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CSR as a mediating to company characteristic, corporate governance, and firm value

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Abstract: Investors use the company's value as a benchmark to assess financial performance. Therefore, we must conduct research that uncovers factors capable of enhancing the company's value. Moreover, the majority of research conducted to date has primarily focused on direct testing. This research aims to explain the mechanism of comprehending factors in generating company value based on the signaling theory framework. This study investigates the effect of corporate social responsibility (CSR) practices, as well as mediators such as profitability and size, on firm value in manufacturing firms that have listed their shares on the Indonesia Stock Exchange (BEI). The data analysis was performed using the EViews application based on the collected sample of companies in the period 2019–2022. The results of this research indicate that the level of profitability, company size, and corporate governance effect firm value components directly. This study also suggests that, in line with the signaling theory stream of research, corporate social responsibility (CSR) acts as an important channel to bind the profitable and large-sized firms along with governance mechanisms through the utilization of signals by investors about influential variables such as profitability levels or company size; overall governance practices enacted.

Keywords: *Corporate governance, CSR, Firm size, Profitability, Signaling theory.*
JEL Classification: *G32; M14; L25; M41.*

1. Introduction

A company mostly works towards the interest of its shareholders. Evaluating the well-being of shareholders is subject to metrics or indicators engineered from company value (Ben Fatma & Chouaibi, 2023). Medium- to long-term goal setting should cover how you are going about increasing the company's value. The worth of the stock price ultimately shows how much a company is being valued. It is the investor evaluation of company which directly affect stock prices traded by a public listed company. Dang et al. (2019) and Aydoğmuş et al. (2022) elucidated that firm value, sometimes referred to as firm value, is a crucial notion for investors since it serves as a metric for the market to assess a company's entire performance. Consequently, a corporation must to establish a strategy plan that optimizes its firm value to align with shareholder interests and sustain their trust.

The firm value is consistent with the interests of shareholders (Zamzamin et al., 2021; Feng & Wu, 2023). A corporation's stock price is frequently associated with its firm value, which is the investor's assessment of the company. An increase in firm value is a consequence of an elevated stock price (Wang & Xiong, 2022). Therefore, it is imperative for organizations to improve the well-being of shareholders and proprietors. An increase in investor interest will be attracted by an increase in firm value. Initially, investors will collect information from the stock market and subsequently evaluate the company's stock price before making an investment in the company.

Firm value is characterized as the value required by investors to make investment decisions, with stock price serving as an indicator of this value (Irawan et al., 2022). Firm value represents an investor's assessment of a company's performance, strongly linked to its stock price (Gunadi et al., 2020). Firm value is assessed by various factors, with stock price being one of them. According to Wu

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et al. (2022), firm value is defined as market value. When stock prices rise, stockholders will receive more financial advantages. A higher stock price will lead to increased shareholder welfare.

A management and an investor prioritize business value. Evidence indicates that a financial report lacks association with a company's market worth, as companies possess other assets not reflected in their financial statements, including effective management, strong reputation, and promising prospects. A financial ratio conveys an investor's assessment of a company's market value. It signifies an investor's evaluation of a company's historical performance and its future potential. Firm value will continue to rise when a corporation focuses on economic, social, and environmental factors (Purbawangsa et al., 2020). This situation strongly implies the requirement to conduct research for understanding complex interconnections of factors impacting firm value.

In the case of previous research, several attempts have been made to explore firm value and its determining variables but all are limited due to direct testing (Salihi et al., 2024; Cheng et al., 2024; Naseer et al., 2024; Bakke et al., 2024). It is imperative to have a comprehensive knowledge of the complex relationship between firm value and its determinants. This paper aims at innovating by developing a theory based holistic model to underscore the mechanisms, which drive creation of stakeholder value in substance through slight modifications. This rational is best explained by the Signaling Theory, where in this theory firms use certain pieces of information as signals to potential investors and other firm stakeholders about their quality, objectives, likely future performance or long-term viability (Friske et al., 2023).

Signals may convey valuable information about the firm, e.g. profitability, company governance practices, or CSR activities' as indicated by Purbawangsa et al. (2020) and Kluiters et al. (2023). Research Purbawangsa et al. (2020); Bon & Hartoko (2022); and Hutauruk (2024) also show that firm size is another factor to take into account in the determinants on value creation alongside profitability and corporate governance. The research uses profitability, corporate governance and firm size as informants in the establishment of its model.

The signals to firm value include profitability, firm size, and corporate governance. The signaling theory allows us to infer that these three variables may have impacts on firm value because they are important signs for the market or stakeholders about the quality and credibility of a company. The theory of corporate dividend policies posits that the corporation discloses certain information as "signals" to address the issue of asymmetric information between management and investors (Dewasiri et al., 2019; Boshnak, 2020). Information asymmetry arises when management possesses greater knowledge of the company's internal conditions than external stakeholders, including investors and creditors (Komara et al., 2020). Consequently, favorable indicators of profitability, scale, and effective governance might augment investors' assessments of the company's worth. The selection of these three elements is guided by the following considerations.

The fundamental reason is because a company's objective is to make profit, rendering profitability a central issue for analysts and investors. Consistent profitability enables a corporation to endure by attaining sufficient returns commensurate with risk (Akhmadi & Januarsi, 2021). Elevated profitability indicates to investors that the company may provide enduring profits (Jihadi et al., 2021). In signaling theory, profitability is regarded as a favorable signal suggesting that the company possesses robust fundamentals and effective management. Investors generally correlate strong profitability with effective management, growth prospects, and the likelihood of favorable future returns. Consequently, firms exhibiting substantial profitability indicate their stability and investment merit, thereby enhancing the company's value.

Secondly, effective corporate governance serves as an indicator of trust and transparency to investors and the market (Tiep Le & Nguyen, 2022). In signaling theory, firms that adopt effective governance convey a message of accountability, ethical management, and alignment with shareholder interests. This assures investors that management will operate the company properly, mitigate conflicts of interest, and reduce the possibility of opportunistic conduct. Effective governance indicates that firms possess a robust framework for risk management, reputation preservation, and long-term performance enhancement, eventually benefiting the company's value (Thamaree & Zaby, 2023).

Thirdly, a firm size might indicate its strength, stability, and resilience to risk (Hirdinis, 2019). Moreover, big corporations are usually associated with better financial capacity, immune to external pressures and more access to resources including capital and technology (Irawan et al., 2022). According to signaling theory large firm size signals possible failure but it will also show the investor that management believe in his own cap popiteefal (navigate) through these difficulties overpower, be done. By implication large corporations are more reliable, meaning they build trust among investors and strengthen the value of their monolithic corporate selves.

Signaling theory is about using signals like profitability, organizational capacity and scientific governance to alleviate the informational asymmetry between agents (managers) and investors. This may require intervening variables to enhance the effectiveness of such signal, as well as magnify signals in relation with firm value-one potential theory is via Corporate Social Responsibility (CSR). By doing this CSR strengthens the existing signals and provides additional evidence about social responsibility, as well long-term healthiness of the company in returns securing trust from investors on top of reinforcing positive effect on firm value (Purbawangsa et al., 2020). In the absence of CSR, indicators like as profitability, size, and governance may not be comprehensively acknowledged or distinctly interpreted by stakeholders, particularly in a company landscape that is progressively focused on sustainability and social responsibility matters.

Based on the signal theory, this study aims to investigate the impact of profitability, corporate governance, and company size on firm value, using CSR as a medium. Researchers have previously examined CSR to understand factors such as corporate governance, company size, and profitability that significantly impact the firm's value. (Hapsoro & Sulistyarini, 2019; Ting, 2021; Ananzeh et al., 2024). Previous literature on CSR disclosure primarily focuses on identifying the factors that influence variance in these disclosures and their impact on corporate value. (Fatima & Elbanna, 2023; Bing & Li, 2019).

This research is one of the few studies that examine and compare firm size, corporate profitability, financial leverage, capital intensity with governance attributes for examining affectability on both CSR & Firm value. The originality of this research lies in the inconsistencies and variability between a high number of studies when considering outcomes and indicators. We conduct this research in order to incorporate the governance variables, which will be shown through independent commissioner proportion. Return on Assets (ROA) as a Business Performance Metric This is crucial from the perspective of not only enriching our understanding on corporate governance and profitability effects to firm value through CSR, but also providing a dataset that includes company size and market valuations for those conducting research in this domain.

2. Theoretical Background, Research Model and Hypotheses Formulation

Michael Spence (1973) first introduced the theory of signaling in the field of labor market economics, and since then, researchers have used it to analyze a variety of ambiguous behaviors, such as Tao-Schuchardt et al. (2023). As per this theory, the party that has more information (informed party) sends an explicit signal to the other side with less information (uninformed party), so as to dissolve some of the prevailing asymmetric nature of hidden knowledge within a market setting (Liu et al., 2024). While managers have a good understanding of organization-specific in-house aspects, outsiders (investors and creditors) are more reliant on only other condensed information. Therefore, the enterprise must send clear signals to outsiders, shaping their perception of the entity's worth.

A signal is an action or information that a firm provides to indicate its internal quality, which external parties may not readily observe (Komara et al., 2020). Financial metrics, including profitability, firm size, and the implementation of corporate governance processes, can serve as effective indicators of a company's internal condition. Investors and stakeholders use these indicators to determine where to invest or which companies to collaborate with (Svetek, 2022). Signaling Theory is imperative to this research because investors often make decisions with limited or imperfect information. With a variety of performance messages from profitability, firm size, or corporate governance, for example, an organization can influence how the market will value it.

Profitability is a measure of how efficiently and effectively a company generates profit from operating its business (Mansikkamäki, 2023). According to Signaling Theory, firms with a high level of profitability send investors and stakeholders the right signals that their financial situation is stable and they have excellent growth prospects.

However, profitability alone may not be a strong enough signal unless combined with CSR initiatives stemming from corporate social responsibility (Azam et al., 2019). Corporate social responsibility (CSR) serves as a lagging indicator, demonstrating that the company prioritizes not only financial returns and social/environmental accountability, but also upholds investor trust in this evaluation. Companies that designate a fraction of their income to CSR initiatives convey their dedication to sustainability, potentially enhancing the company's worth (Purbawangsa et al., 2020).

The size of a firm, typically assessed by total assets, revenue, or personnel count, conveys information to the market about the organization's operating capabilities and stability (Bissoondoyal-Bheenick et al., 2023). Big companies are generally considered to be better able to withstand volatile market conditions while wielding greater resources. According to signaling theory, investors perceive larger companies as more stable and financially stronger, leading to an increase in their valuation. As a mediator, CSR has the ability to intensify this signal. Moreover, D'Amato & Falivena (2020) expect big companies to demonstrate increased social responsiveness due to their involvement in CSR activities, which suggest not only institutional growth but also engagement with the environment and society. The CSR actions introduced by giant firms may thereby help enhance a company's image as sustainable, and perhaps in the eyes of investors even more valuable.

Corporate governance addresses the systems of accountability, transparency, and integrity in decision-making within companies. According to signaling theory, strong governance has a communication value that conveys a sense of responsibility and alignment with stakeholder interests. Improved risk management and increased investor confidence, both of which can enhance the company's value, are often associated with strong corporate governance. Because CSR provides more powerful signals of the firm's observance of ethical and social norms, it acts as an intermediary. Effective application of CSR not only demonstrates concern for shareholders but also for other stakeholders, such as the community and environment. This implies that the company bears a significant responsibility toward society, thereby bolstering investor confidence and enhancing its overall strength

The research also suggests that CSR mediates the relationship between profitability, company size, and corporate governance with firm value. CSR serves as a complementary signal, enhancing the salience and credibility of the primary signals from these variables and thereby reinforcing their positive association with firm value.

In this paper, we highlight the reflection of signaling theory in the primary signals firms use to mitigate information asymmetry between management and investors. Marketing Implication: We propose that CSR functions as an ameliorating signal, enhancing existing signals of profitability, firm size, and corporate governance. If a corporation is able to communicate corporate social responsibility as a strong signal, investors will place a higher value on it, and so will its price. This study, based on a signaling theory framework, developed a theoretical model (Figure 1) to investigate the relationship between profitability, company size, and corporate governance in firm value, with CSR implementation as an intervening variable.

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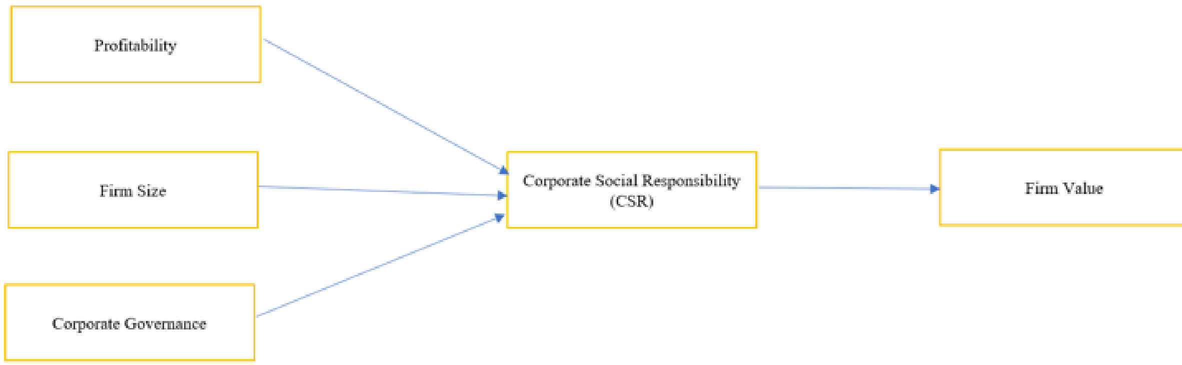

Figure 1.
Research model and hypothesis.

Hypothesis$_1$: Profitability affects CSR
Hypothesis$_2$: Firm Size affects CSR
Hypothesis$_3$: Corporate Governance affects CSR
Hypothesis$_4$: Profitability affects Firm Value
Hypothesis$_5$: Firm Size affects Firm Value
Hypothesis$_6$: Corporate Governance affects Firm Value
Hypothesis$_7$: CSR affects Firm Value
Hypothesis$_8$: Profitability affects Firm Value mediated by CSR
Hypothesis$_9$: Firm Size affects Firm Value mediated by CSR
Hypothesis$_{10}$: Corporate Governance affects Firm Value mediated by CSR

3. Research Methodology

In other words, this study employs an explanatory quantitative approach, utilizing data to test proposed hypotheses related to these variables. It is an accurate method to analyze the impact of independent variables (profitability, company size, and corporate governance) on the dependent variable (company value), with CSR as a mediator. We utilize secondary data from the annual reports of companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. All manufacturing enterprises based on GICS Version 3 listed on the IDX with annual reports from 2019 up to and including year-end, as presented until September 2020, comprise the study's population. We chose the manufacturing sector due to its significant contribution to Indonesia's economy and the clear CSR disclosure from various companies on this issue. We acquired the study sample using purposive sampling and selective criteria. 1) Publicly listed manufacturing companies on the IDX from 2019 to 2022. 2) Companies that remained listed and published a full financial report, including corporate social responsibility (CSR) reports, during the analysis period were present. 67 manufacturing companies comprise the entire final sample, selected based on the availability of data and the extensiveness of annual reports and CSR documentation.

Profitability is assessed through Return on Assets (ROA), which reflects the efficiency with which a company produces profit from its total assets. The size of a corporation is quantified by the natural logarithm (ln) of its total assets, indicating the organization's scale relative to its asset holdings. Corporate Governance is assessed using the Corporate Governance Index, which encompasses the ratio of independent commissioners. Corporate Social Responsibility is assessed using the CSR index, derived from the company's sustainability report, which encompasses economic, social, and environmental dimensions as per GRI (Global Reporting Initiative) standards. Wang, Tong, and George (2022). Valuation of the Company (Y): Tobin's Q is quantified as the ratio of a company's total market value of assets to the entire book value of its assets.

This study uses EViews software for data analysis, focusing on the examination of multiple linear regression models and route analysis with mediating variables. EViews was selected for its robust capacity to manage time series and cross-sectional data, commonly utilized in panel data research, including this study.

4. Results

This section delineates the outcomes of a descriptive analysis that elucidates the attributes of the data employed in this study, encompassing the variables of profitability, company size, corporate governance, and company value, along with the mediating variables illustrated in Table 1. Corporate Social Responsibility (CSR). Descriptive analysis seeks to furnish a preliminary summary of data distribution, encompassing the mean, standard deviation, minimum, and maximum of each variable. By comprehending the fundamental attributes of the data, one can ascertain whether it satisfies the statistical assumptions necessary for subsequent analysis and identify preliminary patterns prior to hypothesis testing. This descriptive analysis will offer an overview of the performance of manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022, which constitute the samples for this study.

Table 1.
Descriptive analysis.

	Firm value	Profitability	Firm size	Corporate governance	Corporate social responsibility
Mean	2.184854	0.058189	28.59725	0.426750	0.243152
Median	1.022145	0.040500	28.43895	0.400000	0.208790
Maximum	23.28630	0.526700	33.47370	1.000000	0.494510
Minimum	0.304140	-0.176100	25.21560	0.200000	0.043960
Std. dev.	3.140846	0.098887	1.640830	0.125877	0.104260

Table 1 presents a descriptive analysis that includes a statistical description of the variables employed in this study: profitability, firm size, corporate governance, Corporate Social Responsibility (CSR), and company value. The statistics provided encompass the mean, median, maximum, minimum, and standard deviation of data from manufacturing firms listed on the Indonesia Stock Exchange (IDX) for the years 2019 to 2022. The average profitability assessed by Return on Assets (ROA) reflects the typical performance of organizations in generating profit from their assets. The greatest and minimum ROA values indicate the most and least lucrative enterprises within the sample. The standard deviation of company size illustrates the dispersion of diverse firm sizes within the manufacturing sector. The standard deviation indicates considerable variability in size among the samples. Moreover, corporate governance is assessed by indicators such as an independent board of directors, with the mean and median values reflecting the degree of adherence to sound governance procedures. Moreover, CSR and corporate value exhibit considerable diversity among manufacturing firms, with the standard deviation reflecting disparities in corporate social initiatives and market assessments of the firm's value.

The classical assumption test comprises a set of statistical evaluations designed to verify that the data included in the regression model satisfies fundamental assumptions, hence ensuring the validity and impartiality of the model's estimation findings. The classical assumptions under examination are normality, multicollinearity, heteroscedasticity, and autocorrelation. Figure 2 presents the outcomes of the normalcy test conducted for this research.

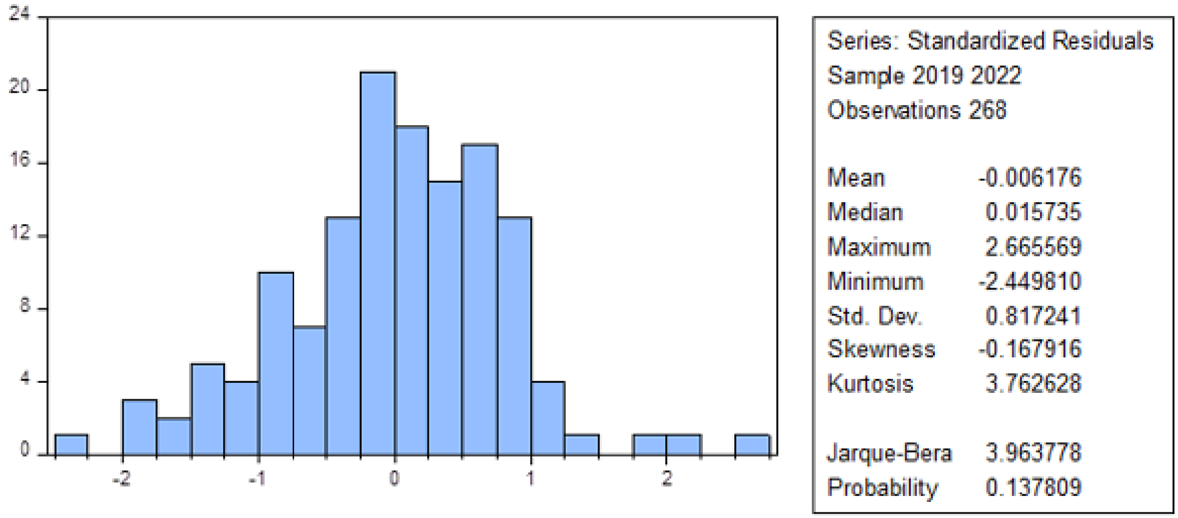

Figure 2.
Results of data normality test.

Figure 2 indicates that the Jarque-Bera statistic is 3.963778, with a p-value (0.137809) beyond 0.05, suggesting that the residuals follow a normal distribution. The second classical assumption test, multicollinearity, is presented in Table 2.

Table 2.
Results of multicollinearity test.

	Profitability	Firm size	Corporate governance	Corporate social responsibility
Profitability	1.000000	0.191133	0.185275	0.235166
Firm size	0.191133	1.000000	0.051262	0.234647
Corporate governance	0.185275	0.051262	1.000000	-0.202050
Corporate social responsibility	0.235166	0.234647	-0.202050	1.000000

Table 2 displays the correlation values among the independent variables that are less than 0.90. It may be stated that there is no significant multicollinearity among these variables. This guarantees that each independent variable in the model can offer a distinct contribution to the firm's worth without unduly affecting one another. Subsequently, evaluate the third classical premise, namely heteroscedasticity, as seen in Table 3.

Table 3.
Results of heteroscedasticity test.

Variable	Coefficient	Std. error	t-statistic	Prob.
Firm value	1.414929	1.530135	0.924708	0.3562
Profitability	1.783150	3.647509	0.488868	0.6273
Firm size	-0.021021	0.053844	-0.390397	0.6967
Corporate governance	3.949070	4.872965	0.810404	0.4219
CSR	-0.821719	0.866033	-0.948831	0.3439

The heteroskedasticity test findings in Table 3 indicate that the data is devoid of heteroskedasticity concerns, as the probability values for each independent variable exceed 0.05.

Consequently, the employed regression model satisfies the assumption of homoscedasticity, rendering the computed regression coefficients efficient and interpretable. The fourth traditional assumption test is autocorrelation, as illustrated in Table 4.

Table 4.
Results of autocorrelation test.

Cross-section fixed (Dummy variables)			
R-squared	0.838946	Mean dependent var	0.280244
Adjusted R-squared	0.822189	S.D. dependent var	0.121729
S.E. of regression	0.125300	Akaike info criterion	-1.093038
Sum squared resid	0.690801	Schwarz criterion	-0.534546
Log likelihood	48.79113	Hannan-Quinn criter.	-0.874581
F-statistic	8.183095	Durbin-Watson stat	2.057558
Prob(F-statistic)	0.000003		

The Durbin-Watson (DW) test results indicate a calculated DW value of 2.057558 in this study, as presented in Table 4. This value lies between +2 and -2, or between the Durbin Upper (DU) value and 4 - DU, suggesting that the data is devoid of autocorrelation problems. Consequently, the employed regression model is valid, and the residuals exhibit no correlation, rendering the model estimates reliable and efficient for subsequent investigation. Subsequently, Table 5 will be displayed, encompassing the outcomes of the hypothesis test.

Table 5.
Outcomes of hypothesis testing.

Hypothesis	Coefficient	Std. error	t-statistic	Prob.	Decision
Profitability → CSR (H1)	0.281177	0.071754	3.918641	0.0001	Approved
Firm size → CSR (H2)	0.500322	0.175632	2.848693	0.0051	Approved
Corporate governance → CSR (H3)	0.235774	0.054243	4.346591	0.0000	Approved
Profitability → Firm value (H4)	20.32966	1.854023	10.96515	0.0000	Approved
Firm size → Firm value (H5)	0.348490	0.132550	2.629109	0.0096	Approved
Corporate governance → Firm value (H6)	3.873289	1.413147	2.740896	0.0067	Approved
CSR → Firm value (H7)	0.923787	0.335560	2.752976	0.0067	Approved

The hypothesis tests presented in Table 5 indicate that profitability possesses a positive coefficient of 0.281177, a t-statistic of 3.918641, and a p-value of 0.0001, signifying a significant impact on CSR at a 5% significance level; hence, H1 is accepted. The hypothesis tests reveal that firm size possesses a positive coefficient of 0.500322, accompanied by a t-statistic of 2.848693 and a p-value of 0.0051, indicating that firm size significantly influences CSR at a 5% significance level; hence, H2 is accepted. The hypothesis test findings indicate that corporate governance has a positive coefficient of 0.235774, a t-statistic of 4.346591, and a p-value of 0.0000, signifying that corporate governance significantly influences CSR at a 5% significance level; hence, H3 is accepted. The hypothesis tests reveal that profitability possesses a positive coefficient of 20.32966, a t-statistic of 10.96515, and a p-value of 0.0000, indicating that profitability significantly influences company value at a 5% significance level; hence, H4 is accepted.

The hypothesis test findings demonstrate that firm size possesses a positive coefficient of 0.348490, a t-statistic of 2.629109, and a p-value of 0.0096, indicating that company size significantly influences Firm Value at a 5% significance level; hence, H5 is accepted. The hypothesis test findings

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indicate that corporate governance has a positive coefficient of 3.873289, a t-statistic of 2.740869, and a p-value of 0.0067, demonstrating that profitability significantly influences Firm Value at a 5% significance level; hence, H6 is accepted. The hypothesis test results indicate that corporate social responsibility (CSR) has a positive coefficient of 0.923787, a t-statistic of 2.752976, and a p-value of 0.0067, demonstrating that profitability significantly influences Firm Value at a 5% significance level; thus, H7 is accepted. These seven hypotheses satisfy the acceptance criteria, as each t-statistic exceeds the t-table value of -1.6506 and is significant at a 5% probability level. Additionally, the Sobel test was employed for hypothesis testing about mediating variables in H8, H9, and H10, with the findings presented in Table 6.

Table 6.
Outcomes of Sobel test.

Hypothesis	**Sobel test statistic**	**Two-tailed probability (p-velue)**	**Decision**
Profitability affects firm value mediated by CSR (H8)	2.24799108	0.02457676	Approved
Firm size affects firm value mediated by CSR (H9)	1.97590105	0.04816598	Approved
Corporate governance affects firm value mediated by CSR (H10)	2.32755196	0.01993591	Approved

Table 6 presents the Sobel Test Statistic values of 2.24799108, accompanied by a p-value of 0.02457676, which is below 0.05. This suggests that CSR strongly mediates the relationship between profitability and company value, hence validating hypothesis 8. The Sobel Test Statistic of 1.97590105, accompanied by a p-value of 0.04816598, is below 0.05, indicating that CSR significantly mediates the relationship between company size and firm value; thus, hypothesis 9 is accepted. The Sobel Test Statistic of 2.32755196, with a p-value of 0.01993591, is below 0.05, signifying that CSR significantly mediates the relationship between corporate governance and business value; hence, hypothesis 10 is accepted.

5. Discussion

The study aims to investigate the impact of profitability, company size, and corporate governance on firm value, utilizing Corporate Social Responsibility (CSR) as a mediating variable. Data analysis conducted with EViews on manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022 reveals that all hypotheses are accepted, indicating that the variables of profitability, company size, and corporate governance significantly affect company value both directly and via CSR mediation. These findings corroborate signaling theory, which elucidates how information disseminated by corporations can influence investor perception and, consequently, corporate valuation.

The regression test results demonstrate that profitability, as measured by ROA, exerts a positive and significant influence on business value. This corresponds with signaling theory, wherein elevated profitability serves as a favorable indicator of the company's robust financial performance and its adeptness in asset management to yield profits. Investors typically react to this signal by enhancing their confidence in the company, so elevating the company's value. Profitability indicates the company's capacity to earn revenue, serving as an indication of favorable future prospects. This outcome aligns with prior study by Fama & French (2021), which asserts that increased profitability signals to the market that the company exhibits strong operational efficiency, prompting investors to assign a greater valuation to the company.

The variable of firm size, quantified by the natural logarithm of total assets, has demonstrated a considerable positive impact on company value. According to signaling theory, large corporations are typically linked to enhanced stability and superior competencies in addressing market difficulties. The magnitude of a corporation conveys indications to investors regarding its robustness and market supremacy. Firms with substantial assets are often regarded as have superior access to resources, markets, and investment prospects, hence increasing their attractiveness to investors. Research by Dang, Li, & Yang (2018) indicates that a company's size correlates with its risk management capabilities and potential for commercial growth. Investor's regard large organizations as more dependable, perceiving the investment risk as diminished and the return potential as elevated.

Corporate governance significantly enhances firm value. Within the framework of signaling theory, exemplary corporate governance procedures indicate that the organization possesses robust oversight processes and openness in its administration. Effective corporate governance standards, including a substantial ratio of independent directors and a robust audit committee, bolster investor trust by assuring them that the company is operated in alignment with shareholder interests. Research by Gompers, Ishii, and Metrick (2003) corroborates this assertion, indicating that robust corporate governance enhances firm performance by implementing effective control systems that deter opportunistic managerial behavior and facilitate superior decision-making.

Path analysis indicates that CSR serves as a substantial mediating variable in the relationship among profitability, company size, corporate governance, and firm value. Corporate Social Responsibility (CSR), integral to the company's strategy for fostering a beneficial influence on society and the environment, bolsters the company's reputation among the public and investors. Signaling theory posits that corporations ™participating in CSR initiatives communicate to the market their commitment to social and environmental concerns, indicating a larger duty beyond simply profit maximization. The results of this study are compatible with the opinions of Wang, Tong, & George (2022), who argue that CSR serves as a signaling mechanism that can improve public and investor perceptions of a firm, thereby boosting the company's worth. Corporate Social Responsibility (CSR) enables organizations to exhibit their social and ethical accountability, thereby establishing a competitive edge among investors who increasingly prioritize sustainability and social impact.

The hypothesis test results demonstrate that profitability, company size, and corporate governance directly impact firm value, while also exerting an indirect influence through CSR mediation. All these links can be elucidated through the signaling theory framework, wherein the variables under examination convey distinct signals to investors concerning the company's performance and future. Profitability signifies managerial efficiency, firm size denotes resource capacity, corporate governance illustrates effective control, and CSR represents corporate social responsibility. The amalgamation of these signals enhances investor confidence, hence augmenting the company's value.

6. Conclusions

This research presents compelling evidence from the hypothesis test conducted with EViews, indicating that profitability, firm size, and corporate governance greatly enhance firm value, with CSR serving a crucial mediating function. The signaling theory framework elucidates how these diverse characteristics convey favorable signals to investors, so enhancing their interest and confidence in the company. This research enhances the literature on accounting and financial management by highlighting the function of CSR as a mediating mechanism that fortifies the relationship between internal business factors and firm value, specifically within the setting of Indonesian manufacturing firms.

The practical implication of these findings is that manufacturing firms in Indonesia must prioritize the management of financial performance, governance, and corporate social responsibility operations, as these elements substantially enhance company value. Through effective profitability management, transparent governance, and substantial CSR initiatives, organizations can draw increased investor interest and elevate their market value. This research also presents opportunity for more studies on how certain types of CSR efforts or other unexplored elements may interact with financial and governance variables to influence firm value across diverse industries.

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