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DETERMINING FIRM VALUE WITH PROFITABILITY AND SIZE OF THE COMPANY AS A MODERATING VARIABLES

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Abstract

This study aims to determine the impact of CSR on firm value when the company's profitability increases when the size of the company increases. The population in this study were food and beverage companies listed on the Indonesia Stock Exchange with the sample selection using a purposive sampling method. Sources of data used in this study are external data sources; the data in this study are secondary. The type of data used in this research is quantitative data. At the same time, the data used in this study are the company's annual financial statements for the period 2014-2017. CSR plays a crucial role in increasing the value of the company, the higher the social responsibility of the company towards the community and its stakeholders, the better the company value will be, increasing the value of the company when company profitability is high. Conversely, weak CSR disclosure can reduce company value when company profitability is low. An increase can also influence CSR in company size.

Keywords: Corporate Social Responsibility, Company Value, Profitability, Company Size.

INTRODUCTION

Corporate social responsibility (CSR) is a form of duty carried out by companies to the surrounding environment or the related scope in repairing social inequalities and environmental damage that occurs as a result of the company's operational activities. The higher the awareness of social responsibility that is carried out by the company for its environment, then according to the public's view the company's image will increase, and the company's image will be better. Investors are more interested in companies that have a good impression in society because of the better the image of the company, the higher consumer loyalty. As consumer loyalty increases for a long time, the company's sales will improve, and in the end, expect the level of company profitability also to increase. If the company runs smoothly, the value of the company's shares will increase. Theoretically, a company is said to have a good value if the company's performance is also good. Company size has seen from the share price. If the share value is high, it means that the value of the company is also good because the main objective in the company is to increase the value of the company through increasing the prosperity of the owner or shareholder (Kusumadilaga, 2010).

Currently, CSR is mandatory for several companies to do or implement it. Regulation in Law Number 40 of 2007 concerning Limited Liability Companies (UUPT), which set on July 20, 2007. Meanwhile, criminal sanctions regarding CSR violations, there is also an in Law Number 23 of 1997 concerning Environmental Management (UUPLH). Stakeholder theory and legitimacy underlie social responsibility disclosures. Stakeholder theory states that a company is not an entity that only operates for its interests but must provide benefits for its stakeholders. In contrast, in the legitimacy theory, a company is said to have a contract with the community to carry out its activities based on the values of justice. The Wikipedia online dictionary defines CSR as a concept that an organization must pay attention to the interests of customers, employees, shareholders, communities and ecological considerations in all aspects of its business. CSR is closely related to sustainable development, where there is an argument that a company in carrying out its activities must base its decisions not only on profit factors but also on current and long-term social and environmental consequences. CSR is used in new marketing for companies if the implementation is sustainable.

Dewi and Wirajaya (2013) stated that firm value could also be reliable by the size of the Profitability generated by the company. Profitability is the ability of a company to generate profits during a specific period; the profitability ratio is the company's ability to earn profits about sales, total assets and own capital. Apart from CSR, company size is considered capable of influencing company value. According to Prasetyorini (2013), many factors can determine company value, one of which is the size of the company. Company size is one scale in which company size classification according to various ways, including total assets, log size, stock market value, and others. The size of the company can affect the value of the company if the more significant the company, the easier it is for the company to obtain both internal and external resources. This study aims to determine the effect of CSR on firm value, the impact of Corporate Social Responsibility on firm value when company profitability increases, the effect of Corporate Social Responsibility on firm value when company size increases.

Disclosure of corporate responsibility, can be called as social disclosure, social reporting, accounting or corporate social responsibility, is the process of disclosing the social and environmental impacts of an organization's economic activities to interested groups and society as a whole. It extends the responsibilities of organizations (mainly companies) beyond their traditional role of providing financial reports to owners of capital, particularly shareholders. Expansion exists because the company has a broader responsibility than just seeking profit for shareholders (Hackston & Milne, 1996 in Subekti).

Many factors encourage the business world to carry out CSR activities as part of all company activities. For certain business owners, CSR activities are not mandatory because there are still many factors that encourage them to carry out CSR activities. It is not uncommon to find independent institutions that provide certification to the business world, which carries out various social and social activities. CSR can improve the company's image and provide a stimulant for the business world. Many business people consider that CSR activities carried out can be part of marketing promotion. And also inseparable from their total business activities.

Stakeholder theory is a theory that explains how company management meets or manages stakeholder expectations. Stakeholder theory emphasizes organizational accountability far beyond simple financial or economic performance. This theory states that organizations will choose to voluntarily disclose information about their environmental, social and intellectual performance, over and above its mandatory demands, to meet actual or recognized expectations of stakeholders. One form of voluntary disclosure that is currently developing is the publication of CSR. Through CSR publications, companies can provide more enough and complete information relating to activities and their effects on social and environmental conditions (Agustine, 2014).

Legitimacy theory is an idea of a social contract between the company and the community. According to this theory, to be accepted by society, companies must disclose their social activities so that they will ensure the company's survival. Legitimacy theory also argues that companies must carry out and CSR disclosure activities as much as possible so that the community can accept company activities. CSR disclosure is the legitimacy of company activities because it shows the level of concern of the company community in society (Branco and Rodrigues, 2008 in Rosiana and Juliarsa, 2013). A profitability ratio is a ratio to assess the company's ability to seek profits. This ratio also provides a measure of the level of management effectiveness of a company. Can be indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company. (Kasmir, 2009: 115)

The size of the company is an increase in wealth, and a large company will have a large market capitalization, great book value and high profits. Meanwhile, small companies will have a small market capitalization, little book value and low profits (Dewi and Wirajaya, 2013). Firm value is the price available if the company later will, firm value (EV) is an essential concept for investors because it is a market indicator in assessing the company as a whole(Nurlela and Islahuddin, 2008). Firm value is defined as market value in this study, because if the company's stock price increases, the company can provide prosperity to stakeholders (Rosiana and Juliarsa, 2013). The hypothesis proposed in this study is H_1: Corporate Social Responsibility has a positive effect on firm value. H_2: Corporate Social Responsibility has a positive impact on firm value when company profitability is high. H_3: Corporate Social Responsibility has a positive effect on firm value when company size is large.

METHOD

The research object used in this study is Corporate Social Responsibility (CSR) to firm value with the moderating variables, namely Profitability and company size. Sources of data used in this study are external data sources taken through IDX (www.idx.co.id), data in this study are secondary. The type of data used in this research is quantitative data obtained from sources related to research listed on the Indonesia Stock Exchange. At the same time, the data used in this study are the company's annual financial statements for the period 2014-2017. The population in this study were food and beverage manufacturing companies listed on the Indonesia Stock Exchange with the sample selection using a purposive sampling method that aims to obtain a representative sample according to the specified criteria.

Measurement of CSR disclosure instruments focuses on these three items, including environment, products, and community involvement which consists of 32 items. The approach to calculating CSR disclosure uses a dichotomy approach, each item of social responsibility disclosure in the research instrument if the company discloses CSR then it gets a value of 1 and rated 0 if it does not disclose CSR. Furthermore, the scores of each item summed up to obtain a total score for each. The calculation formula is as follows: CSRIj = n / k. CSRIj is the disclosure of the Corporate Social Responsibility Index for company j, n is the total score of disclosure obtained for company j, k is the sum of the maximum scores.

Profitability is a moderating variable which is symbolized by (X2). "Profitability is the Return on Assets (ROA) obtained from the annual financial statements of food and beverage manufacturing companies during the study period. ROA shows a comparison of the company's net income and total assets. The profitability formula is as follows: ROA = Earning Before Interest and Tax / Total Assets. Company size (X3) in this study, the greater the total assets of the company, the greater the company size. See the size of the destruction from the total assets owned by the company (Suharli, 2006). In this study, measure company size using the log of total assets, the formula for company size = LnTotal Asset.

Firm value is symbolized by (Y). Measuring firm value can use Tobin's Q. The Q ratio is a more accurate measure of how effectively management uses economic resources in its power. The formula for the Q ratio is (EMV + D) / (EBV + D). Q is the value of the firm, EMV is the market value of equity, D is the book value of total debt, EBV is the book value of total equity.

RESULTS AND DISCUSSION

Ghozali (2009) states that the validity of the test used to measure valid , or invalid or not a questionnaire. A questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire. Validity test is the essence of research truth. An *instrument is* said to be valid if it is able to measure what is being measured and can reveal the data and variables to be studied appropriately. The criteria for validity in this study are factor analysis (*Confimatory Factor Analysis*), which is said to be valid if the value of KMO> 0.5 and *Barlett's Test* with a significance of <0.05 .

Table 1. Data Validity Test Results

No.	Variable	KMO Value	*Barlett's Test*	Information
1	*Cash Back* (CB)	0.607	0,000	Valid
2	*Payment Later* (PL)	0.608	0,000	Valid
3	*Intention Use* (IU)	0.668	0,000	Valid
4	*Continue Comitment* CC)	0.790	0.003	Valid

Source: Annex 4 of SPSS 21

Based on the results of the calculation of the KMO value, the value of KMO> 0.5 and *Barlett's Test* <0.05. Thus, each question item in the questionnaire has internal consistency and is declared valid.

According to Imam Ghozali (2011: 47) the reliability test is a tool for measuring a questionnaire which is an indicator of a variable or construct. To analyze the reliability, measurements are taken once and then the results are compared with other questions or measure the correlation between the answers to the questions using SPSS, namely the Cronbach Alpha (α) test. To measure the reliability, it is stated that if the value of intercept (constant) is greater than 0 , 6 then these variables are statistically reliable (sekaran 2009: 280). According to Imam Ghozali (2011: 48) a construct or variable is said to be reliable if it gives a Cronbach Alpha value> 0 , 6 . .

Table 2. Reliability of Research Instruments

No.	Variable	Value α	Reliability	Information
1	*Cash Back* (CB)	, 829	0.60	Reliable
2	*Payment Later* (PL)	, 800	0.60	Reliable
3	*Intention Use* (IU)	, 845	0.60	Reliable
4	*Continue Commitment* (CC)	, 898	0.60	Reliable

Source: Annex 5 of SPSS 21

Based on the results, it can be seen that all Cronbach Alpha values are greater than 0.6 so that all variable statements can be said to be reliable and can be used for further research.

The data normality test used in this study was the *Kolmogorov-Smirnov test* . This test is used to determine whether the operational variable data in the empirical model tested is normally distributed or not. The provisions of the *Kolmogorov-Smirnov test* are if the significance level (Asym 2- *tailed*) of the research variable is greater than 0.05, the data is normally distributed.

Tabel 3 Uji Normalitas Data dengan *Kolmogorov-Smirnov*

Variabel	K-S Z*	Signifikansi	Keterangan
Cash Back (CB)	1,346	0,067	Distribusi Normal
Payment Later (PL)	0,877	0,425	Distribusi Normal
Intention Use (IU)	1,129	0,156	Distribusi Normal
Continue Comitment (CC)	0,897	0,396	Distribusi Normal

Sumber : Lampiran 6 SPSS 21

Table 3 shows that the research variables are normally distributed. The results of the *Kolmogorov Smirnov Test* calculation have shown a normal distribution on all variables (significance value> 0.05).

The data normality test is carried out to determine whether the model obtained is normally distributed or not. The model path analysis results must meet the normality assumption carried out on the sample using the plot graph described in PP Plot this study. The figure shows that the model in the regression can fulfill the normal assumptions in the model. This is indicated by the data

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spread around the diagonal line and following the direction of the diagonal line so that the model meets the model's normal assumptions.

To test whether or not heteroscedasticity occurs in the model in this study, the *Scatter Plot* testing method is used . The test was carried out by using the *Scatter plot* chart test and the test results showed no clear pattern and there was a point widened above and below the zero on the Y axis. It means that the variables in this study did not occur heteroscedasticity.

This section describes each path in the model section using Path Analysis . Each line tested shows the direct and indirect effect of OVO users' Cash Back and Payment Later on the Continue Comitment of OVO users in Lumajang City.

Table 4. Path Analysis Results Testing Variable B t_{count} Sig. Information

	Constant	0.433	0,000	1,000	Significant
Intention Use (IU	Cash Back (CB)	0.458	5,371	0,000	Significant
	Payment Later (PL)	0.099	5,764	0,000	Significant
	Constant	0.654	0,000	1,000	
Continue Commitment (CC)	Cash Back (CB)	0.099	3,077	0.028	Significant
	Payment Later (PL)	0.396	5,492	0,000	Significant
	Intention Use (IU	0.565	6,072	0,000	Significant

Source: Appendix 6

Based on the results of the path coefficient, the following equation can be made.
$Z = 0.433 + 0.458X_1 + 0.099X_2 + e$
$Y = 0.654 + 0.099X_1 + 0.396X_2 + 0.565Z + e$
Effect of Cash Back (CB) Variables on Intention Use (IU)

Based on Table 4, it can be seen that for testing the Cash Back variable on Intention Use (IU), the beta (β) value is obtained of 0.458 with ρ-value of 0.000. Because the value of ρ-value is smaller than α (0.000 <0.05), H_0 is rejected. Thus there is a significant effect of Cash Back on Intention Use (IU).

Based on Table 4, it can be seen that for testing the Payment Later variable on Intention Use (IU) , a beta (β) value is obtained of 0.099 with ρ-value of 0.000. Because the value of ρ-value is smaller than α (0.000 <0.05), H_0 is rejected. Thus there is a significant effect of Payment Later on Intention Use (IU). Based on Table 4, it can be seen that for testing the Cash Back variable on Continue Comitment , the beta value (β) is obtained of 0.099 with ρ-value of 0.000. Because the value of ρ-value is smaller than α (0.000 <0.05), H_0 is rejected. Thus there is a significant effect of Cash Back on Continue Comitment. Based on Table 4, it can be seen that for testing the Payment Later variable on Continue Comitment , the beta (β) value is obtained of 0.396 with ρ-value of 0.000. Because the value of ρ-value is smaller than α (0.000 <0.05), H_0 is rejected. Thus there is a significant effect of Payment Later on Continue Comitment. Based on Table 4, it can be seen that for testing the Intention Use (IU) variable on Continue Comitment , the beta (β) value is obtained of 0.565 with a ρ-value of 0.008. Because the value of ρ-value is smaller than α (0.008 <0.05), H_0 is rejected. Thus, there is a significant effect of Intention Use (IU) on Continue Commitment .

The results of testing the first hypothesis show that the cashback program has a positive effect on the continuance commitment of OVO users. This shows that the first hypothesis which states that the cashback program (CP) has a positive and significant effect on continuance commitment (CC) is accepted. The results of this study support the research results of Vana et al. (2015) who explain that cashback payments shorten the time required for a user's next purchase through a cashback payment company and shorten the time required for a user's next purchase through the company. The cashback payment increases the average amount of that future expenditure so that the consumer commits to using the service.

The test results show that Payment Later (PL) has a positive and significant effect on continuance commitment (CC).). This shows that the second hypothesis which states that Payment Later (PL) has a positive and significant effect on Continuance Commitment (CC) is accepted. The results of this study are consistent with the research of Solangi et al. (2019) who found that commitment is influenced by the ease of use of technology. Payment Later (PL) provides ease of use and will reduce a person's effort (both time and effort) in learning information technology. This comparison of convenience gives an indication that people who use the new system work easier than people who work with the old system. Users believe that information technology is more flexible, easy to understand and easy to operate (compatible) as characteristics of ease of use.

The cashback program (CP) has a significant effect on intention use (IU) where the coefficient is 0.083 and is significant with a probability t-statistics of 0.011 This shows that the third hypothesis which states that cashback program (CP) has a positive and significant effect on intention Use (IU), accepted the truth. Cashback program (CP) or returns in the form of points, rewards, discount discounts provide more benefits for consumers so that consumers want to continue using OVO Payment. This result is in accordance with Dong et.al (2017) which explains that the desire to continue to use (intention use) is influenced by credibility, perceived usefulness, and perceived integration. Trust is an important mediator between customers and service providers. Thus, the user's subjective experience has a significant effect on the desire to continue to use the service.

The test results show that Payment Later (PL) has a significant effect on intention use (Iu) where the coefficient is 0.171 and is significant with a probability of t-statistics of 0,000. This shows that the fourth hypothesis which states that Payment Later (PL) has a positive and significant effect on intention Use (IU) is accepted. Payment Later (PL) will increase the intention to use OVO Users. This means that Payment Later (PL) is able to increase the desire to use OVO Payment services when receiving the convenience of this technology. The results of this study support the research of Humbani and Wiese (2019) which found that the ease of technology can increase service users' interest in certain technologies. This study also supports the research of Anwar et al (2019) where the ease of use of technology has a significant effect on the interest in using OVO because OVO services can be used to do anything and OVO services have uniqueness that are not shared by similar products.

The test results show that catisfaction (IU) has a significant effect on continuance commitment (CC) where the coefficient is 0.229 and is significant with a probability t-statistics of 0.003. This shows that the fifth hypothesis which states that intention use (IU) has a positive and significant effect on continuance commitment (CC), is accepted. This shows that intention use (IU) can increase continuance commitment (CC). This result is in accordance with the theory of Garbarino and Johnson (1999) where commitment is also an important factor affecting the success of relationship marketing due to the desire and interest of consumers in buying products or using services. Commitment can be defined as an eternal desire to maintain the value of the relationship. Customer commitment is one of the important factors in the success of service marketing.

CONCLUSION

Disclosure of Corporate Social Responsibility affects company value because CSR is a form of corporate responsibility to improve social and environmental problems that occur as a result of company operational activities. Therefore CSR plays a crucial role in increasing corporate value, the higher the company's social responsibility towards the community and its stakeholders. Then the company value will be better. Profitability affects the high level of disclosure of Corporate Social Responsibility to firm value, the variable Profitability as a moderating variable considered to affect the relationship between CSR and firm value. In other words, Corporate Social

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Responsibility can increase firm value when company profitability is high, and vice versa, weak CSR disclosure can reduce firm amount when company profitability is low. Company size can strengthen and weaken Corporate Social Responsibility towards firm value, the variable company size as a moderating variable can influence the relationship between CSR and firm value. In other words, the increase in company value by CSR can also impact the rise that occurs in company size.

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