FINANCIAL, NON-FINANCIAL AND FIRM PERFORMANCES: COMPARISON BETWEEN INDONESIA AND THAILAND

Bambang B Soebyakto,
Economics Faculty,
Sriwijaya University,
Palembang, South Sumatera, Indonesia.

Tien Norma Habsari,
Economics Faculty,
Sriwijaya University,
Palembang, South Sumatera, Indonesia.

Mukhtaruddin,
Economics Faculty,
Sriwijaya University,
Palembang, South Sumatera, Indonesia.

Hasni Yusrianti,
Economics Faculty,
Sriwijaya University,
Palembang, South Sumatera, Indonesia.

ABSTRACT

The capital markets have an important influence in supporting the economy of a country. Especially for investors, the capital market is a vehicle to invest their funds. So, the investor should know about firm performance to determine the prospect of companies. The purpose of this research is to test the effect of financial and non-financial variables to firm performances between Indonesia and Thailand

The observation used in this study is manufacturing companies from several sectors. There are automotive, industrial material & machinery, plastic & packaging, pulp & paper, chemical, and steel that listed on Indonesia Stock Exchange and Stock Exchange of Thailand during 2011 - 2013. By combining 3 years research, there are 55 Indonesian companies and 50 Thailand companies that meet predetermined criteria.

This study uses Return on Equity, Earnings per Share, Market Value Added as financial variables and Earnings Quality, Institutional Ownership, Independent Commissioner, Audit Committee, Corporate Social Responsibility as non-financial variables. Test results show that both financial and non-financial variables can effect to firm performance

Keywords: Return on Equity, Earnings per Share, Market Value Added, Earnings Quality,Good Corporate Governance, Corporate Social Responsibility, and Firm Performance.

Introduction:

The capital markets have an important influence in supporting the economy of a country. Especially for investors, the capital market is a vehicle to invest their funds. So, the investor should know about firm performance to determine the prospect of companies. Investors invest their funds in the stock market is not only aim in the short term but also aims to earn income in the long run. Revenue desired by the shareholders is the dividend yield and capital gains.

Dividend yield is used to measure the amount of dividends per share to share price in the form of a percentage. The greater the dividend yield, investors will be more interested in buying the stock (Ang, 1997). On the other hand, the higher price indicates that the stock market is also increasingly in demand by investors due to the higher share price would result in a capital gain greater. Capital gain is the difference between the market price of the current period and that of the prior period. Dividend yield and the capital gain is the total return to be received by the investors in the long term (Ang, 1997).

Fundamental analysis influenced by the financial variables is one indicator of company's financial performance. There are Traditional financial performance and modern financial performance. Traditional financial performance such as return on equity and earnings per share are really important and usually the center of attention of investors. Financial analysis also include an analysis of the company's competitive advantage position, liquidity of assets primarily related to the company's financial ability to meet the obligations of the company in the period short, the level of leverage and the composition on shareholder's equity, and growth of the company's sales operations based on financial statements historically. Here is after known financial variables and other measures that associated with the market model.

However, developments in science so rapidly and the demands of the world market economy encouraged the experts to find and develop other measurement tools are more accurate in measuring the company's performance. It is also driven by the insistence of investors and financiers in order to have a reference that can be accounted for more accuracy in allocating funds. Therefore, in 1989, Stern Steward Consultant Management Service in the United States introduced the concept of Economic Value Added (EVA) and Market Value Added (MVA) as a measurement of modern financial performance and the market to overcome the shortcomings of traditional financial performance because according to Dodd and Chen (1996) that EVA and MVA have performance measure in the belief that the company's EVA correlate between performance management with stock returns. Moreover compared with other performance measurements such as Return on Capital (ROC), Return on Equity (ROE), Earning per Share (EPS), cash flow growth, and EVA have systematically higher correlation in creating value for our shareholders.

This paper use also non-financial variables such as corporate governance and corporate social responsibility. Earnings quality, institutional ownership, independent commissioner and audit committee are proxy of corporate governance. Corporate governance mechanism aims to ensure and oversee the passage of governance systems in an organization (Walsh and Schward, 1990 cited by Arifin, 2005).

Recently, International Organization for Standardization (ISO) which adopted to determine Corporate Social Responsibility (CSR) is an international body as leading developer of international standards organization that was founded in 1947 with 154 states of member – has formulated a standard that is called ISO 26000: Guidance Standard on Social Responsibility that was released on November, 1st 2010. The scope of ISO 26000 will spur companies in the world, including Indonesia, to conduct programs of social responsibility correctly. It is designed to be used by all types of organizations, whether for profit or non-profit company. Additionally, the good governance of company is currently in main concern.

Some researchers claimed that there was no relationship between corporate governance mechanism and disclosure of CSR to firm performance. Amri (2011) said that managerial ownership as a proxy of corporate governance had no significant effect on firm value. Windah and Andono (2013) concluded that there was no significant effect between corporate governance variables on financial performance that was measured by ROA and Tobin's Q. It is in line with the results of research conducted by Debby et al. (2013) indicated that Good Corporate Governance (GCG) did not affect firm value. Asmaranti

(2011) concluded that disclosure of CSR had no positive effect on firm value that was measured by cumulative abnormal return.
Since the previous studies provide mixed evidence, this study is aim to investigate the ability of both financial and non-financial variables to explain firm performance. This research focuses on manufacturing companies with the consideration that the manufacturing and non-manufacturing sectors have different sensitivities to changes in economic conditions (Tuasikal, 2002). Specifically, non-manufacturing sectors, e.g. financial and property sectors have relatively large changes to market changes. Companies that have a higher sensitivity to the market indicated that the company has a higher market risk (Harianto and Sudono, 1998 cited by Tuasikal, 2002). Thus before dropping the choice of which one to buy stocks, investors factor which industry has good prospect in the future. In addition, over the span of years 2011-2013, the manufacturing sector has grown very rapidly.
The contributions of this research are as follows. First, this paper uses not only the traditional financial variables but also includes the modern financial variable, MVA for instance. Second, the non-financial variables such as GCG and CSR are considered in this paper. Third, this paper applies the most updated data, from 2011 to 2013, which could provide additional information to existing line of empirical results. And last, this paper provides comparative evidence between Indonesian and Thailand perspective.

Literature Study:
Agency Theory:

Agency theory is a theory that looks at how to ensure that agents (executives, managers) act in the best interests of the principals (owners, shareholders) of an organization. The perspective of agency relationship is a basis used to understand corporate governance. Agency relationship is defined as a contract in which parties called owners or shareholders appoint another parties called agents or management to do some work on behalf of the owner. It includes the delegation of authority to make decisions (Brigham and Houston, 2006). In this case, management is expected by the owner to be able to optimize the existing resources in company maximally. Agency theory addresses the relationship where in a contract 'one or more persons engage another person to perform some service on their behalf which involves delegating some decision making authority to the agent' (Jensen and Meckling, 1976: 308).
The main concern of agency theory as proposed by Jensen and Meckling (1976) is how to write contracts in which an agent's performance can be measured and incentivized so that they act with the principal's interests in mind. Based on the idea that employees (at any level) will have diverse goals, two main *agency problems* are identified: how to align the conflicting goals of principals and agents, and how to ensure agents perform in the way principals expect them to. These problems can occur when executives or managers make self-interested decisions and manipulate information on performance, perhaps by moving numbers around or by 'creative accounting' to present better performance figures: 'The problem here is that the principal cannot verify that the agent has behaved appropriately' (Eisenhardt,1989: 58). Another example is when a manager decides to buy cheaper and inferior raw material for a product because he benefits personally by receiving a bonus for cutting costs. However, the longer-term impact of this decision results in deteriorating customer relations and lower profits due to a decline in product quality.
Agency problems can also occur when executives or managers have a different attitude toward risk from that of the owners or shareholders. For example, an executive might not risk financing a long-term research and development initiative that may actually be a sound strategic move for sustainable growth of the firm because it may decrease profits in the short term. The solution to either of these *agency problems* is to ensure that executives or managers act in the best interests of the owners by increasing the amount and quality of information available to principals and making senior executives part owners of the firm through their compensation packages. This contract between the principal and agent is the unit of analysis for agency theory from which scholars will attempt to determine:
Another key question in managing the agency relationship is what are the most efficient forms of control – behavior-oriented controls or outcome-based controls? Behavioral controls measure effective

behaviors, such as attitudes towards patients and patient care in hospitals, while output controls measure outputs and goal achievement, for example weekly production outputs compared to production targets. In her 1989 article, Eisenhardt provides a comprehensive review of agency theory research that flows in two streams: a 'positivist' stream and a 'principal–agent' stream. Positivist researchers search for situations where the agent and principal have conflicting goals and then examine how an agent's self-serving behavior is limited through different types of governance mechanisms. The focus is usually the relationship between boards of directors (principals) and the CEOs (agents) of large public corporations. For example, one specific mechanism to ensure the alignment of interest is the existence of the equity market which controls behavior through such threats as acquisition, hostile takeover, or the liquidation of equity by investors (Dalton et al., 2007). Principal–agent researchers are concerned with examining the efficiency of contracts given different conditions of certainty, risk aversion, information, etc. The focus is usually more theoretical, more mathematical, and broader in terms of application (e.g. contracts with employees, suppliers, clients). Eisenhardt argues that agency theory provides a unique, realistic, and empirically testable perspective on the organizational problems of cooperative effort (1989: 72).
According to Eisenhardt (1989) cited by Bukhori and Raharja (2012), there are three assumptions underlying agency theory, namely (1) Assumption of Human Nature. According to this assumption, men are generally more selfish. They have limited power of thought regarding to the future perception (bounded rationality) and always avoid risks, (2) Assumption of Organization. This assumption emphasizes on the conflict among members in one organization, the efficiency as criteria for assessing effectiveness, and the existence of information asymmetry between principal and agent, and (3) Assumption of Information. According to this assumption, there is a notion stating that information is a commodity that can be traded.

Stakeholder Theory:

An entity is not a company that only operates for its own interests, but also should provide benefits for other stakeholders (shareholders, creditors consumers, suppliers, government, society). Thus, the existence of a company is influenced and determined by support given to the stakeholders (Ghozali and Chariri, 2007). Basically, stakeholder has power and ability to control and influence the use of economic resources used by the company. Therefore, the power of stakeholder is determined by its size possessed by stakeholder over resources given (Ghozali and Chariri, 2007). The traditional definition of a stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984). The general idea of the Stakeholder concept is a redefinition of the organization. In general the concept is about what the organization should be and how it should be conceptualized. Friedman (2006) states that the organization itself should be thought of as grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints.
This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should on the one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and the participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group.
Freeman (2004) adds a new principle, which reflects a new trend in stakeholder theory. In this principle in his opinion the consideration of the perspective of the stakeholders themselves and their activities is also very important to be taken into the management of companies. He states "The principle of stakeholder recourse. Stakeholders may bring an action against the directors for failure to perform the required duty of care" (Freeman 2004).
All the mentioned thoughts and principles of the stakeholder concept are known as normative stakeholder theory in literature. Normative Stakeholder theory contains theories of how managers or stakeholders should act and should view the purpose of organization, based on some ethical principle (Friedman 2006). Another approach to the stakeholder concept is the so called descriptive stakeholder theory. This theory is concerned with how managers and stakeholders actually behave and how they view their actions and roles. The instrumental stakeholder theory deals with how managers should act if they want to flavor and work for their own interests. In some literature the own interest is conceived as

the interests of the organization, which is usually to maximize profit or to maximize shareholder value. This means if managers treat stakeholders in line with the stakeholder concept the organization will be more successful in the long run. Donaldson and Preston (1995) have made this three-way categorization of approaches to the stakeholder concept kind of famous.

Legitimacy Theory:

Legitimacy theory is theory based on the social contract between company and communities where it operates and uses economic resources (Sayekti and Wondabio, 2007). Ghozali and Chariri (2007) explained that legitimacy theory is very useful in analyzing the behavior of the organization. The constraints imposed by norms, social values, and reaction of restrictions encourage the importance of organizational behavior analysis with respect to the environment. Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574, emphasis in original). Legitimacy theory has become one of the most cited theories within the social and environmental accounting area.

It will eventually form part of a much larger project addressing a range of issues associated with legitimacy theory. First, the paper brings some of the more recent developments in the management and ethical literature on legitimacy and corporations to the accounting table. Second, there are contributions to the theory that have already been made by accounting researchers that are yet to be fully recognised. The author believes that legitimacy theory does offer a powerful mechanism for understanding voluntary social and environmental disclosures made by corporations, and that this understanding would provide a vehicle for engaging in critical public debate.

The problem for legitimacy theory in contributing to our understanding of accounting disclosure specifically, and as a theory in general, is that the term has on occasion been used fairly loosely. This is not a problem of the theory itself, and the observation could be equally applied to a range of theories in a range of disciplines (see for example Caudill (1997) on the abuse of Evolutionary Theory). Failure to adequately specify the theory has been identified by Suchman (1995, p. 572, emphasis in original), who observed that "Many researchers employ the term legitimacy, but few define it". Hybels (1995, p. 241) comments that "As the tradesmen [sic] of social science have groped to build elaborate theoretical structures with which to shelter their careers and disciplines, legitimation has been a blind man's hammer." This paper begins to address these issues. The explanation above explains that legitimacy theory is one of underlying theories of corporate social responsibility disclosure. Disclosure of corporate social responsibility is done by company to get a positive value and legitimacy from public.

Theoretical Description:

The effect of financial variables and non-financial variables to firm performances has been paid great attention in financial areas in recent years. While investors invest on the firms, by the help of stocks, they are to measure the risk level of the firms. Hence, as investors invest on the stocks of the firms, they will have to analyze factors that are special for these firms and influencing the income they are going to provide in an accurate and meaningful way. As they are special for the firms, financial variables (return on equity, earnings per share, and market value added) and non-financial variables (earnings quality, institutional ownership, independent commissioner, audit committee, and corporate social responsibility) are able to provide the investors with the information of the real value of the firms.

Return on Equity (ROE):

ROE is the ratio of net income to total equity. The higher of ROE indicates more efficiently the company uses its own capital to generate profit or net profit. ROE is used to measure the rate of return on the company or the effectiveness of the company in profit using shareholders' equity owned by the company (Ardimas and Wardoyo, 2014). A steadily increasing ROE is a hint that management is giving shareholders more for their money, which is represented by shareholders' equity. Simply put, ROE indicates know how well management is employing the investors' capital invested in the company.

Febriana (2013) research that if the company has highest of ROE while fixed cost still constant. It will be increase the profit. So, Investor will be more interested to invest. Then, demand of stock will increase too, so that why firm performance will be increased.

Earnings per Share (EPS):

Earnings per share is computed by dividing earnings after interest, the depreciation and tax by total number of outstanding shares. Dividend may be distributed out of these earnings; whether it is distributed as dividend to shareholders or not, it belongs to the shareholders. Hence earning per share is a measure which the stock brokers and investors will watch carefully and consider it while deciding the market value of the equity share. Sharma (2011) in his study concluded that earning per share is the strongest determinant of the market value in a constructive track. So investors take care of earnings per shares variable in to account before investing in any company. Jatoi et al. (2014) the present study examines impact and the relationship between MVS & EPS. The regression and correlation models for EPS exposed basic related variable that influencing the MVS of that industry. The graphical representation also shows that MVS increase with the increase of EPS and vice versa. The study is based on the data of 13 cement companies of Pakistan. According to data analysis results we can conclude that EPS impacts the market value of share and have a positive and significance relationship between EPS and MVS in Pakistan cement industries.

Market Value Added (MVA):

The main objective of the company is to maximize shareholder's wealth. This goal can be realized in a way to maximize firm value. Maximize firm value equal to the share price maximization. Prosperity shareholders can be maximized by maximizing the difference between the market value of equity to equity (own capital) are submitted to the company by the shareholders (owners of the company). The difference is called the MVA (Husnan and Pudjiastuti, 2004). MVA is the difference between the value of the stock market with their own capital paid by shareholders. Value of the stock market is multiplying the number of shares outstanding by the stock price. Stock prices obtained from the average stock price in one year. (Husnan and Pudjiastuti, 2004). Rousana (1997) found that MVA does not significant impact on stock returns. These results indicate that MVA has not been fully used by investors in the stock trading at IDX. Based on the theory of MVA, it should be positively related to stock returns because MVA is a cumulative measure of corporate performance which shows the stock market valuation at the time of the EVA will come (Lehn and Makhija, 1996 and Utama, 1997). If EVA is positive, then MVA is positive.

Corporate Governance:

Corporate governance is a set of rules governing the relationship among shareholders, such as company management, creditors, government, employees, internal and external stakeholders related to rights and obligations. In other words, it is a system that regulates and controls company. The purpose of corporate governance is creating value added for all interested parties (Forum for Corporate Governance in Indonesia, 2006). Corporate governance is a set of laws, regulations, and rules that must be met, which can boost performance of company resources to function efficiently in order to continuously generate long-term economic value for shareholders and surrounding communities as a whole.

GCG mechanism is a set of mechanisms that direct and control enterprise in order to run company operations in accordance to the stakeholder's expectations. GCG is the structures, systems, and processes used by the organs of company in an effort to provide sustainable value added in long term by taking into account the interests of other stakeholders based on norms, ethics, cultures, and regulations (The Indonesian Institute for Corporate Governance).

Organization for Economic Corporation and Development (OECD) stated some principles of good corporate governance, as follows: (a) Transparency. Requiring material disclosure, suggesting relevant information, and providing transparency in the process of decision making, (b) Accountability. A clarity of function, structure, system, and accountability so that company can be managed effectively, (c)

Responsibility. Ensuring the compliance with regulations and requirements as a reflection of social values, (d) Independency. Ensuring that there is no interference, influence, or pressure from environment outside company for its various decisions taken, and (e) Fairness. Justice and equality in fulfilling the rights of stakeholders which come under the applicable agreements and legislations. This principle emphasizes that all stakeholders, including minority and foreign shareholders, must be treated equally.

GCG can provide a frame of reference that allows effective supervision. Therefore, the mechanism of checks and balances on the company can be created. According to The Indonesian Institute for Corporate Governance, there are several benefits of GCG, as follows: (a)Maintain the sustainability of the company, (b) Enhance shareholder value and market confidence, (c) Reduce agency cost and cost of capital, (d) Improve performance, efficiency, and service to stakeholders, (d) Protect organs from political intervention and lawsuits, and (e) Help to achieve good corporate citizen.

Corporate Governance Mechanism:

In implementation of company activities, GCG principles are set out in a mechanism. This mechanism is needed in order to make company activities can be run in accordance with specified directions. GCG mechanism is a rule, procedure, and clear relationship between parties that make decision and perform control in monitoring decision made. GCG mechanism aims to ensure and oversee the passage of governance systems in an organization (Walsh and Schward, 1990 cited by Arifin, 2005). GCG mechanism is divided into two groups, internal and external control mechanism. First, internal control mechanism is a way to control company using internal structures and processes, such as the composition of board of directors or commissioners, managerial ownership, and executive compensation. Second, external control mechanism is a way to affect company using external factors, such as market control and debt financing level (Barnhart and Rosenstein, 1998). GCG mechanism used in this study is internal control mechanism. It is proxied by earnings quality, institutional ownership, independent commissioners, and audit committee.

Earnings Quality (EQ):

Earnings quality is a key characteristic of financial reporting. Dechow et al. (2010) said that higher quality earnings provide more information about the features of a firm's financial performance that are relevant to a specific decision made by a specific decision-maker. Earnings quality is however an elusive construct and people tend to understand it in various different ways. There is no generally accepted measure, but the literature has developed a variety of proxies for earnings quality, which focus on particular attributes of what earnings quality is considered to be. Siallagan (2009) said that discretionary accrual as a proxy for earnings quality is negatively affected the value of the company. The lower discretionary accrual indicate that high earnings quality and then the higher the value of the company. Lower discretionary accrual indicates opportunistic management practices are also lower. This suggests that financial reporting (profit) companies already reflect company actual. So with higher earnings quality (lower discretionary accrual) will be responded positively by a third party, thus the value of the company will be higher.

Institutional Ownership (IO):

According to Adrian Sutedi (2011), institutional ownership is ownership of shares that owned by institutions such as insurance companies, banks, investment companies, foundations, pension funds, and others. It has very important role in minimizing agency conflict between manager and shareholder. The presence of institutional investors is considered capable to be an effective monitoring mechanism for any decisions made by manager that will ensure shareholder's prosperity. It is because institutional investors involved in strategic decision-making that encourage more optimal control and not easy to believe any earning manipulation actions (Jensen and Meckling, 1976). In addition, monitoring activity conducted by institutions is able to change management structure and increase shareholder wealth (Smith, 1996 cited by Suranta and Merdistusi, 2004). It also can substitute agency costs so that it will be declined and firm value will increase (Suranta and Merdistusi, 2004).There areseveral advantages of institutional ownership, which are (1) Having professionalism in analyzing information in order to test the reliability of information, and (2) Having strong motivation to implement tighter control over activities occurred within the company.

Independent Commissioner:

Independent commissioners are all of commissioners who do not have any substantial business interests in the company. Independent commissioners serve as a counterweight in decision making. In Indonesia today, the presence of independent commissioners is set in the Code of Good Corporate Governance (2006). Based on the Code, they are responsible and have authority to supervise director's policies and activities, they also should give advices when needed. Their main task is fighting for the interests of minority shareholder. Their composition is also set in the Regulation of Securities and Exchange Commission *No. 1-4, date 14 Juyi 2004*) that required 30 percent presence of independent commissioners or independent director from total number of existing members. There are some criteriasthat must be held by independent commissioners according to BI's Letter No.9/12/DPNP, which are (a)Have no financial relationship, (b) Have no management relationship, (c) Have no shareholding relationship, (d) Have no any relationship with the company. Independent commissioner is the best position to carry out the monitoring functions in order to create good corporate governance (Fama and Jensen, 1983). Daniri (2005) said that the composition of commissioners in the two-tier board system was recommended to dominate by independent commissioners. It can be more effective in carrying out its functions to protect shareholder's interests. The presence of commissioners from outside company is expected to be responded positively by market because investors' interests will be protected (Darwis, 2009).

Audit Committee:

Currently, audit committee has become part of good corporate governance. In Indonesia, the existence of audit committee is emphasized in the Decree of the Minister of SOEs No.Kep-103/MBU/2002 about the Establishment of Audit Committee for SOEs, the Decree of Head of Security Exchange Commission Kep-29/PM/2004 about the Establishment and Guidelines of Audit Committee Implementation, and Art No.19/2003 about State-Owned Enterprises. Audit committee is a body established by the board of commissioners to audit operations and circumstances. They are responsible to provide insight on issues related to financial policies, accounting, and internal control. The purposes of establishing audit committee are ensuring that financial statements are not misleading and issued in accordance with generally accepted accounting principles, ensuring internal control is adequate, following up allegations of material irregularities in finance and its legal implications, and recommending external auditor.

Windah and Andono (2013) did research about the effect of corporate governance application on company financial performance. Sample of this research was all of companies that had applied GCG and taken part of CGPI resulted from a survey of IICG during 2008-2011. Results of this study showed that there was no significant effect between corporate governance on financial performance that was measured by ROA and Tobin's Q, while measured by ROE had significant influence. Debby et al. (2013) did research to analyze the effect of good corporate governance (proxied by managerial ownership, independent commissioner, and audit committee) and company characteristics (proxied by size and ROE) to Tobin's Q as firm value measurement in banking companies listed in Indonesia Stock Exchange during 2008-2010. The results of their research indicated that 1) GCG did not affect firm value, and 2) company characteristics had positive effect on firm value. In contrast, Pancawati (2009) said that institutional ownership has negatively significant effect to firm performance.

Corporate Social Responsibility:

Asmaranti (2011) stated that the definition of CSR differ, broadly refers to the actions taken by company that cares about its employees, society, and environment. According to the Organizational for Economic Cooperation and Development, CSR is a business contribution to the sustainable development where company not only has to ensure the return to shareholders, wages to employees, products and services to consumers, but also they must respond to societal value and environmental concern. According to World Bank, CSR is a commitment of business in contributing to sustainable economic development by working with their employees, representatives, local community, and society at large to improve quality of life, in ways both are good for business and for development.

The definition of CSR based on ISO 26000: Global Guidance Standard on Social Responsibility is responsibility of an organization for the impacts of its decisions and activities on society and environment, through transparent and ethical behavior that contributes to the sustainable development, health, and society welfare; takes into account the expectations of stakeholders; that is in compliance with applicable law and consistent with international norms of behavior; and that is integrated throughout the organization and practiced in its relationships According to Dwi Kartini (2009), there are some components contained in concept of CSR, as follow: (a) Economic responsibility. Major social responsibility of company is economic responsibility. It is because company as a business organization consist of economic activities that profitably produce goods and services for society, (b) Legal responsibility. Society hopes that company runs its business activities in compliance with applicable laws and regulations made by the people through the legislative institutions, (d) Ethical responsibility. Society hopes that company conducts business in an ethical manner that showing moral reflection undertaken by businessmen, eitherindividually or institutionally, and (d) Discretionary responsibility. Society hopes that the existence of company can provide benefits for them.

Company not only has responsibility for its profitability, but also for surrounding community and the earth. There are three objects of triple bottom line, as follow: (1) Profit, (2) People, and (3) Planet. There are many benefits derived from the implementation of corporate social responsibility, not only for the company, but also for the community, government, and other stakeholders.

Disclosure of Corporate Social Responsibility:

Recently, the growth of public awareness about company role has increased. It can be seen from the number of companies that are considered having high contribution to economic and technology progress, but they still has been criticized for creating some social problems. Pollution, resource depletion, waste, quality and product safety, and employee's rights are issues of public concerns. This condition gave rise of socio-economic accounting, which is a result of any efforts to accommodate company to conduct and disclose its social responsibility to the community. CSR is a mechanism for an organization to integrate social environmental concerns and interaction with stakeholders voluntarily into its operations. Disclosure means that financial reporting should provide adequate information and explanation about the result of its business activities. Disclosure of corporate social responsibility is a process of communicating the social and environmental impacts of business activities to the special interest groups and society as a whole. ISO 26000 is a voluntary guidance standard on social responsibility that is designed to use by all types of organizations, whether for profit or non-profit organizations. ISO 26000 provides guidance rather than requirements or standardization. ISO 26000 identifies seven core subjects where social responsibility should be addressed. In order to identify what they do in their current practices and to set priorities for improvements, implementers of ISO 26000 should evaluate their actions in each subject, such as Organizational governance (applying accountability and transparency at all organization levels, using leadership to create an organizational culture that uses core values of social responsibility when making business decisions). Human rights (treating all individuals with respect, making special efforts to help people from vulnerable group). Labor practices (providing fair, safe, and healthy conditions for workers, engaging in two-way discussions about worker concerns). Environment (identifying and improving environmental impacts of company operations, including resource use and waste disposal). Fair operating practices (respecting law, practicing accountability and fairness in dealing with other businesses). Consumer issues (providing healthy and safe products, giving accurate information, and promoting sustainable consumption). Community involvement and development (getting involved in the betterment of local communities where company operates).

Mendra and Widana putra (2012) stated that GCG had significant positive effect toward the performance of public companies, whether it was measured by ROE, ROA, or Tobin's Q. It was in line with the research conducted by Retno and Priantinah (2012) showed that 1) GCG had positive effect on firm value. Size, industry, profitability, and leverage are used as control variables and 2) Disclosure of corporate governance and CSR had a positive impact on firm value.

Firm Performance:

There are several objectives of establishing a company, such as achieving maximum benefit or profit as much as possible, giving prosperity to the owner and shareholders, and maximizing firm performance that is reflected in its stock price. Actually, three company goals are not substantially different. Only the emphasis that to be achieved by each company is not same (Martono and Harjito, 2005). According to Husnan and Pudjiastuti (2002), firm value is price that potential buyer will pay when company sold. There are some concepts explaining firm value (Christiawan and Tarigan, 2007), there are (1) Nominal Value. It is value that formally stated in the article of association, explicitly mentioned in the balance sheet, and clearly written in collective stock letter, (b) Market Value (Exchange Rate). It is the price that occurred from bargaining process in stock market, (c) Intrinsic Value. It is value that refers to the company estimated real value. Firm value in intrinsic value concept is not only price of a set of assets, but also value of company as a business entity that has ability to generate profit in the future, (d) Book Value. It is firm value that is calculated on the basis of accounting concepts, and (d) Liquidation Value. It is selling price of entire asset after deducted by all liabilities. Liquidation value can be calculated based on the balance of performance that will be prepared when company liquidated.

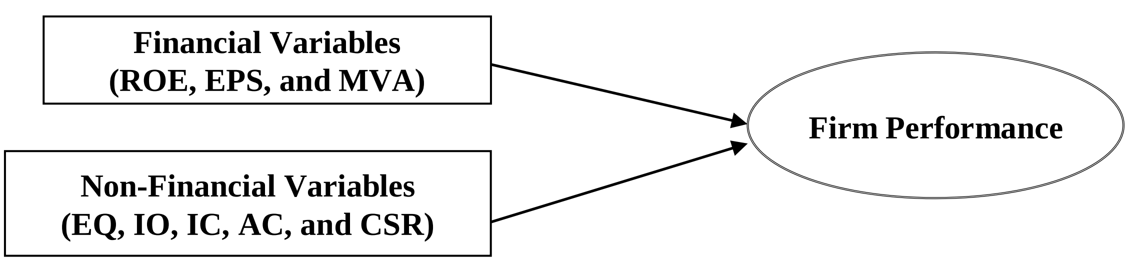
Firm performance is essentially measured from several aspects. According to Fama (1978) cited by Wahyudi dan Pawestri (2006), firm value is reflected in its stock price. It is because market price of company stock reflects investor's assessment for overall equity held. According to Rahayu (2010), firm value describes how well management manage the wealth. A company will try to maximize firm value. Increasing firm value is usually characterized by increasing stock prices in the market.

Market price of stock formed between buyer and seller when transaction occur is called by market value of company. Firm value is formed through indicator of market value is strongly influenced by investor opportunities. The existence of investment opportunities can provide positive signal about company growth in the future. Therefore, it will increase stock price as well as increase firm value.

Theoretical Framework:

Recently, firm performance is not only viewed from its financial variables, but also non-financial variables. Return on equity, earnings per share, and market value added are financial variables. GCG mechanism and CSR are non-financial variables that need to be considered by stakeholders, especially investors, to assess firm performance.

Figure 1 Theoretical Framework



From the theoretical framework illustrated above, there are eight independent variables in this research, namely: financial variables {Return on Equity (X1), Earnings per Share (X2), Market Value Added (X3)} and non-financial variables {Earnings Quality (X4), Institutional Ownership (X5), Independent

Commissioner (X6), Audit Committee (X7), Disclosure of CSR (X8)}. One dependent variable is firm performance (Y) that measured by Tobin's Q ratio.

Hypothesis:

H_1: Financial variables have positively significant to firm performance

Relationship Between Return on Equity and Firm Performance:

One company operates is useful to generate profits for shareholders. The size of the successful achievement of these reasons is the number ROE achieved. The bigger the ROE reflects the company's ability to generate high returns for shareholders. The results of this study support previous research conducted by Zuraedah (2010); Amri (2011); Wardand Theodora (2013), that the return on equity effect on firm value. Where indicates that the higher the company's financial performance, the higher the value of the company.

$H_{1.A}$: The existence of Return on Equity affect firm performance positively.

Relationship between Earnings per Share and Firm Performance:

Several studies have shown that the earnings quality will affect market response to corporate profits (Choi and Jeter, 1990). Implementation of GCG is expected to improve the market's perception of the quality of corporate profits. Improving the earnings quality will be followed by increase market response to earnings surprises.

$H_{1.B}$: The existence of Earnings per Share affect firm performance positively.

Relationship between Market Value Added and Firm Performance:

The present value of the expected EVA is MVA which is the market value of debt and total equity capital of the company is used to support value-added. MVA is a measure used to measure success in maximizing shareholder value by allocating resources - the appropriate source. MVA also can measure how much wealth the company that has been created for investors or MVA express how much wealth has been achieved (Husniawati, 2004).

$H_{1.C}$: The existence of MVA affect firm performance positively.

H_2: Non-financial variables have positively significant to firm performance

Relationship between Earnings Quality and Firm Performance

Several studies have shown that the earnings quality will affect market response to corporate profits (Choi and Jeter, 1990). Implementation of GCG is expected to improve the market's perception of the quality of corporate profits. Improving the earnings quality will be followed by increase market response to earnings surprises.

$H_{2.A}$: The existence of Earnings Quality affect firm performance positively.

Relationship between Institutional Ownership and Firm Performance

Institutional ownership is ownership of substantial shares in company by an institution. High levels of institutional ownership will lead to greater business security conducted by institutional investors. It is because they can deter opportunistic behaviors of manager. The higher ownership by financial institutions, it will increase firm value. Rachmawati and Triatmoko (2007) found that institutional ownership had significant and positive effect to firm value.

$H_{2.B}$: The existence of institutional ownership affect firm performance positively.

Relationship between Independent Commissioners and Firm Performance

Independent commissioners are all of commissioners who do not have any substantial business interest in the company. They serve as a counter-weight in decision making. As independent board members who are not affiliating with management, other commissioners, and controlling share-holders, they are free from any relationships that can affect their ability to act independently. They act solely for company interest that will increase firm value. Siallagan and Machfoedz (2006) proved that independent commissioners affected firm value positively and significantly.

$H_{2.C}$: The proportion of independent commissioner affect firm performance positively.

Relationship between Audit Committee and Firm Performance

Audit committee is committee established by the board of commissioners to audit operations and circumstances. One of indicators that can be used to determine the quality of audit committee is the frequency of their meeting. In carrying out their activities, audit committee will conduct meeting for coordinating. The more meeting frequency of audit committee, the better coordination of audit committee in conducting supervision. Therefore, it can ensure that their monitoring activities for management can run effectively.

$H_{2.D}$: The meeting frequency of audit committee affect firm performance positively.

Relationship between Disclosure of CSR and Firm Performance

Nowadays, the objective of running company not only focuses on profit. But also there are other objectives like taking care of environment. The insistence of environment requires company to implement some strategies to maximize its value. Strategy such as CSR can be carried out in order to give good image to external parties. Survey that conducted by Booth-Harris Trust Monitor in 2001 (Sutopoyudo, 2009) showed that majority of consumers would abandon a product that earned bad or negative image. Therefore, company can maximize shareholder equity, reputation, and long-term viability by implementing CSR. Besides financial performance, investors will consider CSR activities that are disclosed in company annual report before deciding whether to invest or not. CSR disclosure is expected to increase investor trust to the company prospect. It is in line with the research of Orlitzky et al. (2003) in Karim (2013) that used data from 52 researches with cases from 33.878 companies for 30 years, supporting argument that stated social performance and financial performance correlate positively. It will increase firm value.

$H_{2.E}$: The disclosure of corporate social responsibility affect firm performance positively.

H_3: Financial and non-financial variables have positively significant to firm performance

Research Methodology:

Observation:

The observation used in this study is all of the manufacturing sectors listed on the Indonesia Stock Exchange (IDX) and Stock Exchange of Thailand (SET) in 2011 until 2013. Specifically, the manufacturing sectors consist of steel, chemical, plastic and packaging, forestry and paper, and automotive. They are used in this study because they are the largest group when compared to other industry groups listed on the IDX and SET. In 2013, the Indonesia Stock Exchange had 462 listed companies with a combined market capitalization of $426.78 billion and in the Stock Exchange of Thailand (SET) had 584 listed companies with a combined market capitalization of THB 11,496 billion (www.wikipedia.com). In order to obtain a representative object of observation in accordance with the criteria samples are (1) Shares of companies listed on the IDX & SET for 3 years in a row, from in 2011 to 2013, and (2) The company publishes the annual financial statements of the period 31 December 2011 until 31 December 2013. Based on these criteria, there were 55 companies in Indonesia and 50 companies in Thailand that represent the object of observation and meet the above requirements. These are the manufacturing sectors that become research observations on

Regression Models:

The model equations are used as follows:

$Y_i = \alpha + \beta_1 ROE_i + \beta_2 EPS_i + \beta_3 MVA_i + e_i$ ………..… (1)

Where: Y= Firm Performance, ROE = Return on Equity, EPS = Earnings per Share, MVA = Market Value Added, e = Residual Term

$Y_i = \alpha + \beta_4 EQ_i + \beta_5 IO_i + \beta_6 ICD_i + \beta_7 AC_i + \beta_8 CSR_i + e_i$ .... (2)

Where: Y = Firm Performance, EQ = Earning Quality, IO = Institutional Ownership, IC = Independent Commissioner, AC = Audit Committee, CSR = Corporate Social Responsibility, e = Residual Term

$Y_i= \alpha + \beta_1 ROE_i + \beta_2 EPS_i + \beta_3 MVA_i +\beta_4 EQ_i + \beta_5 IO_i + \beta_6 IC_i + \beta_7 AC_i + \beta_8 CSR_i + e_i$ ……....(3)

Where: Y = Firm Performance, ROE = Return on Equity, EPS = Earnings per Share, MVA = Market Value Added, EQ = Earning Quality, IO = Institutional Ownership, IC = Independent Commissioner, AC = Audit Committee, CSR = Corporate Social Responsibility, e = Residual Term

Variables and Measurement:
Firm Performance:

Firm performance in this study is defined as Tobin's Q ratio. Tobin's Q ratio is developed by Professor James Tobin in 1967. This ratio is a valuable concept because it shows current estimated of financial markets on value of return for each dollar of incremental investment. Tobin's Q ratio is calculated by comparing ratio of market value of firm equity with book value of equity. It is considered to provide the best information, because it includes all elements of debt and equity, not only ordinary shares and equity but also all of company assets. By entering all of company assets mean that company is not only focuses on investors, but also on creditors. It is because the sources of financing not only from equity but also from loans granted by lenders.

$$Tobin'sQ = \frac{MVE + D}{BVE + D}$$

Where:
MVE = Market value of equity (closing stock price at the end of the year times number of shares outstanding), D = Book value of total liabilities, and BVE = Book value of total equity.
If Tobin's Q ratio is greater than one, it shows that investment in assets producing higher income than value of investment spent. It will stimulate new investments. If the ratio is less than one, investment in assets is not attractive. Therefore, Tobin's Q ratio is more accurate measurement of how effective management utilized economic resources in its control.

Return on Equity (ROE)
Return on equity or return on capital is the ratio of net income of a business during a year to its stockholders' equity during that year. It is a measure of profitability of stockholders' investments. It shows net income (after preferred stock dividends) as percentage of shareholder equity. Higher values are generally favorable meaning that the company is efficient in generating income on new investment.

$$Return\ on\ Equity = \frac{\sum Net\ Income}{\sum shareholder's\ Equity}$$

Earnings per Share (EPS):

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. On other hand, Earnings per share or basic earnings per share is calculated by subtracting preferred dividends from net income and dividing by the weighted average common shares outstanding. Earnings per share serves as an indicator of a company's profitability. Higher earnings per share is always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders. EPS data is available by using Thomson Reuters Datastream which is a powerful tool that integrates economic research and strategy with cross asset analysis to seamlessly bring together top down and bottom up in one single, integrated application.

$$Earnings\ per\ Share = \frac{Net\ Income - Preferred\ Dividends}{Weighted\ Average\ Common\ Shares\ Outstanding}$$

Market Value Added (MVA):

MVA is the difference between the current market value of a firm and the capital contributed by investors. If MVA is positive, the firm has added value. If it is negative, the firm has destroyed value.

$$MVA = V - K$$

Where: V = Market value for company, K = Total capital

Earnings Quality (EQ):

Earnings quality is the quality of a reported earnings number depends on whether it is informative about the firm’s financial performance. Earnings quality refers to the ability of reported earnings to reflect the company's true earnings, as well as the usefulness of reported earnings to predict the future earnings. Earnings quality also refers to the stability, persistence, and lack of variability in reported earnings. From quality of earnings ratio, we can also measure the earnings quality. Following is the formula of quality of earnings ratio:

$$Earnings\ Quality = \frac{Cash\ from\ Operation}{Net\ Income} x\ 100$$

This ratio creates the relationship between cash income and total business income. Higher of this ratio will show the higher of quality of earning because more earning money will receive without any risk. EQ data is available by using Thomson Reuters Datastream. EQ score ranges from 1 to 100, 1 being the best EQ score resulting from the lowest accruals, and 100 being the worst EQ score indicating the highest accruals. Because high EQ score companies (bad Earnings Quality) are more likely to have negative earnings surprises, you may want to avoid these firms.

Institutional Ownership (IO):

Institutional ownership is defined as ownership of substantial shares in company by institutions. It is expressed by the comparison of shares owned by institutional investors and company outstanding shares.

$$Institutional\ Ownership = \frac{\sum share\ held\ by\ institution}{\sum outstanding\ share}$$

Independent Commissioners (IC):

Independent commissioners are all of commissioners who do not have any substantial business interests in the company. This variable is only used in Indonesian company whereas in Thailand, the independent director is used. According to the Regulation of Securities and Exchange Commission, it is required that at least one fourth of commissioner members of public companies listed in Indonesia Stock Exchange are independent commissioners. Having 30 percent of independent commissioner means that the company complies with guidelines of good corporate governance in order to maintain the independence and effective decision making.

$$Independent\ Commissioner = \frac{\sum independent\ commissioner}{\sum commissioners}$$

Audit Committee (AC):

Audit committee is committee established by board of commissioners in order to audit operations and circumstances. The existence of audit committee is very important because of a new component of corporate control system. One of indicators that can be used to determine the quality of audit committee is the frequency of their meeting. It is expressed by natural logarithm of the number of meetings they hold in one year.

$$Audit\ Committee = ln\ (Frequency\ Meeting)$$

Corporate Social Responsibility (CSR):

CSR is measured by disclosure of corporate social responsibility (DCSR) who is information disclosed by company associated with social activities in its annual report. This study uses ISO 26000 as the basis of DCSR because of the most recent guidelines authorized (November 2010). There are seven principle issues in this index, namely: Organizational governance, Human rights, Labor practices, Environment, Fair operating practices and Consumer issues and Community involvement and development. Then researcher will conduct check list based on the issues mentioned above and give it score. Score 1 is given for each item disclosed in accordance with the desired information. And score 0 is given for each item undisclosed. Furthermore, the scores of each item are summed and then divided by the expected score to obtain disclosure index for each sample company. The total of expected items disclosed by the company is 37 items in accordance with ISO 26000. It is expressed by:

$$CSR = \frac{n}{k}$$

Where:
CSR = Disclosure Index of Corporate Social Responsibility, n = the total number of items disclosed, and k = the total number of items that supposed to be disclosed

Analysis Technique:
Regression Analysis:

Regression analysis is concerned with the study of the dependence of one variable, the *dependent variable*, on one or more other variables, the *explanatory variables*, with a view to estimating and/or predicting the (population) mean or average value of the former in terms of the known or fixed (in repeated sampling) values of the latter. F test basically shows whether all of independent variables included in regression model have an influence collectively or simultaneously on dependent variable. Basically, t-test shows how far the influence of independent variables in explaining dependent variable individually.

R^2 and Adjusted R^2:

An important property of R^2 is that it is a non-decreasing function of the number of explanatory variables or regressors present in the model; as the number of regressors increases, R^2 almost invariably increases and never decreases. Stated differently, an additional *X* variable will not decrease R^2.

Results and Discussion:
Multiple Regression Analysis:

Table 1: Regression - Indonesia

Variable	Model 1	Model 2	Model 3
Intercept	1.361	2.857	2.322
	(0.153)***	(1.356)**	(1.223)*
ROE	-0.308		-0.225
	(0.608)		(0.589)
EPS	0.0005		0.001
	(0.002)**		(0.000)**
MVA	1.564		1.488
	(0.2460)***		(0.249)***
EQ		-0.014	-0.011
		(0.006)**	(0.005)**
IO		12.604	10.076
		(3.044)***	(2.779)***
IC		-1.525	0.865
		(2.107)	(1.933)
CSR		-0.665	-1.300
		(0.888)	(0.805)
Adj. R Square	0.2071	0.1039	0.2795
Notes: * significant at the 0.1 level, ** significant at the 0.05 level, and *** significant at the 0.01 level			

Sources: Secondary data processed, 2013

Y_i = 1,361 – 0,308ROE + 0,0005EPS + 1,564MVA_i .... (1)
Y_i = 2,857 – 0,014EQ_i + 12,604IO – 1,525ICD –0,885CSR_i.. (2)
Y_i= 2,322 – 0,225ROE + 0,001EPS + 1,488MVA_i – 0,011EQ + 10,076IO + 0,865IC 1,300CSR_i ..(3)

Table 2: Regression - Thailand

Variable	Model 1	Model 2	Model 3
Intercept	1.3039	-4.561	-5.562
	(0.146)***	(3.501)	(2.460)**
ROE	-0.0311		-0.678
	(0.732)		(0.725)
EPS	-0.007		-0.006
	(0.012)		(0.012)
MVA	3.354		3.503
	(0.301)***		(0.295)***
EQ		0.013	0.009
		(0.006)**	(0.005)*
IO		-1.417	-6.524
		(4.160)	(2.950)**
AC		-0.462	-0.347
		(0.575)	(0.408)
CSR		6.783	7.556
		(3.533)*	(2.496)***
Adj. R Square	0.4990	0.039	0.549
Notes: * significant at the 0.1 level, ** is significant at the 0.05 level, and *** is significant at the 0.01 level			

Sources: Secondary data processed, 2013

Y_i = 1,3039 -0,0311ROE – 0,007EPS + 3,354 MVA.. (1)
Y_i = -4,561+ 0,013EQ – 1,417IO – 0,462ICD + 6,783 .... (2)
Y_i= -5,562- 0,678 ROE -0,006EPS_i + 3,503MVA + 0,009EQ – 6,524IO – 0,347AC +7,556CSR....(3)

Table 3: Result Comparatioon between Indonesia dan Thailand

Variable	Indonesia		Thailand	
	Sign	Significant	Sign	Significant
Return on Equity	Negative	Unsignificant	Negative	Unsignificant
Earning per Share	Positive	Significant	Positive	Unsignificant
Market Value Added	Positive	Signficant	Positive	Signficant
Earning Quality	Negative	Signficant	Positive	Signficant
Institutional Ownership	Positive	Signficant	Negative	Signficant
Audit Committe	Drop	Drop	Negative	Unsignificant
Independent Commissioner	Negative	Unsignificant	Drop	Drop
Corporate Sosial Responsibility	Negative	Unsignificant	Positive	Signficant

Based on the test results indicate that ROE have negative and significant relationship to the value of companies in Indonesia and Thailand. Both in Indonesia and in Thailand, ROE does not significantly effect on the value of the company, which means that the ROE does not become a factor that affects investors in determining the shares to be bought, so it does not affect the value of the company.

EPS variables have positive and significant relationship in Indonesia while in Thailand and no significant positive relationship. Differences in these results show that investors in Indonesia still relied on earnings per share information, while investors in Thailand are not relied earnings per share information, so it does not effect on the value of the company in the perspectives of investors Thailand.

MVA variable has a positive and significant relationship to the value of the company. Profit calculated by contemporary approach has a positive response by investors, so investors react positive to this information and increase the value of the company both in Indonesia and in Thailand. Earnings quality has a negative relationship positive in Indonesia and Thailand, although equally significant. This shows that the quality of earnings in Indonesia responded negatively by investors, because companies in Indonesia often do earnings management to increase profits, so investors have a negative image of corporate profits.

The variables that significantly affect the value of the company in Indonesia is EPS, MVA and EQ, while in Thailand is MVA and EQ. Indonesia Investors premises still relied on traditional financial performance that is EPS (contemporary financial performance significant effect), while investors in Thailand relied on the financial performance of contemporary that affect the value of the company.

Institutional ownership has a positive relationship in Indonesia and negative in Thailand, the effects were significant to the value of the company in both countries. The high institutional ownership in the company in Indonesia has a high impact on the control of another company to company, so a positive impact on the performance of the company. This information becomes very useful information for investors in making investment policies. This causes the value of the company will increase. By contrast, in Thailand, the higher the institutional ownership that indicates the higher rights of other corporate control of the company, giving a negative impact on the company, thereby lowers the value of the company.

In the Thailand Company, the audit Committee and not have a significant negative relationship to the value of the company. With the increasing number of the audit committee of a company would lead to the payment of salaries to the audit committee will be higher, so that the salaries paid become redundant. Therefore, the number of audit committee of a company between 3-6 people only, because the work of audit committees do not routinely every day. With a portion of the audit committee the right amount, then there is the efficiency of the payment of his salary and company operational control can run well.

In the company in Indonesia, independent commissioner has negative and significant relationship to the value of the company. This is due to the effectiveness of the independent commissioner Indonesia is still questionable. Independent board to get a high salary, but the job is not running well. This is due to (1) independent commissioners appointed only by the majority shareholder of the company, without going through the general meeting of shareholders, (2) independent commissioner in Indonesia are generally aged over 50 years, so it does not have fresh ideas in developing the company, (3) independent commissioners come from the businesses that do not understand about company business and do not have experience in the business, for example, retired military, ex-governor, Former Minister. Due to the effectiveness of the independent commissioner is still in question, the existence of independent commissioner has a negative relationship and no significant effect on the value of the company.

CSR in the Indonesia Company has a negative and significant relationship to the value of the company, while in Thailand CSR has a positive and significant relationship to the value of the company. The test results fatherly two countries are very contradictory. In the company in Indonesia, although there has been a rule that requires companies to report on CSR activities of the company, but there are still companies that do not do it. The absence of legal sanctions against companies does not implement them. The Company is still conducting activities related to environmental pollution without conducting recycle. Government program related to environmental management that is Proper has been running several years but are still a few companies who want to get involved and the results show the company in Indonesia is still a lot to gain in blue, red and even black. CSR activities of companies in Indonesia is more focused on branding image which is more profitable company, so it is not an activity that is truly community development. In the company in Thailand, CSR disclosure positive effect on firm value and significant influence. This shows the company's CSR activity disclosure which is part of company policy becomes important information for investors and disclosure of these CSR activities by the positive response from investors, thus increasing the company's value. Disclosure of CSR activity is not just a corporate image, but it may be an indication of the company's concern with the social, so the company's CSR activities can improve the social life of the community.

Conclusion:

Based on the analysis that has been done in this study in order to know the effect of financial variables (return on equity, earnings per share, and market value added) and non-financial variables (earnings quality, institutional ownership, independent commissioners, audit committee, and disclosure of corporate social responsibility) to firm performance, the conclusions obtained are: financial variables are useful to evaluate the firm performance, non-financial variables are also useful to evaluate firm performance, both financial and non-financial are useful to evaluate firm performance, and non-financial factors have additional explanatory power to financial factors, therefore the investor may consider it as supplementary information. In comparison, EPS is not significant for Thailand companies, but it's positively significant for Indonesia companies. MVA is positively significant to firm performance for both Thailand and Indonesian company. ROE is not significant to firm performance for both Thailand and Indonesian company. However, EQ is positively significant for Thailand but negatively significant for Indonesia. Similarly, we found that IO is positively significant for Indonesia but negatively significant for Thailand. Both IC and AC are not significant in Thailand and Indonesia. CSR is positively significant for Thailand but not significant for Indonesia.

Limitation:

This research has limitations in some aspects. It may affect the final results obtained. The research objects in this study are only from the manufacturing companies with year of research during 2011 – 2013. This research only examines the effect of internal mechanisms of corporate governance to firm performance. While external mechanisms of corporate governance are not examined. Moreover, Assessments of disclosure are subjective, especially in variable of CSR disclosure. This is happened because every reader see CSR activities disclosed from different perspective. And it is only yes/no disclosure without considering the quality for each item disclosed. Then, Indicator used to measure independent commissioner is only quantitative indicator (proportion of independent commissioner).

Suggestion:

Based on the analysis and discussion, conclusions, and limitations above, here are some suggestions that can be given in order to obtain better results :

- More number of samples and longer observation years can be used by next researchers.
- Others financial variable besides return on equity, earnings per share, and market value added can be used by next researchers.
- Others corporate governance mechanism besides earnings quality, institutional ownership, audit committee and proportion of independent commissioner as independent variables and use other measurement for each mechanism can be used by next researchers.
- Other parties in determining the extent of CSR disclosure as a re-examination can be involved by next researchers.
- Investor can use not only financial information, but also non-financial performance to determine whether the company has a good performance or not.
- Use dummy variable. A dummy variable is a numerical variable used in regression analysis to represent subgroups of the sample in the study. In research design, a dummy variable is often used to distinguish different treatment groups.
- Use Control variables, such as firm size, etc. The earnings quality is measured by using the discretionary accruals (DACC) model as modified by Jones (1991) and proposed by Dechow et al. (1995). In Chaharsoughi and Rahman (2013), they use firm size as control variable. Ball and Foster (1982) and Gu, Lee, and Rosett (2005), the current study found a significant relationship between firm size and DACC. The results indicate that in Iran, large firms increase the probability that managers engage in earnings manipulation resulting in the lower quality of the reported earnings. It can be explained that large firms are claimed to be politically sensitive and thus have incentives to reduce variances in changes in their reported earnings. These incentives arise, because larger firms are highly

subjected to public scrutiny by the media, investment analysts, the government, labor unions, competitors, and customers compared with smaller firms (Craig & Walsh, 1989).

- Use discretionary accrual as a proxy for earnings quality. According to Siallagan (2009), discretionary accrual as a proxy for earnings quality is negatively affected the value of the company. The lower discretionary accrual indicate that high earnings quality and then the higher the value of the company. Lower discretionary accrual indicates opportunistic management practices are also lower. This suggests that financial reporting (profit) companies already reflect company actual. So with higher earnings quality (lower discretionary accrual) will be responded positively by a third party, thus the value of the company will be higher.

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