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.

METHODS

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

In this study, there are five outliers data, namely data that has a high enough extreme value so that the 4 data must be removed from the research so that it does not cause biased results. Therefore, from the amount of 40 sample companies, there were 35 samples to be tested. The descriptive statistics of the data in this study present:

Table 1. Descriptive Statistics

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
CSR	35	0,5	0,72	0,1909	0,05705
Profitabilitas	35	0,03	0,29	0,0963	0,06344
Size	35	26,09	32,08	28,8823	1,65248
Firm Value	35	0,79	10,48	3,6554	2,44927
Valid N (listwise)	35				

From the descriptive statistical test presented, the CSR variable has a minimum value of 0.5, a maximum amount of 0.72, an average value of 0.1909 with a deviation of 0.05705. The profitability variable has a minimum value of 0.03, a maximum value of 0.29, an average value of

0.0963 with a variation of 0.06344. For the company size variable, the minimum amount is 26.09, and the maximum value is 32.08, the average value is 28.8823 with a deviation of 1.65248. Meanwhile, the firm value variable has a minimum amount of 0.79, a maximum value of 10.48, an average value of 3.6554 with a deviation of 2.44927.

The basis for the decision is if the significance value is less than 0.05, the variables not normally distributed. The results of research data processing using the Kolmogorov-Smirnov test presented in the table above are 0.495, which is greater than 0.05, which means that it has a normal distribution. This study used a scatterplot test to test for heteroscedasticity symptoms. The way to detect the presence or absence of heteroscedasticity symptoms is to look at the presence or absence of a specific pattern on the scatterplot graph around the X and Y values. If there is a pattern, there is a symptom of heteroscedasticity. Based on the scatterplot output above, the dots spread out and don't form a transparent way. So it can be concluded that there is no heteroscedasticity problem. The results of multiple regression analysis are in the form of coefficients for each independent variable.

Tabel 2. Multiple Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-10,297	11,116		-0,926	0,362
CSR	113,923	68,718	2,654	1,658	0,012
Profitabilitas	7,353	10,414	1,165	1,610	0,047
Size	0,453	0,389	0,178	0,678	0,023
Moderation 1	49,540	43,836	0,343	1,130	0,028
Moderation 2	32,855	32,364	0,952	1,208	0,019

a. Dependent Variable: Size

Based on the coefficient values in the table above, it can be concluded that the regression equation is as follows: $Y = - 10{,}297 + 113{,}923X_1 + 7.353X_2 + 0.453X_3 + 49.540X_1X_2 + 32.855X_1X_3 + 11{,}116$.

Table 3. Moderate Regression Coefficient

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-10,297	11,116		-0,926	0,362
CSR	113,923	68,718	2,654	1,658	0,012
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Size	0,453	0,389	0,178	0,678	0,023
Moderation 1	49,540	43,836	0,343	1,130	0,028
Moderation 2	32,855	32,364	0,952	1,208	0,019

a. Dependent Variable: Firm Value

The CSR variable has a sig value of 0.012; Profitability has a sig value of 0.047, while Moderation 1 has a sig value of 0.028. The conclusion that can get from the results above is that partially CSR affects firm value as well as Profitability partially affects firm value and is also significant as a moderating variable. Profitability as a moderating variable between CSR and firm value shows that Profitability as a moderating variable strengthens the effect of CSR on firm value. Obtained a sig of 0.047, but after being moderated, the sig is 0.028, which means it is getting closer to a significant amount. In conclusion, Profitability is a moderating variable for the effect of CSR on firm value.

Likewise, the firm size variable has a sig value of 0.023, while Moderation 2 has a sig value of 0.019. The conclusion is that partially CSR affects firm value, and firm size partially affects firm value and is also significant as a moderating variable. Firm size as a moderating variable between CSR and firm value shows that firm size as a moderating variable strengthens the effect of CSR on firm value. Obtained sig 0.023, but after the moderation variable, the sig becomes 0.019, which is getting closer to the significant amount. In conclusion, company size is a moderating variable for the effect of CSR on firm value.

Perform the coefficient of determination test to see the extent to which the independent variable can explain variations in the dependent variable. The R^2 value is 0.834, meaning that 83.4% of the firm value variable is influenced by CSR, profitability and company size, while other variables outside the equation influence 16.6%. In the simultaneous significance test, the significance level used in this study is 5% (p-value 0.050). The results of the significance test (F test) show the calculated F value of 29,211 with a significant level of 0.000 (0.050) in conclusion, Corporate Social Responsibility, Profitability, and company size take effect on firm value.

The hypothesis is accepted or rejected in terms of its significant value. The independent variable is said to have a significant effect on the dependent variable if the independent variable has a value (sig) below 0.05 (<0.05). The partial test results show that corporate social responsibility, Profitability, and company size affect firm value, the significant amount of Corporate Social Responsibility of 0.012, which means less than 0.05. Likewise, the profitability variable has a significant effect on firm value because the significant number is 0.047, which means it is smaller than 0.05. and for the company size variable partially considered influential because the significant amount is 0.023, which means less than 0.05.

RESULTS AND DISCUSSION

This first hypothesis states that Corporate Social Responsibility has a positive effect on firm value. Based on the results of the regression analysis presented in table 14, the regression coefficient for the CSR variable is 2,654, and the t-value is 1,658 with a significance of 0.012, which is less than the significance level (α) = 5% or 0.05 or it turns out that p-value 0.012 < 0.05. Corporate Social Responsibility has a positive and significant effect on firm value; thus, H_1 is accepted. The results of this study are consistent with the research of Rimba Kusumadilaga, Silvia Agustina, Sunardi Muji, Gusti Ayu Made Ervina Rosiana and Gedhe Juliarsa, which stated that CSR affects company value.

The second hypothesis of this study states that Corporate Social Responsibility has a positive effect on firm value when company profitability is high. Based on the results of moderation regression analysis 1, the moderation value 1 was 0.343, and the t value was 1.130 with a significance of 0.048. Because the significance value is less than 0.05, the moderating variable one is considered capable of influencing the relationship between Corporate Social Responsibility and firm value when Profitability is high. Thus H_2 is accepted. Consistent with the research of Ira Agustine, Silvia Agustina, Gusti Ayu Made Ervina and Gede Juliarsa which stated that the variable Profitability as a moderating variable could affect the relationship between CSR and firm value.

This third hypothesis states that Corporate Social Responsibility has a positive effect on firm value when company size is large. Results of moderation two analysis, the moderating value 2 is -1,952, and the t value is -1,208 with a significance of 0.049 because the significance value is less than 0.05, the moderating variable two can influence the relationship between Corporate Social Responsibility and firm value at when firm size is high. Thus H_3 is accepted. Consistent with Sunardi Muji's research which states that company size has a significant effect on CSR and firm value.

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 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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