirms or refutes previous findings but also enriches the academic literature in financial management and corporate governance by offering a deeper understanding of the factors influencing firm value.

The implementation of Good Corporate Governance (GCG) aims to increase company profitability. By understanding the impacts and consequences that may arise as a result of implementing GCG, companies can carefully consider the important role of GCG in achieving substantial profits and reducing negative risks. The main aim of corporate governance practices is to create added value for stakeholders. The quality of the implementation of corporate governance can be reflected in the share price that investors are ready to pay. The implementation of effective corporate governance is expected to improve company performance, which will ultimately increase company value (Nurlaili & Andayani, 2021). Company size, which is measured by the total assets it owns, reflects the extent of assets owned by the company. Companies with large assets will try to utilize these resources optimally to achieve high profitability, while companies with smaller assets will generate profits according to the more limited assets they have. Company size is directly related to the number of assets owned. The larger the company, the larger its assets, which requires companies to manage funds wisely to maintain their operations. A larger company size will influence management decisions regarding the funding to be used, with the aim of optimizing company value (Afriyanti & Wulandari, 2023).

THEORITICAL REVIEW

Stakeholder Theory. Stakeholder Theory, initially introduced by Freeman (2010), asserts that companies have responsibilities not only to shareholders but to a broader group of stakeholders, including employees, customers, suppliers, communities, and regulators. This theoretical framework suggests that firm success is primarily determined by its ability to manage relationships and fulfill the expectations of these stakeholders. Companies are increasingly pressured to demonstrate social accountability and ethical governance in the contemporary business environment. As such, corporate practices like Corporate Social

Responsibility (CSR) and Good Corporate Governance (GCG) are not merely supplementary but are embedded within strategic management decisions. Transparent governance and CSR initiatives signal reliability and ethical conduct to stakeholders in emerging markets, which in turn enhances firm value. Furthermore, (Rhou et al., 2019) argue that stakeholders positively respond to firms that proactively engage in CSR, as such initiatives are perceived as indicators of long-term sustainability. When CSR and GCG are viewed as strategic tools rather than compliance obligations, they generate stakeholder trust, contributing to profitability and investor appeal.

In alignment with Stakeholder Theory, profitability, and firm value are not solely outcomes of operational efficiency but are also products of relational capital. (Ali et al., 2018) underline that CSR disclosures are vital in maintaining stakeholder engagement, especially in developing economies where regulatory frameworks are still maturing. This is particularly relevant in Indonesia, where the interplay between stakeholder legitimacy, regulatory expectations, and financial performance is evident. (Trireksani et al., 2021) find that environmental and social disclosures, grounded in stakeholder obligations, significantly correlate with improved financial outcomes. Likewise, empirical evidence from Indonesian firms supports the notion that CSR and GCG impact firm value through enhanced profitability. These studies collectively confirm that stakeholder-oriented practices such as CSR and GCG can be valuable assets in building trust, improving reputation, and ultimately increasing firm value. As Stakeholder Theory suggests, a company's legitimacy and long-term performance are closely linked to its ability to balance economic goals with the interests and expectations of its stakeholders.

Corporate Social Responsibility. Corporate Social Responsibility (CSR) has evolved from a peripheral philanthropic activity to a core strategic function within corporate decision-making, particularly in shaping firm performance and stakeholder trust. (Saeidi et al., 2019) highlight that CSR initiatives contribute to firm financial performance by enhancing competitive advantage, corporate reputation, and customer satisfaction. According to (Yin & Liao, 2021), these elements are not only outcomes but also mediators that link CSR efforts to improved innovation capability and operational efficiency. In emerging markets, including Indonesia, CSR disclosure is increasingly viewed by stakeholders as a credible signal of ethical conduct and long-term commitment. Companies integrating CSR into their governance structures experience higher market valuation, as investors interpret CSR disclosures as reflections of risk mitigation and responsible management. This argument is further supported by (Li et al., 2022), who assert that CSR's effectiveness in improving firm performance is contingent upon stakeholder engagement and how proactively companies address social and environmental concerns.

Good Corporate Governance. Good Corporate Governance (GCG) is critical in shaping firm performance and enhancing long-term corporate value. Rooted in agency theory, GCG seeks to reduce conflicts of interest between shareholders and management by promoting transparency, accountability, and control mechanisms (Solomon, 2020). In emerging economies such as China and India, empirical evidence shows that board structure, independence, and audit quality are positively associated with firm profitability and efficiency. These governance mechanisms are internal controls and strategic tools for gaining investor trust and optimizing resource allocation. For instance, (Yasser et al., 2020) demonstrated that well-governed banking institutions in Pakistan exhibit significantly stronger financial outcomes, highlighting the importance of governance frameworks in high-risk sectors. Similarly, corporate governance mechanisms such as independent board members and separation of ownership and control have improved investor confidence, reduced capital costs, and increased firm valuation.

Company Size. Firm size is a key organizational attribute that has long been regarded as a determinant of a company's financial performance and overall market valuation. Larger firms typically enjoy a range of strategic advantages, including better access to external financing, broader economies of scale, and enhanced bargaining power in both product and capital markets. These structural advantages often lead to more efficient operations, increased profitability, and ultimately, higher firm value. Moreover, firm size is often perceived by investors as a proxy for financial stability, operational maturity, and lower investment risk. Empirical research supports the significance of firm size in influencing firm value and profitability. For instance, (Sutra et al., 2024) demonstrated that firm size plays a critical role in determining financial outcomes, where firms with larger total assets consistently outperformed smaller counterparts in terms of return on assets and market valuation. Larger manufacturing firms in Indonesia tend to achieve better performance due to more efficient resource utilization and stronger market positioning. These findings indicate that size not only enhances operational capacity but also strengthens firm reputation, which is essential in attracting investor confidence. As such, firm size serves as an important explanatory variable in models that seek to understand variations in profitability and firm value across industries.

Profitability. Profitability serves as a key financial metric that reflects a firm's efficiency in utilizing its resources to generate earnings. It plays a central role in evaluating managerial effectiveness, operational strength, and the potential for long-term financial sustainability. Firms with strong profitability are often better positioned to withstand market fluctuations, as they typically exhibit stronger internal controls and more adaptive financial strategies. According to (Lestari & Bahri, 2024), profitability not only signals financial health but also demonstrates a firm's ability to manage risks, especially in dynamic economic environments. Profitability is influenced by various internal factors such as company size, governance, and corporate responsibility. Firms with greater resources and broader market presence benefit from economies of scale, which positively impact their profit-generating capacity. In addition, effective corporate governance plays a mediating role by fostering transparency and reducing agency costs, both of which contribute to stable profit margins. Strong governance mechanisms enhance decision-making efficiency and promote earnings consistency over time. These perspectives collectively support the view that profitability is not merely a financial result but a strategic outcome shaped by organizational structure and policy implementation, making it an essential component in explaining firm value.

Company Value. Company value is a multidimensional concept that reflects the overall perception of a firm's financial health, strategic direction, and future potential. It is not solely dependent on profit figures but is shaped by how effectively a firm allocates resources, builds stakeholder trust, and adapts to dynamic market conditions. As (Sopian et al., 2018) explain, company value is significantly impacted by the transparency and credibility of corporate disclosures, especially those related to corporate social responsibility (CSR). Firms that demonstrate accountability through consistent CSR practices often enhance their reputation and strengthen their market position. Another influential factor in company value is firm size. Larger companies tend to attract more investor confidence due to their perceived operational stability and broader financial capacity. Firm size contributes positively to company value when accompanied by sound resource management and strategic decision-making. However, size alone is not sufficient

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without effective governance and sustainable profitability. In this context, profitability acts as both a direct performance indicator and an indirect pathway through which internal variables influence firm value. According to Ortas et al. (2019), firms with strong profitability and robust risk management practices tend to be more resilient and more attractive to investors in uncertain economic environments. These insights reinforce the notion that company value emerges from a combination of financial performance, internal governance, and external accountability mechanisms.

Thus, based on this description, the researcher formulated the following conceptual framework:

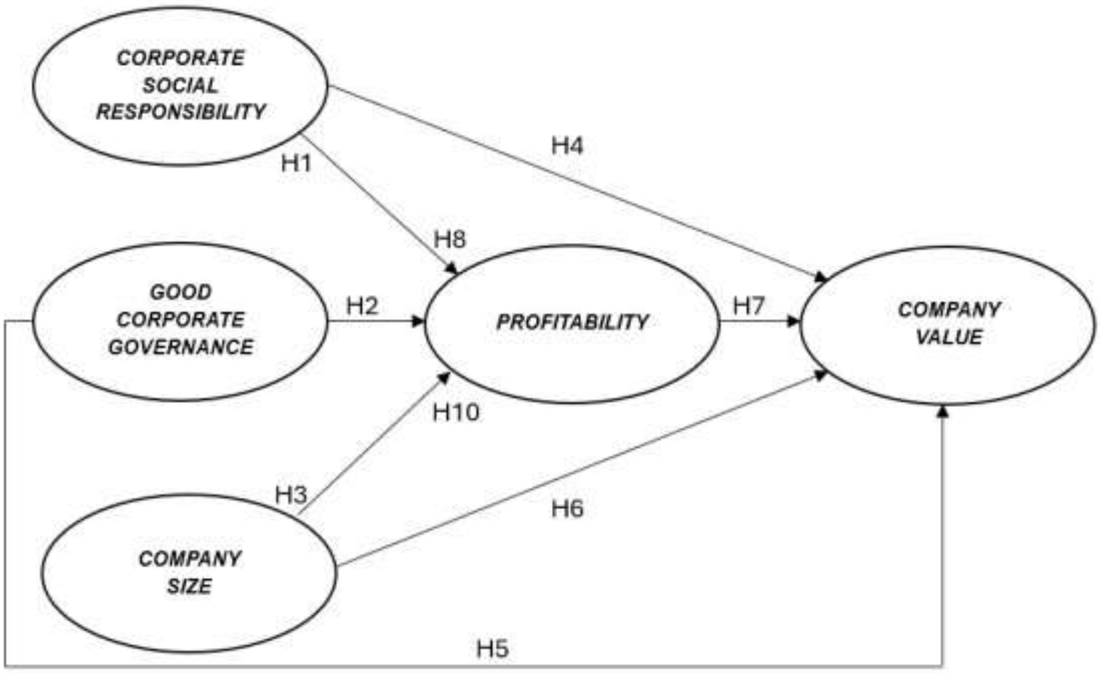

Figure 1. Research Model
Source: Tourism Statistic 2019, Yogyakarta

Figure 1 Shows So the influence of each variable, both direct influence (Direct Effect) and indirect influence (Indirect Effect) is as follows:

Corporate Social Responsibility on Profitability. Corporate social responsibility (CSR) is increasingly recognized as a vital component influencing a company's profitability. CSR activities can substantially enhance a company's reputation, fostering customer loyalty and boosting sales (Hadi et al., 2023). In the stakeholder theory, companies can forge stronger relationships with various stakeholders, creating an environment conducive to profit generation (Chen et al., 2024). Additionally, Research consistently shows a beneficial relationship between CSR and financial performance (Coelho et al., 2023). Their research highlights that CSR practices improve public perception and lead to tangible economic benefits, such as increased revenue and cost savings from more efficient operations. This view is supported by numerous studies indicating that socially responsible companies attract more customers, investors, and employees, all crucial for sustained Profitability. Consequently, integrating CSR into business strategies is seen as a means to enhance a firm's competitive advantage and long-term financial success. Therefore, based on theoretical frameworks and empirical evidence, it can be hypothesized that Corporate Social Responsibility has a positive and significant effect on Profitability.

H1: Corporate Social Responsibility has a positive and significant effect on Profitability.

Good Corporate Governance on Profitability. Good Corporate Governance (GCG) is a critical factor influencing a company's Profitability (Bandiyono & Al Ashri, 2022). The agency theory in corporate governance aims to align the interests of managers and shareholders to mitigate agency problems (Homayoun et al., 2023). Empirical research by (Nurhidayah et al., 2024) supports this, showing that firms with strong corporate governance structures often report higher Profitability due to improved decision-making processes and enhanced operational efficiency. Furthermore, One study found that firms with better governance environments had a stronger positive relationship between environmental, social, and governance (ESG) performance and financial performance (Luo et al., 2024). These companies benefit from transparent and accountable management practices, which reduce risks and enhance investor confidence. Good corporate governance fosters a culture of integrity and ethical behavior, contributing to a more stable and sustainable business environment. This stability attracts investment, reduces capital costs, and ultimately improves Profitability. Therefore, based on agency theory and extensive empirical evidence, it is hypothesized that Good Corporate Governance has a positive and significant effect on Profitability.

H2: Good Corporate Governance has a positive and significant effect on Profitability.

Company size has a positive and significant effect on profitability. The size of a company is often positively correlated with its profitability due to economies of scale and scope. Larger firms can reduce per-unit costs through efficient resource utilization and greater bargaining power with suppliers, as posited by the resource-based view (RBV) theory. The RBV emphasizes the role of valuable, rare, inimitable, and non-substitutable resources in enhancing firms' performance and competitive advantages (Tehseen et al., 2019). A study on the Chinese market found a significant U-shaped relationship between size and profitability shocks in the short run. Small and large firms experienced significant and positive profitability shocks, with large firms exhibiting large and stable profitability shocks in the long run (Yin & Liao, 2021). Empirical evidence from the manufacturing industry in Spain suggests that the relationship between efficiency and size heavily depends on the internal properties and characteristics of the firm and its operating environment. Ignoring such heterogeneity can lead to overestimating inefficiency (Arbelo et al., 2022). These advantages enable larger companies to achieve higher profit margins and sustain their competitive edge in the market. Therefore, it is hypothesized that Company size positively and significantly affects profitability.

H3: Company size has a positive and significant effect on profitability.

Corporate Social Responsibility on Company Value. Corporate Social Responsibility (CSR) significantly enhances company value, as supported by various theoretical and empirical studies. Legitimacy theory posits that companies must fulfill society's values and expectations to gain legitimacy (Chan et al., 2019; Velte, 2022). The theory assumes a positive relationship between CSR and the firm's financial outcomes

(Velte, 2022). CSR positively affects firm value by enhancing the company's reputation and stakeholder trust (Chen et al., 2024; Hu et al., 2018). Firms with strong CSR commitments enjoy better financial performance and higher market valuations (Hu et al., 2018). CSR activities can also mitigate risks associated with negative publicity and regulatory penalties, further protecting and enhancing firm value. Therefore, based on legitimacy theory and extensive empirical evidence, it is hypothesized that Corporate Social Responsibility positively and significantly affects Company Value.

H4: Corporate Social Responsibility has a positive and significant effect on Company Value.

Good Corporate Governance on Company Value. Good Corporate Governance (GCG) is recognized as a fundamental driver of company value. The agency theory posits that separating ownership from control leads to conflicts of interest between managers and shareholders. Good corporate governance reduces risks associated with managerial opportunism and enhances investor confidence (Tadele et al., 2022). Firms with robust corporate governance frameworks tend to have higher market valuations (Sayari & Marcum, 2018; Tadele et al., 2022). Effective corporate governance practices, such as transparency, accountability, and ethical management, create a stable and trustworthy environment for stakeholders, increasing the company's market value. Thus, it is hypothesized that Good Corporate Governance positively and significantly affects Company Value.

H5: Good Corporate Governance has a positive and significant effect on Company Value.

Company size on company value. Company size is often associated with higher company value due to economies of scale and market power. The resource-based view (RBV) theory posits that firms can gain competitive advantage and enhance value by strategically utilizing their resources (Mansour et al., 2022; Zahra, 2021). Larger firms can dominate markets and leverage economies of scale, leading to higher market valuations (Nemlioglu & Mallick, 2020; Wimble et al., 2019). This can be attributed to their ability to dominate markets, leverage economies of scale, and invest in innovation and marketing, contributing to increased company value. Additionally, larger firms often have better access to capital markets, allowing them to finance growth opportunities more efficiently. Multiple regression analysis of South African companies revealed that larger companies with higher profitability and efficient asset management create shareholder value measured by Economic Value Added (EVA) and Market Value Added (MVA) (Nieuwoudt & Hall, 2022). Therefore, it is hypothesized that Company size positively and significantly affects company value.

H6: Company size has a positive and significant effect on company value.

Profitability on company value. Profitability is a crucial determinant of company value, reflecting a firm’s ability to generate earnings and sustain growth. His signaling theory explains how companies should signal financial statement users, including investors, about their future prospects (Suhendi et al., 2022). Profitable firms outperform unprofitable firms in Latin America, positively affecting stock returns (Berggrun et al., 2020). In China, firms with high Profitability generate substantially higher future stock returns (Jiang et al., 2018). The impact of Profitability on firm value is influenced by industry competition, market capitalization, and debt levels (Saputra & Setiawan, 2023). Thus, it is hypothesized that Profitability positively and significantly affects company value.

H7: Profitability has a positive and significant effect on company value.

Corporate Social Responsibility on Company Value through Profitability. Corporate Social Responsibility (CSR) can enhance company value indirectly through its impact on profitability. The stakeholder theory underpins the importance of CSR in building customer relationship quality, with frontline employees playing a significant role in shaping customers' perceptions of CSR initiatives (Hobeika et al., 2022). Empirical research supports this: profitability mediates the relationship between CSR and corporate value (Purwanto, 2021). CSR initiatives help corporations boost their reputation and be viewed positively by consumers, investors, and prospective employees (Krupa & Sushmitha, 2024). Empirical findings from a study on Taiwanese companies show a significantly positive impact of CSR on corporate financial performance, supporting the notion that active engagement in CSR activities positively affects firm value (Chen et al., 2024). Thus, it is hypothesized that Corporate Social Responsibility positively and significantly affects Company Value through Profitability.

H8: Corporate Social Responsibility has a positive and significant effect on Company Value through Profitability.

Good Corporate Governance on Company Value through Profitability. Good Corporate Governance (GCG) can indirectly enhance company value by positively impacting profitability. The agency theory suggests corporate governance can reduce agency costs, improving firm performance (Kasbar et al., 2023). Effective corporate governance can reduce the risk perceived by investors, decreasing the cost of capital and increasing firm value. Good corporate governance was found to reinforce the favorable influence of dividend policy on company value (Pramartha et al., 2020). These improved profitability metrics then contribute to higher company valuations, as profitability signals financial health and future growth prospects to investors. Therefore, it is hypothesized that Good Corporate Governance positively and significantly affects Company Value through Profitability.

H9: Good Corporate Governance has a positive and significant effect on Company Value through Profitability.

Company size on company value through profitability. The size of a company can indirectly influences its value through its impact on profitability. Larger firms often benefit from economies of scale, which allow them to reduce costs and improve profit margins. The resource-based view (RBV) theory posits that companies with valuable, rare, inimitable, and non-substitutable resources and capabilities can achieve sustained competitive advantage and higher profitability (Bhandari et al., 2020). Empirical evidence suggests that large firms are generally more efficient than small and medium-sized firms (Arbelo et al., 2022). However, the relationship between efficiency and size heavily depends on the internal properties and characteristics of the firm and its operating environment (Arbelo et al., 2022). This enhanced profitability then translates into higher company valuations, as profitability is a crucial determinant of company value. A study on Indonesian

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manufacturing companies found that profitability influences firm value, indicating that larger companies with higher profitability experience increased firm value (Sudiyatno et al., 2020). Therefore, the increased profitability associated with larger company size subsequently enhances the firm's market value. Based on these theoretical and empirical insights, it is hypothesized that Company size has a positive and significant effect on company value through profitability.

H10: Company size has a positive and significant effect on company value through profitability.

METHODS

This study aims to examine the influence of Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), and Company Size on Profitability and Company Value in manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2019 to 2024. Extending the study period to 2024 captures recent developments in corporate performance following the COVID-19 pandemic and provides a more updated and relevant empirical basis. The research relies on secondary data collected from official sources such as audited financial statements and annual reports available through the IDX and respective company websites.

The population comprises 193 manufacturing firms listed on the IDX, and the sample was selected using a purposive sampling technique. The inclusion criteria were: (1) firms that consistently published complete financial and annual reports from 2019 to 2024, (2) firms that disclosed information regarding CSR and GCG practices, and (3) firms that did not incur continuous losses during the observation period. Based on these criteria, 234 firm-year observations were obtained and analyzed as cross-sectional data.

The variables in this study were measured through multi-indicator constructs. **CSR** was assessed using three indicators derived from sustainability reporting practices. GCG was measured using indicators related to board structure, transparency, and accountability. Company Size was represented by the natural logarithm of total assets, total asset values, and the number of employees. Profitability was measured using Return on Assets (ROA), while Company Value was assessed using the Price to Book Value (PBV) ratio. These latent constructs and their respective indicators were evaluated through Confirmatory Factor Analysis (CFA) to establish the validity of the measurement model.

To examine both direct and indirect relationships among variables, this study employed Structural Equation Modeling (SEM) using AMOS software. SEM was selected due to its strength in simultaneously analyzing complex causal relationships among multiple latent variables, including mediating effects. Unlike traditional regression analysis, SEM enables the testing of both measurement and structural models within a single framework, providing robust statistical insight. Model fit was assessed using various fit indices, including chi-square, RMSEA, GFI, AGFI, CMIN/DF, TLI, and CFI. These indicators ensured the overall goodness-of-fit of the proposed model, thereby validating the hypothesized relationships among CSR, GCG, Company Size, Profitability, and Company Value.

RESULTS

In this study, the aim of the research is to determine and analyze the influence of Corporate Social Responsibility, Good Corporate Governance and Company Size on Company Value and Profitability as Intervening Variables. Data obtained from documentation results in the form of financial reports and annual reports are then carried out several tests which are described as follows:

Structural Model Development (Inner Model). Structural model or inner model testing is carried out to see the relationship between variables. This model focuses on the latent variable structure model, where the latent variables are assumed to have a linear relationship and have a cause-and-effect relationship. There are five constructs (unobserved variables) in the structural model (inner model) used in this research.

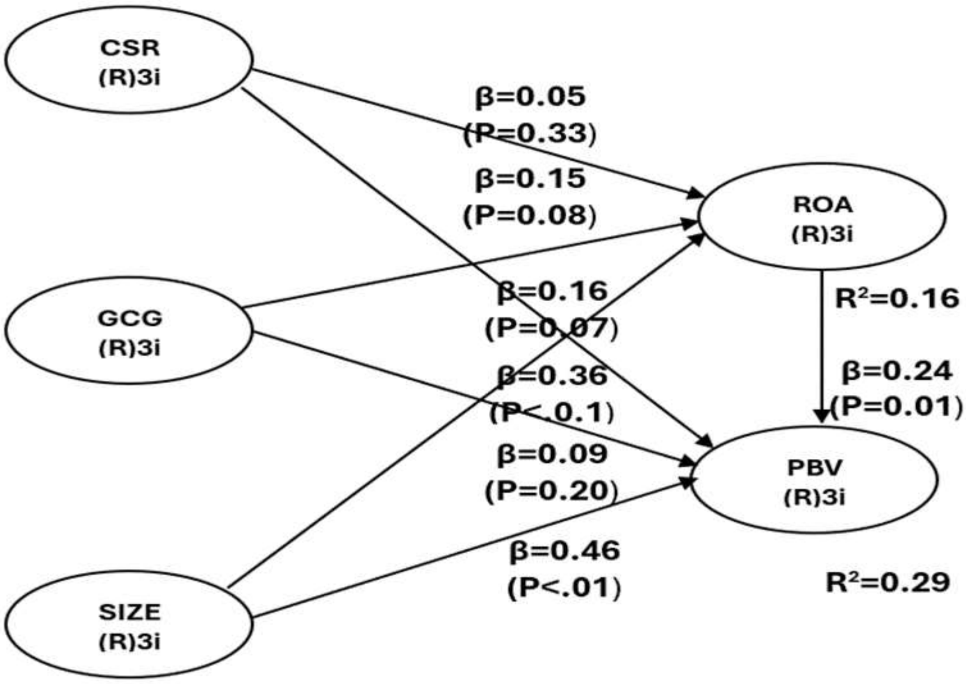

Figure 2. Structural Relationship Model

Figure 2 shows the structural relationship model between the latent variables, namely Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), Company Size (SIZE), Profitability (ROA), and Company Value (PBV). CSR, GCG, and SIZE variables act as independent variables that affect Profitability (ROA) as an intervening variable and directly or indirectly affect Company Value (PBV) as the dependent variable.

The relationship between the variables is shown with the path coefficient (β), which indicates the strength and direction of the relationship, and the p-value, which means the statistical significance of the relationship. The figure shows that CSR does not significantly influence ROA, as the p-value is more significant than 0.050. Meanwhile, GCG significantly influences ROA with a positive relationship direction but is not substantial in relation to PBV directly. The SIZE variable significantly influences PBV with a positive relationship direction and a considerable contribution, as shown by the high path coefficient value and p-value smaller than 0.010.

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In addition, the R^2 value shown in ROA of 0.160 indicates that CSR, GCG, and SIZE can explain 16 percent of the variance in Profitability. In contrast, the R^2 value in PBV of 0.290 suggests that all variables in this model can explain 29 percent of the variance in Company Value. This suggests that although their influence is not dominant, these variables still significantly contribute to explaining variability in PBV. This figure illustrates the relationship between social responsibility, corporate governance, firm size, profitability, and firm value in one structural model framework.

The inner model equation in this research is:

$$ROA = \alpha_1 CSR + \alpha_2 GCG + \alpha_3 SIZE + \varepsilon_1 \quad (1)$$

Where α_1 α_2 α_3 is the parameter to be estimated and ε_1 is the error term of the profitability variable ROA.

$$PBV = \beta_1 CSR + \beta_2 GCG + \beta_3 SIZE + \beta_4 ROA + \varepsilon_2 \quad (2)$$

Where β_1 β_2 β_3 β_4 is the parameter to be estimated and ε_2 error term of the firm value variable PBV.

Table 1. Development of a Measurement Model (Outer Model)

Variable Type	Construct	Outer Model Equation
Variabel Independent	Corporate Social Responsibility (CSR)	$CSR1 = \lambda 1CSR + \delta 1$ $CSR2 = \lambda 2CSR + \delta 2$ $CSR3 = \lambda 3CSR + \delta 3$
Variabel Independent	Good Corporate Governance (GCG)	$GCG4 = \lambda 4GCG + \delta 4$ $GCG5 = \lambda 5GCG + \delta 5$ $GCG6 = \lambda 6GCG + \delta 6$
Variabel Independent	Company Size (SIZE)	$SIZE7 = \lambda 7SIZE + \delta 7$ $SIZE8 = \lambda 8SIZE + \delta 8$ $SIZE9 = \lambda 9SIZE + \delta 9$
Variabel Intervening	Profitability (ROA)	$ROA10 = \lambda 10ROA + \delta 10$ $ROA11 = \lambda 11ROA + \delta 11$ $ROA12 = \lambda 12ROA + \delta 12$
Variabel Dependent	Company Value (PBV)	$PBV13 = \lambda 13PBV + \delta 13$ $PBV14 = \lambda 14PBV + \delta 14$ $PBV15 = \lambda 15PBV + \delta 15$

Table 1 explains the relationship between the variables in the study, where each latent construct is measured through indicators representing specific dimensions or aspects of the variable. Independent variables such as Corporate Social Responsibility (CSR), Good Corporate Governance (GCG), and Company Size (SIZE) are each explained through several indicators that reflect specific dimensions of the construct. The intervening variable, profitability (ROA), and the dependent variable, company value (PBV), are also measured through relevant indicators. Each indicator in this model contributes to the latent construct, represented through a parameter that shows the strength of the relationship between the indicator and the construct. In addition, the residual value indicates the extent to which the indicator cannot be fully explained by the latent construct, reflecting the indicator's unique variation or measurement error. In this study, the Company Value variable from 2019 to

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2021 has met the validity criteria so that it can be used as an indicator and for analysis in conducting hypothesis testing.

Table 2. Reliability Test Result

Reliability	CSR	GCG	SIZE	ROA	PBV
Composite Reliable	0.989	0.978	0.993	0.942	0.977
Category	Very high reliability	Very high reliability	Very high reliability	Very high reliability	Very high reliability
Cronbach's Alpha	0.984	0.965	0.989	0.908	0.965
Category	Very high reliability	Very high reliability	Very high reliability	Very high reliability	Very high reliability

The **Table 2** shows that the reliability values in this study have been demonstrated with composite reliability and Cronbach's alpha having varying reliability and the value range categories showing very high reliability, so that the data collected can be used for hypothesis testing.

Table 3. Testing the Direct Effect Hypothesis (Direct Effect)

	Direct Effect Hypothesis (Direct Effect)	*Path coefficients*	*P values*
α1	Direct influence of CSR on ROA	0.104	0.053
α2	Direct influence of GCG on ROA	-0.312	less than 0.001
α3	Direct influence of SIZE on ROA	-0.331	less than 0.001
β1	Direct influence of CSR on PBV	0.135	0.018
β2	Direct influence of GCG on PBV	-0.119	0.032
β3	Direct influence of UP on PBV	0.441	less than 0.001
β4	Direct influence of PF on PBV	-0.196	0.001

Table 3 shows Hypothesis testing results: (1) Positive but not significant influence of Corporate Social Responsibility (CSR) on Profitability. (2) Negative and significant influence of Good Corporate Governance on Profitability. (3) Negative and significant influence of company size on profitability. (4) Positive and significant influence of CSR on company value. (5) Negative and significant influence of Good Corporate Governance on Company Value. (6) Positive and significant influence of company size on company value. (7) Negative and significant influence between Profitability on Company Value.

These findings demonstrate the complexity of the relationship between these factors, requiring careful corporate strategy to increase the value and attractiveness of investments.

Table 4. Testing the Indirect Effect Hypothesis (Indirect Effect)

	Indirect Effect Hypothesis (Indirect Effect)	*Path coefficients*	*P values*
α1β4	Indirect influence of CSR on PBV through ROA	-0.020	0.003
α2β4	Indirect influence of GCG on NP through PF	0.061	0.015
α3β4	Indirect influence of UP on NP through PF	0.065	0.031

Table 4 shows Hypothesis testing results: (1) Corporate Social Responsibility has a direct negative effect on Company Value through Profitability (Path coefficients: -0.020, p-

value: 0.003). (2) Good Corporate Governance has a direct positive influence on Company Value through Profitability (Path coefficients: 0.061, p-value: 0.015). (3) Company size has a direct positive effect on company value through profitability (Path coefficients: 0.065, p-value: 0.031). (4) In conclusion, these aspects play an important role in influencing Company Value through the Profitability mechanism.

DISCUSSION

Corporate Social Responsibility on Profitability. The findings of this study indicate a positive but insignificant relationship between CSR initiatives and profitability in these companies. The results highlight a different understanding of how CSR efforts impact financial performance, particularly in the manufacturing sector, where the relationship between social responsibility and profitability is complex and multidimensional. As a concept based on stakeholder theory, CSR advocates that companies consider the interests of various parties, including employees, customers, suppliers, communities, and other stakeholders.

According to this theory, when companies meet the needs and expectations of diverse stakeholders, they create stability, foster positive relationships, and ultimately reduce operational risks. CSR efforts, which can include initiatives in environmental conservation, employee welfare, community engagement, and ethical governance, are believed to enhance corporate reputation, attract investors, and generate customer loyalty. However, while these efforts are expected to improve long-term profitability, direct financial benefits may be absent. CSR requires a significant initial investment in resources, time, and capital, which can be challenging for manufacturing companies prioritizing operational efficiency and production costs. This research is consistent with earlier studies showing that CSR initiatives positively impact profitability, such as those by (Romadhoni & Rusmita, 2021).

These studies suggest that by focusing on social responsibility, companies improve their reputation and build trust with stakeholders, including customers, employees, and the wider community. This trust is invaluable as it can lead to greater customer loyalty, improved employee retention, and higher investor confidence, all of which contribute to a company's financial stability. When these CSR initiatives are embedded in a company's brand identity, they can gradually change customer perceptions and strengthen brand equity.

Over time, the positive corporate reputation developed through ongoing CSR efforts can attract new customers and investors, increasing sales and profitability. However, the contribution of CSR to profitability in the short term may be limited. While CSR activities increase goodwill and can reduce operational risks associated with stakeholder dissatisfaction, these benefits are often realized gradually. Initial investment in CSR is required to create impactful programs that can effectively address social and environmental issues. Therefore, research results suggest that the positive impact of CSR on profitability may require patience and perseverance from the management team. Building a corporate image that aligns with social responsibility values is a long-term process and often relies on consistent CSR practices over several years.

Their studies report a positive and significant relationship between CSR and profitability, highlighting the tangible benefits of CSR in attracting customers, investors, and skilled labor. By projecting an image of social responsibility, companies can increase their attractiveness in the marketplace to consumers and potential employees who prioritize an ethical and sustainable workplace. As consumers who value sustainability and corporate ethics frequently favor socially responsible brands, this reputation helps businesses gain a competitive advantage. In addition, the positive public image gained from CSR can be a powerful marketing tool, driving brand loyalty and customer retention, which translates into increased sales and productivity. Industries directly interacting with consumers, such as retail or consumer goods, may see faster returns on CSR investments due to higher visibility and consumer sensitivity to CSR practices. However, manufacturing companies may need help linking CSR to direct profitability, given the lower visibility of their CSR activities to end consumers and the significant capital required to implement impactful CSR strategies. These differences suggest that the effect of CSR on profitability can be context-dependent, varying by industry, geographic region, and target market.

In addition to industry factors, the intensity and authenticity of CSR initiatives may also influence their impact on profitability. Research shows that companies that approach CSR as an integral part of their mission and culture and not as a superficial or temporary public relations effort are more likely to see a favorable impact on financial performance. Authentic CSR practices, supported by transparent reporting and consistent commitment to social and environmental goals, will resonate more deeply with stakeholders and can generate stronger loyalty and reputation.

Manufacturing companies willing to integrate CSR into their core operations by adopting sustainable production processes, reducing emissions, and ensuring fair labor practices develop a brand identity that appeals to ethically conscious consumers and investors. Understanding CSR's role in business strategy emphasizes the long-term benefits of a genuine commitment to stakeholder welfare. Manufacturing companies that build a strong foundation in CSR are better positioned to create resilient brands that can withstand market fluctuations and sustain growth through customer and stakeholder loyalty. While the immediate financial impact of CSR may be insignificant, the long-term benefits can be substantial, especially as consumer awareness and expectations of corporate responsibility continue to rise.

Good Corporate Governance on Profitability. The research demonstrates a significant and negative influence of Good Corporate Governance (GCG) on profitability within manufacturing companies listed on the Indonesian Stock Exchange. This finding adds to the ongoing discussion about the role of GCG in balancing the interests of shareholders and managers while maintaining profitability. According to agency theory, effective GCG implementation serves as a mechanism to mitigate agency conflicts, reducing the potential for self-serving behaviors among managers that might undermine shareholders' interests.

By establishing clear governance structures and accountability measures, GCG aims to align managerial actions with shareholder goals, theoretically fostering a stable and profit-generating environment. However, this research indicates that while GCG can address agency conflicts, it may cost profitability due to the high expenses involved in strict governance practices. Strict GCG practices, while essential for transparency and accountability, require substantial investment in monitoring, audits, and oversight systems. This level of scrutiny can be financially burdensome, consuming resources that could otherwise be allocated to innovation, expansion, and profit-enhancing initiatives.

Moreover, excessive governance controls might create a conservative environment where managers feel restricted, leading to reduced motivation and a diminished capacity for risk-taking, often necessary for growth. In highly regulated environments, managers may also encounter a reduction in their decision-making autonomy, limiting their ability to adapt quickly to market changes or pursue innovative strategies that could boost profitability. In this regard, the costs associated with rigorous GCG practices can ultimately outweigh the anticipated benefits, negatively impacting profitability.

This study is consistent with findings by (Anggraeni & Giranti, 2023) and (February, 2019), who argue that GCG can have adverse effects on profitability. These authors contend that while GCG practices establish robust oversight frameworks, they can also introduce constraints on managerial incentives, which may affect the motivation to pursue profit-driven goals. For instance, GCG measures often impose limitations on executive compensation to prevent unethical or excessive financial rewards.

However, by capping potential earnings, these measures can inadvertently reduce managers' drive to achieve higher profitability levels. In many cases, profitability growth depends on an executive's ambition and willingness to take calculated risks, and restrictive governance can stifle such opportunities. Thus, while GCG is theoretically intended to foster organizational health and sustainable profits, its implementation may inadvertently create barriers to short-term profit maximization. In contrast, studies by (Ningrum & Maryanti, 2022) and additional findings from (Anggraeni & Giranti, 2023) suggest a positive relationship between GCG and profitability, highlighting that GCG's benefits extend to enhancing transparency, oversight, and control over management activities. These scholars argue that GCG's role in increasing transparency and supervising managerial decisions reduces the risk of detrimental management actions, such as asset misappropriation or inefficient resource allocation. Such safeguards prevent significant losses, maintain investor confidence, and foster a reputation for reliability and trustworthiness, which benefit long-term profitability. Effective governance ensures that resources are used efficiently and ethically, fostering sustainable growth that aligns with shareholder interests.

Company size influences the profitability of manufacturing companies. The research reveals a negative and significant relationship between company size and profitability in manufacturing companies listed on the Indonesian Stock Exchange, highlighting a complex dynamic between scale and financial performance. Agency Theory offers a valuable lens to understand this relationship, positing that management gains greater control over operations and decision-making processes as companies grow. This centralized management control can help minimize agency conflicts, aligning managers' actions more closely with the interests of shareholders and supporting profitability. However, the separation between ownership and control in large organizations may introduce new challenges that can ultimately undermine financial performance. One of the primary issues identified in this research is the potential for inefficiencies within large companies. When management prioritizes growth in size over profitability, resources may be diverted from productive investments to expansions or acquisitions that do not necessarily yield financial benefits.

Managers in large organizations may be incentivized to increase the company's scale to gain prestige, authority, or control, potentially disregarding profitability as a core objective. This misalignment between managerial goals and shareholder interests can lead to inefficiencies, affecting the company's financial outcomes. Agency problems in large firms may also manifest as an increased focus on administrative structures, diverting attention from operational efficiency and cost control.

Furthermore, the size of an organization introduces significant communication challenges, which can affect coordination and decision-making. Large companies often have complex hierarchies and multiple layers of management, which can impede the free flow of information and slow down responsiveness to market changes. Communication barriers create delays in implementing strategic initiatives or addressing emerging issues, increasing uncertainty within the company and possibly leading to suboptimal decisions. Additionally, with more individuals involved in the decision-making process, there is a greater risk of miscommunication, inconsistent goals, and lack of cohesion, all of which can hinder profitability. When top management is distanced from operational details, crucial insights may not reach decision-makers promptly, reducing the company's agility and efficiency.

This finding is consistent with previous studies by (Sugianto & Meirisa, 2023), who argue that as companies grow in size, profitability can be negatively impacted due to management inefficiencies and agency issues. These studies highlight that large companies face unique challenges related to structure and hierarchy, which can strain resources and reduce focus on profitability. The inefficiencies associated with large size, such as bloated administrative expenses, may dilute investment returns, resulting in lower overall profitability.

This study's findings stand in contrast to the work of (Magdalena et al., 2024) and (Natanael & Mayangsari, 2022), who argue that large companies have a positive influence on profitability, primarily due to their economies of scale, bargaining power, and market influence. These researchers contend that large firms can leverage their size to achieve cost efficiencies, negotiate favorable terms with suppliers, and attract top talent, all of which can enhance profitability. Their view suggests that while size introduces operational complexities, it also provides competitive advantages that, if managed effectively, can drive superior financial performance.

Corporate Social Responsibility influences company value in manufacturing companies. The research results indicate a positive but insignificant relationship between Corporate Social Responsibility (CSR) and company value in manufacturing companies listed on the Indonesia Stock Exchange. This finding adds to the complex understanding of CSR's impact on financial outcomes, particularly company value, a measure influenced by various internal and external factors. Stakeholder theory offers valuable insights into this relationship, suggesting that CSR initiatives, when aligned with stakeholder expectations, can enhance a company's reputation, foster loyalty, and minimize conflicts with critical groups such as customers, employees, and the wider community. By meeting these stakeholders' social and environmental needs, companies can cultivate goodwill and credibility, which are essential in a competitive market and contribute to long-term value creation. CSR initiatives in manufacturing often encompass activities related to sustainable resource use, pollution reduction, fair labor practices, and community engagement.

By addressing these areas, companies position themselves as socially responsible entities, which may translate into enhanced public perception and increased trust among investors and consumers. According to (Maryoso & Dian, 2023), this can positively impact company value by creating efficiencies in resource utilization and establishing a stable stakeholder base that supports the business's long-term objectives. These researchers argue that CSR, through fostering resource efficiency and responsible operations, indirectly contributes to company value by ensuring that the public and potential investors view the company's operations favorably.

Nevertheless, the findings also underscore that the influence of CSR on company value remains insignificant, suggesting that while CSR may improve reputation and resource efficiency, these benefits may not translate into immediate or substantial financial returns. This outcome might be due to the significant costs of implementing effective CSR initiatives. In many cases, manufacturing companies must invest heavily in sustainable technologies, employee welfare programs, and community outreach activities, which require long-term commitment and financial resources. Therefore, while CSR aligns with stakeholder theory by addressing social and environmental expectations, its economic impact may take time to be evident, potentially explaining the insignificant influence observed in this research.

The debate surrounding CSR's impact on company value is further illustrated by the contrasting findings of (Sipayung, 2023), who argue that CSR investments can be counterproductive when the costs outweigh the benefits. According to these authors, excessive spending on CSR initiatives may strain financial resources, reducing profitability and, subsequently, company value. This view is particularly relevant in competitive sectors such as manufacturing, where companies must carefully allocate resources to ensure optimal production and operational efficiency.

If CSR expenditures become disproportionately high, they may detract from core business functions, leading to a decline in profitability. For example, allocating substantial funds to environmental initiatives without immediate financial return might compromise a company's ability to invest in innovation or operational upgrades, ultimately reducing profitability and company value. The research reflects the dual nature of CSR's impact on company value. On the one hand, CSR, as per stakeholder theory, aligns with the interests of various stakeholders and can potentially enhance company value by building a robust and responsible brand image and securing long-term stakeholder support. (Sipayung, 2023) contend that excessive CSR investments may undermine profitability, which can negatively impact the company's overall valuation. This suggests that while CSR can be valuable for building goodwill and fostering a positive corporate image, its implementation must be balanced with financial considerations to avoid diminishing returns.

Good Corporate Governance influences company value in manufacturing companies. The research reveals a negative and significant influence of Good Corporate Governance (GCG) on company value in manufacturing firms listed on the Indonesian Stock Exchange, adding depth to the understanding of governance practices in shaping financial outcomes. Stakeholder theory serves as a fundamental framework for this analysis, emphasizing that companies bear responsibility to shareholders and other key stakeholders, including employees, customers, and the broader society. According to this theory, GCG is designed to ensure that companies consider all stakeholders' interests, which is believed to enhance company value by fostering positive relationships and sustaining a solid reputation.

When implemented effectively, GCG aligns the company's practices with the expectations of diverse stakeholders, creating a balance between profit-seeking and social responsibility. GCG practices, which typically include stringent transparency requirements, regular audits, and risk management protocols, are intended to improve accountability and ensure ethical operations. By adhering to these governance standards, companies can establish trust among stakeholders, who may, in turn, contribute to the company’s value through sustained loyalty and support. However, the findings of this research suggest that GCG, mainly when implemented with strict compliance requirements, can have unintended negative consequences on company value. Implementing GCG comes with substantial costs related to compliance and monitoring, and these expenses can diminish a company's profitability, particularly in sectors like manufacturing, where profit margins may already be sensitive to cost fluctuations.

Thus, while GCG is essential for ensuring accountability, the high cost of adherence can potentially erode financial gains, negatively impacting company value. Stringent GCG standards may restrict a company’s operational flexibility. To adhere to regulations, companies may navigate complex oversight and compliance protocols that limit their ability to respond swiftly to market demands and take advantage of emerging opportunities. For example, a highly regulated environment may discourage managers from making bold, innovative decisions, as they may prioritize risk avoidance over potential gains. This cautious approach could hinder the company's ability to adapt to competitive pressures, reducing overall growth potential and impacting company value. Excessive governance controls may also create an imbalance in stakeholders' interests, as rigid adherence to GCG standards may favor regulatory compliance over shareholder returns and strategic investments that could foster long-term growth.

This research aligns with the findings of (Fajriah et al., 2022), who emphasize the complexity of GCG and its nuanced impact on company value. These studies argue that while GCG is theoretically intended to promote stability and ethical conduct, the practical application of these standards often needs to be revised to include financial and operational challenges that can negatively affect company value. The requirement for continuous oversight and rigorous compliance imposes a significant economic burden, especially for companies in capital-intensive sectors.

(Fajriah et al., 2022) highlight that these costs can outweigh the anticipated benefits, reducing profitability and ultimately lowering company value. On the contrary, other studies, including (Azmy et al., 2019), present a different perspective, advocating that GCG positively impacts company value by enhancing effective risk management practices. From this viewpoint, GCG helps companies identify and mitigate potential risks, such as financial fraud or operational inefficiencies, which could harm long-term sustainability. By instilling a culture of accountability and fostering transparency, GCG is seen as a mechanism that safeguards company assets and strengthens its reputation, potentially attracting investors and boosting company value.

Company size influences company value in manufacturing companies. The research reveals a positive and significant relationship between company size and company value in manufacturing companies listed on the Indonesian Stock Exchange, underscoring the potential advantages of scale in driving financial performance and market valuation. Agency theory offers a foundational perspective in understanding this relationship, positing that larger companies, despite inherent agency issues, are better equipped to manage risks and diversify their operations.

These attributes make large firms more resilient and capable of handling market fluctuations, which can translate into enhanced company value. Furthermore, economies of scale a significant benefit associated with larger company size enable these companies to produce more efficiently, reducing per-unit costs and improving overall profitability. As a result, large manufacturing firms can achieve higher operational efficiency, often reflected in their market valuation. One of the main arguments supporting the positive impact of company size on company value is rooted in economies of scale. Larger companies can leverage their resources and infrastructure to produce goods and services more cost-effectively than smaller firms.

Large companies can reduce costs and improve profit margins by spreading fixed costs across a more lavish production volume, creating attractive value for investors. Moreover, large companies generally have greater access to capital markets, allowing them to finance expansion and innovation, further strengthening their competitive position. This financial flexibility enhances growth potential and enables them to sustain profitability, making them valuable in the eyes of shareholders and the market.

The findings align with earlier research by (Keni & Pangkey, 2022) and (Alfiadin & Susilo, 2022), who noted a favorable influence of company size on company value. These researchers argue that companies accumulate resources, expertise, and market presence as they expand, contributing to increased value. Their findings emphasize that larger firms are often perceived as more stable, given their ability to weather economic downturns and adapt to changing market conditions. With a solid capital base, larger companies are better positioned to invest in technology, attract skilled labor, and implement advanced management practices, all supporting sustainable growth and bolstering company value over time. However, the relationship between company size and company value is not universally positive, as studies such as (Yulianti et al., 2022) and (Fajriah et al., 2022) suggest a negative influence of company size on company value.

These researchers focus on the potential downsides of large organizational structures, particularly about agency problems. As companies grow, agency conflicts between shareholders and managers can become more pronounced, with managers in large firms sometimes prioritizing personal or departmental goals over shareholder interests. For instance, managers may be incentivized to focus on expanding company size rather than maximizing profitability, as growth can be associated with prestige and control. Such misalignment can create inefficiencies, detracting from company value. Additionally, larger companies may suffer from bureaucratic inefficiencies and slower decision-making processes, hindering their ability to respond quickly to market changes or capitalize on emerging opportunities.

Profitability influences company value in manufacturing companies. The research demonstrates a significant negative effect of profitability on company value in manufacturing companies listed on the Indonesian Stock Exchange. This finding brings complexity to the widely held assumption that profitability directly correlates with enhanced firm value. Agency theory provides an insightful framework for interpreting this relationship, suggesting that while profitability is often a primary goal, management's motives in achieving high profits may not always align with the long-term interests of shareholders. In many cases, managers may maximize short-term profitability to achieve personal gain, driven by performance-based incentives or the desire for individual recognition.

This inclination can lead to actions like profit manipulation or aggressive earnings management, which, while boosting immediate profits, may risk harming the company's value over time by eroding investor trust or impairing sustainable growth. This finding aligns with previous studies by (Putri et al., 2022), highlighting potential conflicts of interest between management and shareholders when profitability becomes the primary performance metric. These studies argue that when managers focus excessively on profitability, they may pursue strategies that enhance short-term financial results, even at the expense of the company's future stability.

Such actions can include manipulating financial reports, reducing necessary investment in innovation or employee development, or taking excessive risks to meet profit targets. While these strategies may enhance profitability in the short run, they can erode long-term value by compromising the company's resilience, reputation, and adaptability in a competitive environment. Agency theory posits that managers in large organizations might prioritize personal interests over shareholder value due to asymmetric information and control. In other words, because managers are closer to the company's day-to-day operations than shareholders, they may have greater freedom to shape financial outcomes that serve their interests, not necessarily those of the company or its owners. This misalignment can lead to a situation where profitability, though ostensibly a positive financial indicator, becomes a vehicle for actions that detract from company value.

When profits are achieved through unsustainable or ethically questionable practices, the company's reputation may suffer, affecting investor confidence and ultimately reducing the firm's market value. However, contrasting views exist in the literature. Studies by (Yulianti et al., 2022) argue for a positive relationship between profitability and company value, emphasizing that high profits can increase a company's share price and overall market valuation. According to these researchers, profitability signals a company's successful performance and robust financial health, attracting investors and boosting market share demand. In their view, profitability incentivizes management to perform well, as sustained profitability benefits shareholders through dividend payments and capital gains.

High profitability, in this perspective, demonstrates efficient resource use and competitive advantage, both of which contribute to enhanced company value. These opposing findings suggest that the relationship between profitability and company value depends on how profitability is pursued and the broader context of managerial incentives and governance structures. Profitability drives company value when companies prioritize ethical and sustainable profit maximization practices. However, as shown in the current research, the impact on company value may be harmful when profitability is achieved at the cost of long-term stability. This underscores the importance of robust corporate governance practices to mitigate agency conflicts and ensure that managerial actions align with shareholder interests.

Corporate Social Responsibility influences company value through profitability in manufacturing companies. The research reveals a negative and significant influence of Corporate Social Responsibility (CSR) on company value through profitability in manufacturing companies listed on the Indonesian Stock Exchange. This finding highlights CSR's complex and sometimes counterintuitive effects on financial performance and company valuation, especially in industries where operational efficiency and cost control are paramount. Stakeholder theory provides a valuable perspective on this relationship, suggesting that companies bear a responsibility to shareholders and a broader range of stakeholders, including employees, customers, and the community. According to stakeholder theory, CSR initiatives should ideally strengthen relationships with these groups, enhance corporate reputation, and ultimately contribute to a company's long-term value.

However, the findings of this study suggest that CSR can place a financial burden on companies, potentially harming profitability and negatively impacting company value. This outcome may be attributed to the substantial resources required to implement CSR initiatives effectively. Manufacturing companies, in particular, often operate with high fixed costs, and diverting funds to CSR can strain financial resources that might otherwise be invested in productivity-enhancing technologies or operational improvements. For example, CSR projects aimed at environmental sustainability or community engagement can be costly, and the returns on these investments may take time to be tangible or directly measurable in financial terms. As a result, while CSR aligns with stakeholder expectations, it can inadvertently reduce profitability, diminishing its positive impact on company value.

This research aligns with previous studies by (Nurhidayah et al., 2024) who emphasize that inappropriate or inefficient CSR implementation can generate negative responses from investors. These studies argue that when CSR projects need precise strategic alignment or their benefits are effectively communicated, investors may perceive them as unproductive expenses rather than value-adding investments. Investors who prioritize short-term returns may view extensive CSR spending as a threat to profitability, reducing their confidence in the company's future financial performance and leading to lower market valuation.

CSR initiatives that do not yield clear outcomes or measurable impact may be perceived as symbolic gestures, undermining investor trust and potentially damaging the company's reputation in the financial market. This study's findings contrast with research by (Nurhidayah et al., 2024) who suggest that CSR can contribute to competitive advantage by enhancing profitability through increased market share. These authors argue that when implemented strategically, CSR can differentiate a company from its competitors, attract ethically conscious consumers, and foster customer loyalty, all of which can increase revenues and profitability. From this perspective, CSR is a tool to build brand equity and strengthen market position, ultimately leading to higher profitability and enhanced company value.

For example, consumers increasingly value companies that demonstrate social responsibility, and CSR can thus improve brand loyalty, resulting in sustained or increased market share. Additionally, CSR initiatives can improve employee morale and attract skilled talent, fostering a productive and committed workforce that drives company performance. The nuanced relationship between CSR, profitability, and company value reveals that CSR's impact depends on how it is implemented and perceived by stakeholders. Effective CSR requires alignment with the company's core mission and operational goals to ensure the benefits outweigh the costs. In manufacturing, where CSR often requires significant capital outlay, companies must carefully balance their investments in social responsibility with the need for cost efficiency. Strategic CSR planning that emphasizes long-term value creation rather than short-term financial gains can mitigate potential negative impacts on profitability and encourage a more favorable response from investors.

Good Corporate Governance influences Company Value through Profitability in Manufacturing Companies. The research reveals a negative and significant influence of Corporate Social Responsibility (CSR) on company value through profitability in manufacturing companies listed on the Indonesian Stock Exchange. This finding highlights CSR's complex and sometimes counterintuitive effects on financial performance and company valuation, especially in industries where operational efficiency and cost control are paramount. Stakeholder theory provides a valuable perspective on this relationship, suggesting that companies are responsible to shareholders and a broader range of stakeholders, including employees, customers, and the community.

According to stakeholder theory, CSR initiatives should ideally strengthen relationships with these groups, enhance corporate reputation, and ultimately contribute to a company's long-term value. However, the findings of this study suggest that CSR can place a financial burden on companies, potentially harming profitability and negatively impacting company value. This outcome may be attributed to the substantial resources required to implement CSR initiatives effectively. Manufacturing companies, in particular, often operate with high fixed costs, and diverting funds to CSR can strain financial resources that might otherwise be invested in productivity-enhancing technologies or operational improvements. For example, CSR projects aimed at environmental sustainability or community engagement can be costly, and the returns on these investments may take time to be tangible or directly measurable in financial terms. As a result, while CSR aligns with stakeholder expectations, it can inadvertently reduce profitability, diminishing its positive impact on company value.

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Furthermore, CSR initiatives that do not yield clear outcomes or measurable impact may be perceived as symbolic gestures, undermining investor trust and potentially damaging the company's reputation in the financial market. On the other hand, this study's findings contrast with research by (Nurhidayah et al., 2024), who suggest that CSR can contribute to competitive advantage by enhancing profitability through increased market share. These authors argue that when implemented strategically, CSR can differentiate a company from its competitors, attract ethically conscious consumers, and foster customer loyalty, increasing revenues and profitability. From this perspective, CSR is a tool to build brand equity and strengthen market position, ultimately leading to higher profitability and enhanced company value. For example, consumers increasingly value companies that demonstrate social responsibility, and CSR can thus improve brand loyalty, resulting in sustained or increased market share. Additionally, CSR initiatives can improve employee morale and attract skilled talent, fostering a productive and committed workforce that drives company performance.

Company size influences company value through profitability in manufacturing companies. The research reveals a significant favorable influence of Good Corporate Governance (GCG) on company value through profitability in manufacturing companies listed on the Indonesia Stock Exchange. This finding underscores the essential role of GCG in aligning the interests of various stakeholders, enhancing transparency, and ultimately contributing to the company's long-term financial performance. Stakeholder theory provides a robust framework for interpreting these results, emphasizing that GCG is about compliance and fostering a corporate environment that values transparency, accountability, and ethical management practices.

According to this theory, GCG can help a company build strong relationships with its stakeholders including shareholders, employees, customers, and the wider community by demonstrating a commitment to responsible governance and ethical practices. One of the core practices within GCG is transparency, particularly in financial reporting, which can strengthen investor confidence and positively impact profitability. Transparent financial practices ensure stakeholders, especially investors, are well-informed about the company's financial health, reducing uncertainties and perceived risks associated with their investments. In manufacturing companies, where operational complexity and capital requirements are often high, increased transparency allows for better-informed investment decisions, leading to more stable capital inflows. This transparency builds credibility with investors and the public, ultimately leading to enhanced profitability by reducing the cost of capital and attracting long-term investors.

Through improved profitability, GCG can thus play a critical role in increasing company value over time. The results align with (Saputra & setiawan, 2023) and (Kusuma & Anom, 2021), who argue that effective GCG practices positively impact company value by facilitating more accessible access to capital. These studies suggest that companies with robust GCG frameworks are better positioned to secure funding from investors, as they present a lower risk profile and demonstrate sound financial management. This access to capital improves the company's economic stability and allows for greater flexibility in making strategic investments that drive growth and profitability. Manufacturing firms that adhere to GCG principles may be better equipped to invest in new technologies, enhance production processes, or expand operations, contributing to long-term profitability and firm value.

However, it is essential to recognize that not all studies agree on the positive impact of GCG on profitability and company value. Contrasting findings from (Khafifah et al., 2022) highlight the potential downsides of GCG if implemented inadequately. These researchers argue that while GCG is intended to foster ethical decision-making and prevent mismanagement, an ineffective or overly rigid GCG system may lead to unintended consequences, such as bureaucratic delays and excessive controls that hinder operational flexibility.

If GCG is overly focused on compliance rather than strategic alignment, it may result in unwise decisions that limit growth opportunities and reduce profitability. For example, stringent governance requirements may increase operating costs without necessarily adding value, impacting a company's profitability and reducing its overall market valuation. The contrast between these perspectives illustrates that while GCG can enhance company value through improved profitability, the quality and implementation of GCG practices are crucial. GCG must be adaptable, allowing companies to uphold ethical standards without sacrificing operational efficiency or the ability to pursue growth-oriented strategies. A well-designed GCG framework should prioritize transparency, accountability, and stakeholder engagement while being flexible enough to support the company's strategic goals.

CONCLUSION

The research results show several key findings: (1) Corporate Social Responsibility (CSR) has a positive, although not significant, influence on company profitability. (2) Good Corporate Governance (GCG) that is too strict can have a significant negative impact on profitability. (3) Company size has a negative and significant influence on profitability, related to agency problems in larger companies. (4) CSR has a positive and significant influence on company value, increasing reputation in the eyes of shareholders. (5) GCG that is too strict has a negative and significant impact on company value. (6) Company size has a positive and significant influence on company value through better access to resources. (7) Profitability has a negative and significant influence on company value in the long term. (8) CSR can have a negative and significant impact on firm value through profitability, emphasizing the need for careful management of CSR investments. (9) GCG has a positive and significant influence on company value through profitability, with a focus on transparency and efficiency. (10) Firm size has a negative and significant influence on firm value through profitability, emphasizing the importance of efficient resource management.

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