TOBIN'S Q AS A PROXY FOR CORPORATE GOVERNANCE VARIABLES AND EXPLANATORY VARIABLES IN MANUFACTURING COMPANIES IN JAKARTA STOCK EXCHANGE

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Research Article

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ARTICLE INFO	ABSTRACT
	The research problem is how companies can realize good performance to be competitive in a global business the population of this research manufacturing companies listed on the Indonesia stock exchange (BEI) in 2012-2014. The sample selection using purposive sampling techniques so taken 30 companies in the sample. This study uses secondary data drawn from the company's financial statements. Data analysis technique used is multiple linear regressions. The result showed that there is influence simultaneously and partially between corporate governance (which in the proxy to the Board of Commissioners and the audit committee), Quality of Earnings and Corporate Social Responsibility to Corporate Performance (which proxy to use the value of Tobin's Q).

INTRODUCTION

At this time there are a wide range of economic indicators that take into business performance. The use of indicators as a measure of a variable is necessary, it is associated with providing the means to easily understand its meaning. It is not easy to define an indicator as a measure of variables, because the indicator must be able to represent the variables to be measured accurately, so it can be scientifically acceptable and accounted truth as an appropriate indicator to measure variables.

The indicators used as a measure of the variable must be tested to determine its accuracy. Tobin's q as an indicator measuring the variable performance of the company from the perspective of investment has been tested in a variety of situations to top management (Wolfe, and Sauaia, 2003) and Tobin's q has been compared to the Altman Z-score as an indicator of other worthy to serve as an indicator measuring economic enterprise, Tobin's q is also used by Klapper and Love (2002) who found a positive relationship between corporate governance and corporate performance. This study uses data from the Credit Lyonnals Securities Asia (CLSA) in the form of implementation of corporate governance rankings for 495 companies in 25 countries, the company's performance in this study was measured using Tobin's Q as a measure of market valuation and Return On Assets (ROA) as a measure the operational performance of the company.

The researchers played a role in the game business; especially to see how well they can do in using indicators is intended to measure certain variables. It is the natural result of a competitive research environment created through a standalone simulation to reinforce the results of previous studies. Tobin's Q is ultimately more meaningful to be considered as comparative performance of companies in the business of games.

James Tobin, a professor at Yale University, hypothesized that the overall value of the market for all companies on the stock market price will be similar to the cost of the asset placement (Fiakas, 2005). James Tobin gained Nobel in economics with trying to develop a model that is used to describe the concept by the name of Tobin's q. Tobin's q measure very elegant though it looks simple, thus attracting a lot of attention in the next round of investment, where investors and analysts look for similar indicator that is simple to explain the business and economic relations are very complex.

Tobin's Q is an important topic in the design of learning in business school and sometimes appear as investment topics in the news, and news of interest to investors and analysts. Tobin's q as an indicator measuring the value of the company have been widely used in financial research, especially research that takes issue value of the company. However, some fellow James Tobin, after 2002, believes that today's investors do not fully provide an appreciation of the relevance of this. This is

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because there is an understanding of some theories, such as Portfolio Selection Theory, which is equal to Q.

Tobin's q is an indicator for measuring the company's performance, especially on the value of the company, which shows a performance management in managing the assets of the company. The value of Tobin's q describes a condition that the company's investment opportunities (Lang, *et al* 1989) or the company's growth potential (Tobin & Brainard, 1968; Tobin, 1969). Tobin's Q value resulting from the sum of the market value of all outstanding stock and the market value of all debt compared to the replacement value of all production capacity, the Tobin's Q can be used to measure the performance of the company, namely in terms of the potential market value of a company. So that needs to be studied any variable that is able to push the high value of Tobin's Q as a measure of corporate performance.

LITERATURE REVIEW

What was Tobin's Q? Simply put, Tobin's Q is a measure of performance to compare the two assessments of the same asset. Tobin's Q is the ratio of the market value of the company's assets as measured by the market value of the outstanding shares and debt (enterprise value) of the replacement cost of the assets of the company (Fiakas, 2005). If the company has a greater value than the value of the previous base, it would have cost to increase again, and profits are likely to be obtained. Based on Tobin thought, that the incentive to create new investment capital was high when securities (stocks) provide benefits in the future can be sold at a price higher than the cost of investment (Fiakas, 2005).

Sauaia & Castro Junior (2002) examined Tobin's Q as a measure of corporate performance in The Multinational Management Game (Keys, *et al* 1992). In the study had found that the company's high performance, as measured by the performance of its own regular game, Tobin's Q is the highest after playing ten rounds. Based on the test results through the simulation game, showed that statistically q have predictive validity and value must be investigated when applied to the game of business.

Tobin's q quickly used in various fields of economic research, including microeconomics, finance and investment studies. In the economic field using "Q" as a measure of value-added "Marginal Q" to explain the investment decisions of the company, which is based on the profit margin. Measurements increase increases during a "market boom" in 1990, when researchers noted that the overall value of Tobin's Q seen relatively little high as the historical norm.

In the book reviews Valuing Wall Street: Protecting Wealth in Turbulent Markets, Smithers and Wright (2000) extended the "Q" measurement records back to 1900, covering three previous peak market speculators. They (1.06) is the lowest of the three conditions, with the highest (1.35) occurred in 1929 (Fiakas, 2005). Therefore, the market tends to rise significantly above one, ahead of the 1996 to 2000 found Tobin's Q approaching 2.00. The latest measurement of 0.98 implies a more reasonable assessment of the current market conditions. This illustrates that the market conditions are potentially influence the rise and fall of Tobin's Q as a measure of the value of the company, due to favorable market conditions will potentially increase the price of the stock market, and vice versa. Indeed, most of the recent past, 100 years ago, Tobin's Q ratio is below 1.00, implying that the stock undervalued. However, after each share experienced a peak in 1929, 1968 and 2000, Q has fallen about 0.4 and persists for a long time. The lowest ratio occurred in 1920, 1950 and 1982 is about 30 years. Interestingly, this time duration according to Kondratieff half-cycle of 30 years.

Tobin's Q has been used specifically by manufacturing firms to explain a number of phenomena as diverse company. This has entailed regarding: (a) differences in cross-sectional in making investment decisions and diversification (b) the relationship between ownership equity managers and corporate value (c) the relationship between the performance of the manager and the advantages of the tender offer, the investment opportunities and responses tender offer, and (d) the financing, dividend and compensation policies (Chung and Pruitt, 1994: Wolfe & Sauaia, 2003).

Tobin's Q is a statistical picture that serves as a proxy of the value of the company from an investor's perspective, as in defined described above that Tobin's Q is the market value of a firm's assets and the replacement value of Reviews those assets. Mathematically Tobin's Q can be calculated with the formulation of the following formula:

$$Q = (MVS + MVD) / RVA$$

Where:
MVS = Market value of all outstanding stock.
MVD = Market value of all debt.
RVA = Replacement value of all production capacity.

Companies with high Q or Q > 1.00 has good investment opportunities (Lang, Stulz & walkling, 1989), has a high growth potential (Tobin & Brainard, 1968; Tobin, 1969) and indicates that the management has a performance both with asset management. Given that in the simulation game, Q has predictive validity as an indicator of high performing firms, and true in the real world company, then Q can be used as the main indicator to measure the success of the company. In use, Tobin's Q are modified. Modifications Tobin's Q version of Chung and Pruitt (1994) has been used consistently for simplified simulating various games. Modification of this version statistically approximately matches the original Tobin's Q and produce an estimate of 99.6% from the original formulation used by Lindenberg and Ross (1981). Formulation formula as follows:

$$Q = (MVS + D) / TA$$

Where:
MVS = Market value of all outstanding shares.
D = Debt.
TA = Firm's asset's.

Market value of all outstanding shares (MVS) is a stock market value obtained by multiplying the number of shares outstanding by the price of the shares (Shares Outstanding * Stock Price). Debt is the value of the debt market, where this value can be calculated using the following equation:

D   = (AVCL - AVCA) + AVLTD

Where:
AVCL   = Accounting value of the firm's Current Liabilities   = Short Term Debt + Taxes Payable.
AVLTD = Accounting value of the firm's Long Term Debt   = Long Term Debt.
AVCA   = Accounting value of the firm's Current Assets   = Cash + Accounts Receivable + Inventories.

Interpretation of scores Tobins q are as follows:

Score Interpretation Tobin's Q <1 Describing found in undervalued stocks, management has failed to manage the assets of the company, low investment growth potential. Tobin's Q = 1 Describing that stocks in the average conditions, management stagnant in managing assets, the growth potential of investment is not growing. Tobin's Q > 1 Describing that shares in condition overvalued, management succeeded in managing the assets of the company, high investment growth potential.

Based on the description in the interpretation of the above, then the investor will pursue a capital gain can make the decision to buy, hold or sell the shares they own. Although Tobin's q has a high attraction for researchers, educators and the manager, but some critics point to Tobin's Q. Tobin's Q is based on the view that the value of the stock market is the overall value of installed capital and incentives invested.

Recent research on the measurement error indicates that the size q may not be counted correctly if there is a "bubble" value of capital market continuously over time and is related to the fundamental value (Fiakas, 2005). Although Tobin's Q is generally correlated with investment in empirical studies, researchers found that these relationships are sometimes weak and often dominated by a direct influence on investment cash flow.

The findings of the data in the US showed the importance of variable cash flows on investment equation conventional estimates of Tobin's Q can be attributed to the failure of Tobin's Q to capture all relevant information about the expected profitability of the investment cash flow today (Fiakas, 2005). Economist at Northwestern University concluded that Tobin's q are forward-looking relative to the investment decision. Excessive forward information in predicting Tobin's q in the "boundaries" of technology and in this way is a better predictor for long-term investment rather than short-term investments. With the difference in cash flow reflects only the current demand and technology. So the short-term investment is better predicted by using cash flow.

Furthermore, the volatility of the company's market value greatly exceeds the volatility of the fundamental factors that should they have outlined. Economists from Warthon School of the University of Pennsylvania and the Kellogg School of Management at Northwestern University shows that the model is based on growth options to overcome this situation and the impact of cash (Fiakas, 2005). They argue the presence of growth options, such as technology improves, causing fluctuations in the valuation of companies that are not in accordance with the variation of current cash flow.

The other major issue relating to the measurement of Q becomes more meaningful the necessary accuracy to measure the market value and replacement cost of corporate assets. Usually to get an accurate estimate of the market value of the assets of a company is done by adding up the value of outstanding securities company. It is very different at the time to estimate the replacement cost assets, because the balance sheet reflects the historical value instead of replacement value and ignores intangible assets.

Research generated from the three researchers show that the assets of information technology (IT assets) have the potential to contribute to company performance, and if included in the calculation will have a positive relationship with the value of Tobin's Q (Fiakas, 2005). Most of the performance assessment have relied exclusively on the performance of companies based accounting largely ignore IT's contribution to the performance dimensions such as strategic flexibility and intangible value. In a study using data from 1988 to 1993, including IT expenditure variable in the model of Tobin's Q significant variants in influencing q IT expenditure (Fiakas, 2005).

Researchers have developed various methods for calculating Q, and some studies have found that choice can affect statistical inference methods and economics substantially. Despite a sophisticated algorithm to calculate Tobin's Q components of accounting data can be added for the measurement of quality, all these efforts still leave most of the variation in q proxy is not explained. Therefore, the measurement error problem with Tobin's Q should be derived from the issues of aggregate and assets that are not observed.

Ross *et al*. (2008) revealed that the company's goal is to increase the value of the company (firm's value) so welfare the owner. If the company is a limited liability company whose capital consists of the shares, hence increasing the value indicated by the company increased its stock market prices so that the welfare of shareholders. Thus, research on stock returns is a research on the value of the company as one of the components of stock returns is stock market price change.

Market power can be measured by Tobin's Q for comparing the stock market price (after taking into account the market value of debt) and the replacement value of the asset. The previous study examined the lot of direct investment made by the investor so important for them to know the issuer's market power. This study considers that investors often invest indirectly through brokerage house so it is important for them to know the market power brokerage house. Market power brokerage house allegedly influenced by many variables.

Numerous studies have found that the structure of financial risk and income smoothing effect on Tobin's Q (Suranta and Pratana, 2004; Maryatini, 2006). Some studies also have discussed the relationship the ownership structure of the company with value creation that will affect the Tobin's Q (Jensen and Meckling, 1976; Fuerst and Kang, 2000; Cho, 2008; Iturriaga and Sanz, 2008; Eisenberg *et al*., 2008; Barnhart and Rosenstein, 2008; Mehran and Cole, 2008). This study memproksikan market power as Tobin's Q as defined by Lindenberg and Ross (1981) and regressing 34 independent variables suspected to affect Tobin's Q brokerage house. Through the cross-sectional data of 2007, 2008 and 2009 and

the panel data, researchers investigated the consistency of the variables that most influence the market power of brokerage house based on the regression model OLS (Ordinary Least Square).

Morck, Shleifer, and Vishney (1988) found a relationship that is non-linear between managerial ownership and Tobin's Q. Managerial ownership from 0 percent to 5 percent will increase Tobin's Q. Instead ownership of more than 5 percent to 25 percent would reduce Tobin's Q. Owners of more than 25 percent will increase the Tobin's Q. further Morck, Shleifer, and Vishney (1988) recommends that shareholders do not give up its shares more than 25 percent to the management, but quite up to 5 percent due to have an impact which is relatively similar to Tobin's Q. Based on the subject, the investor can be divided into institutional investors and individual investors. According to Bodie, Kane and Marcus (2009) oriented to institutional investors so that investment returns are expected from the investment of its shares are in the form of dividends and capital gains (the difference between the market price of the stock during the holding period). Instead of individual investors tend to be oriented toward speculation stock market prices in the short term so that the expected stock returns in the form of capital gains (Bodie, Kane, and Marcus, 2009). Speculative behavior got worse when investing in stocks carried out by the noise traders, namely individual investors who do not really know about the stock market and just follow the trend of other investors in the transaction (Reilly and Brown, 2009). The behavior of highly speculative noise traders is often accused of being the cause of the stock market bubble (Ali, 2004). Brokerage house can be licensed as a Broker Dealer (PPE or broker), Underwriter (PEE or underwriters), Investment Manager (MI or investment manager), or a combination of them. The three types of licenses are important in capital markets. PPE connect the transactions between investors and issuers, PEE role in Initial Public Offering (IPO) conducted by the issuer, and MI was instrumental in managing portfolios of investors collectively. Investor associated with brokerage house because of investments that are not directly need information about market power in assessing the prospects of brokerage house and investment security.

Numerous studies have shown the existence of a negative relationship between board size and Tobin's Q (Yermack, 1996; Jensen, 1993; Steiner, 2002; Lipton and Lorsch, 2005; Hackman, 2005). The study revealed that the number of directors on the board of directors (board size) were great cause low productivity, which in turn lowers Tobin's Q. Further Yermack (1996) revealed that the negative relationship between board size and Tobin's Q is not linear, but convex non-monotonic, As a result, small companies are increasing the number of directors will be decreased Tobin's Q greater than large companies. Yermack (1996) also found that companies that announce the plan to increase the number of directors impact on the market price of its shares.

Ross *et al*. (2008) defines the growth opportunity, as a chance to invest in investment projects that have a Net Present Value (NPV) is positive. Smith and Watts (2006) discloses various proxies for growth opportunity, which is the ratio between capital spending and sales as well as the ratio between the cost of research and development (R & D) and sales. Companies that have a great opportunity to grow through investment projects that have a Net Present Value (NPV) is positive for Tobin's Q is higher. Thus, there is a positive relationship between growth opportunity and Tobin's Q (Jones, Danbolt, and Hirst, 2004).

There are a number of studies that proxy firm size (the size of the company) as total assets and total equity (Morck, Shleifer, and Vishney, 1988; Yermack, 1996; Jones, Danbolt, and Hirst, 2004). These studies point to the positive relationship between firm size and Tobin's Q. The company with total assets and total equity greater capacity and capability of managing a larger company thereby increasing investor confidence, which in turn increases Tobin's Q (Ross *et al*. 2008). Brokerage house which is licensed as a Broker-Dealer (PPE), Underwriter (PEE), and the Investment Manager (MI) should pay attention to the volume of trafficking in an, ni lai trade, and frequency securities trading to defend you, even increased the Tobin's Q. Indonesia Stock Exchange (IDX) regularly rank the brokerage house by volume, value and frequency of trading. Investors use this information as the basis for selection of brokerage house for its indirect investment. Investors of this type do not have a lot of time and / or knowledge to invest directly in the stock market that require the services of brokerage house. The value of trade is positively associated with trading volume since the trade value is determined by the volume of securities trading at the market price (Indonesia Stock Exchange, 2010). Instead the relationship between trade frequency and value of trade is not clear because of high trade value does not guarantee that the high frequency trading.

RESEARCH METHODOLOGY

Sampling Method

Manufacturing companies listing on the Indonesia Stock Exchange as many as 141 companies. However, the selected sample of 30 companies purposively in accordance with the company's desired criteria as follows : 1) Is a Manufacturing Company listed on the Indonesia Stock Exchange in the period from 2012 to 2014, 2) Companies that publish annual financial reports continuously for the period of 2012 through 2014, 3) Contains information about board meetings, meetings of the audit committee and disclosure CSR, and 4) Companies that have financial statement data with consecutive profit during the period 2012-2014.

Variable Operationalization

1. **The company's performance** is a comparison between (market value of equity plus liabilities) by total assets. Because the measurement of company performance in this study proxy through Tobin's Q as a measure of market valuation.
2. **Corporate Governance** is measured from the number of meetings held by the company and the number of audit committee meetings held by the company concerned.
3. **Quality Profit** is the profit that contains more cash than the content of the accrual. The ratio of earnings quality is intended to provide information on the difference between operating cash flow and reported earnings.
4. **Corporate Social Responsibility** is a process of communicating the social and environmental impacts of

economic activities of the organization. In this study Corporate Social Responsibility (CSR) is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) by Generation 3.1 Reporting Initiatives (GRI G3.1)

Data analysis technique

Methods of data analysis used in this study are a multiple regression model to examine the effect of independent variables on the dependent variable. The model analyzes the influence of corporate governance and corporate social responsibility towards corporate performance in this study can be described as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where :

Y	= corporate performance
α	= Constant
β_1-β_4	= Regression Coefficients
X_1	= board of Commissioners
X_2	= Audit Committee
X_3	= Earnings Quality
X_4	= Corporate Social Responsibility
e	= error term

FINDINGS AND DISCUSSIONS

Description of Variables

Companies that have long stood indicated that the company is growing and corporate activity will increase, so the required accounting information to make business decisions. Therefore, companies that have long-standing accounting information should have more than a new company. And from the data above, it is known that the company's most long-standing of the overall sample company with 69 years of age, namely PT Budi Starch & Sweetener Tbk. While the company's lowest age to 21 years is PT Betonjaya Manunggal Tbk and PT Siearad Produce Tbk.

The greater the company's assets would make the company has stability in its financial condition so it will be easier to raise capital compared with companies with assets lower. From the above data it can be seen that the highest asset of the whole sample amounted IDR 82.607.217.666.000 (INKP in 2013) and the lowest is IDR 128.547.715.366 (LMSH in 2012). With average assets amounted to IDR 6,843,054,183,099in 2012 and IDR 8,616,226,780,493 in 2013.

Findings and discussions

To determine the pattern of independent variables in this study, it is composed of multiple regression equation. Multiple regression in this study is used to determine the effect of the independent variables (board of directors, audit committee, earnings quality and CSR) on the dependent variable (corporate performance). The regression analysis resulted in regression coefficients indicating the direction of the generating causality between independent variables and the dependent variable.

The value of R square are 0.379 can be concluded that the influence given by the variable corporate governance (proxies with board of directors and audit committee), earnings quality

and CSR is 37.9%. The remaining 62.1% is influenced by other variables not examined in this study.

Tabel 1 Hypotesis Testing Results

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,143	0,287		-0,497	0,621
	LnDK	0,256	0,081	0,299	3,144	0,002
	LnKA	0,332	0,104	0,310	3,188	0,002
	LnKL	-0,056	0,044	-0,117	-1,274	0,207
	LnCSR	0,241	0,076	0,298	3,177	0,002
R-Square = 0.379						
F-Value = 12.594						
Sig = 0.000						

Hypothesis Testing (H1)

The hypothesis of this study was the effect of corporate governance (proxies by the board of directors and audit committee), earnings quality and corporate social responsibility to corporate performance. F-table value in this study was 2.499, when F-value is greater than the value of F-table, then Ho is rejected and Ha accepted. Based on the results in Table 2, value of F is equal to 12.594 then F-value > F-table (12.594> 2.499) with a significance level of 0.000 or less than 0.05 (0.000 < 0.05), so it can be concluded that all the independent variables (BOC, the Audit Committee, Quality of Earnings, and CSR) simultaneously significant effect on the dependent variable (Corporate Performance).

Based on the results of testing the hypothesis known that p-value 0.000 < 0.05 (level of significant), meaning significant. Significant here means the hypothesis is accepted. Then simultaneously variable board of directors, audit committee, earnings quality and corporate social responsibility significantly affect corporate performance. This shows that the dependent variable in this study, namely corporate performance (performance of the company) is influenced by four independent variables as a whole. It is powered from the value of Adjusted R Square of 0.379, which means 37.9% of corporate performance variation can be explained by the variation of the board of directors, audit committee, earnings quality and corporate social responsibility. The remaining portion of 62.1% is explained by other variables outside variables used.

Hypothesis Testing (H2)

The hypothesis of this study was the effect of corporate governance (proxies by the board of directors and audit committee) to corporate performance. According to the table 1 obtained significance value of 0.002. Because the value sig. 0.002 < α (0.05) or T-value (3,144) > T-table (1.993), then H0 and H2 received. This means that the commissioners have a positive and significant impact on corporate performance. While the audit committee, obtained significance value of 0.002. Because the value sig. 0.002 < α (0.05) or T-value (3.188) > T-table (1.993), then H0 and H2 received. This means that the audit committee has a positive and significant impact on corporate performance.

Based on the results of hypothesis testing that have been done, the BOC has an influence on the company's performance. This indicates that in accordance with its function, the role of board of directors in a company with more emphasis on the

monitoring of policy implementation functions of directors. Monitoring functions performed by the board of commissioners is affected by the activities of the board of commissioners. More often commissioners meetings, then access to information will also be more evenly distributed among the commissioners, so the decision the better the impact on the company's performance better,

As for corporate governance, which is proxied by the audit committee. Based on the research that has been done, the audit committee has an influence on corporate performance. The frequency of audit committee meeting does not significantly influence the company's performance. This indicates that the audit committee in the company has been performing their duties properly in controlling the company by upholding the principles of corporate governance in the process to improve the performance of the company. The audit committee meeting frequency can indicate the level of craft audit committee members in conducting oversight. The existence of an effective audit committee can improve the company's performance because it can suppress the occurrence of accounting irregularities.

Hypothesis Testing (H3)

The hypothesis of this study is the effect on corporate earnings quality performance. According to the table 1 obtained significance value of 0.207. Because the value sig.0.207 > α (0.05) or T-value (-1.274) < T-table (1,993) H0 is accepted and rejected H3. This means that earnings quality has no influence and significant impact on corporate performance.

Based on the results of hypothesis testing that has been done, the quality of earnings has no influence on corporate performance. The quality of earnings has an influence on the company's performance. This indicates that investors interested in shares in the company are not interested in using the quality of earnings as a material calculation. The market is more likely to react positively to earnings quantity rather than the quality of corporate profits. So the possibility of earnings quality can not be used as guidelines in making decisions and assessing the company because management is still acting opportunistic in reporting earnings.

Hypothesis Testing (H4)

The hypothesis of this study is the corporate social responsibility to corporate performance. According to the table 1. obtained significance value of 0.002. Because sig. 0.002 < α (0.05) or T-value (3,177) > T-table (1.993), then H0 rejected and accepted H4. This means that corporate social responsibility has a negative and significant effect on corporate performance.

Based on test results hypothesis that has been done, CSR has an influence on corporate performance. The results of this study indicate that, if the Company can carry out a social responsibility to the surrounding environment in the long term will bring a positive impact is reflected in company profits and improved financial performance. Some of the positive impact that can be seen is like increasing corporate accountability, make the Company better image in the eyes of the public, minimize risk, and as an analytical tool for investors and creditors. This supports the theory of stakeholder, legitimacy

and signal that the company should pay attention to people's expectations of the seriousness of the company will be the social and environmental conditions that will become a potential alternative for the company to survive and can enhance the reputation and performance of the company. Corporate social responsibility has a significant influence on the company's performance.

CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Conclusion

Corporate governance (proxies board of directors and audit committee), earnings quality and corporate social responsibility to corporate performance have a significant effect on manufacturing companies listed on the Stock Exchange 2012-2014. Corporate governance (proxies board of directors and audit committee) significant effect on corporate performance in companies listed on the stock exchange 2012-2014. The results are consistent with the theory of the agency for the oversight function commissioners and audit committees could reduce opportunistic behavior of directors and management so that the company's performance more effectively. Earnings quality no significant effect on corporate performance in companies listed on the stock exchange 2012-2014. The direction of the earnings quality coefficient is negative, it is not consistent with the theory that the greater the ratio, the better the resulting quality of earnings that the company show the higher performance of the company. But the results were not significant. Corporate social responsibility significant effect on corporate performance in companies listed on the stock exchange 2012-2014. This supports the theory of stakeholder, legitimacy and signal that the company should pay attention to people's expectations of the seriousness of the company will be the social and environmental conditions that will become a potential alternative for the company to survive and can enhance the reputation and performance of the company.

Limitations

The only study to use a manufacturing company, especially chemical and basic industry sectors as the study population, and samples obtained amounted to only 30 companies so not representative of the overall companies listed on the Stock Exchange. The study only did the period of observation and analysis of data for three years from 2012 to 2014, causing the sample used in this study is limited.

Recommendations

To improve the performance of the company is expected to not only pay attention to a measure of how many commissioners' activity and audit committee, but also pay attention to their competence related to personal professionalism in the field. Researchers can then add more than one dependent variable to represent indicators in measuring the company's performance, so do not just use tools ukut Tobin's Q. Besides adding other independent variables or replace the independent variables were not significant from this study with variables that allegedly can affect the amount of performance company. Thus, the results obtained are expected to be more accurate. Researchers further also advised to add a span (years of study)

in order to better explain the pengarug corporate governance, earnings quality and corporate social responsibility on business performance (corporate performance).

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