



THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN MODERATING THE EFFECT OF FINANCIAL PERFORMANCE ON COMPANY VALUE

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Abstract

Sri-Kehati Stock Index contains shares of companies in Indonesia that apply the principles of Sustainable Responsible Investment (SRI), as well as environmental, social, and governance (ESG) principles. These three principles are indicators of the company's CSR implementation. This study aims to prove the role of corporate social responsibility in moderating the effect of profitability, leverage, and size on firm value. This research uses the descriptive associative method. The sampling technique uses purposive sampling on the Sri-Kehati stock index for 2017-2021. The number of samples selected was 15 shares. The data analysis technique uses Moderated Regression Analysis (MRA). The results of this study show that leverage has a negative effect on firm value, while firm size has a positive effect on firm value. However, profitability does not affect firm value. Disclosure of CSR can moderate the effect of profitability and firm size on firm value. Nevertheless, CSR disclosure cannot moderate the effect of leverage on firm value.

Keywords: corporate social responsibility; profitability; leverage; firm size; firm value; financial performance

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INTRODUCTION

Sustainability reports for all companies and organizations (Guidelines G4, 2013) and (Mayorova, 2019). GRI sets sustainability reporting standards: GRI 3.0, GRI 3.1, and GRI 4.0. The most recent is the GRI 4.0 standard consisting of 9 economic indicator items, 34 environmental indicators, and 48 social indicator items (GRI Guidelines 4, 2013). GRI 4.0 contains several significant changes compared to the previous standards, formulated as important company or organization milestones in sustainable development plans and practices (Priyanka, 2014) and (Solikhah, 2021).

Companies with high levels of profitability tend to increase CSR to convince investors that the company pays attention to the long-term sustainability of the company. This condition will have an impact on increasing the value of the company. Thus CSR plays a role in strengthening the effect of profitability on firm value. This matter follows the results of research by Pramana and Mustanda (2016), Wulandari and Wiksuana (2017), Dewi and Suputra (2019), showing that CSR can moderate the effect of profitability on firm value. The results research of Mulyadi and Anwar (2012) show that CSR cannot moderate the profitability of firm value. Companies that can manage debt well have the potential to increase company profits. Even though there is an increase in company debt, investors will respond positively if followed by CSR disclosure and increased profit. Disclosure of CSR shows the company's concern for the welfare of the surrounding community. This is important to support the legitimacy and sustainability of the company in the long term. Based on previous research conducted by Wulandari and Wiksuana (2017), the results show that CSR can moderate the influence of leverage on firm value.

The Firm Size is considered capable of influencing the value of the company, because the more significant the Firm size, the easier it will be to obtain funding sources. Large companies will not be separated from political pressure, namely the pressure to carry out social responsibility. Companies can avoid enormous costs resulting from community demands by showing environmental concern through CSR disclosure. Results of research conducted by Imron et al. (2013) found that CSR disclosure can strengthen the effect of company size on firm value.

This study aims to determine the factors that influence firm value and prove whether CSR can strengthen or weaken the effect of ROA, DER, and Firm Size on firm value. The objects of this research are companies listed on the Sr-Kehati Index for the 2017-2021 period because the companies listed on the Sri-Kehati Index significantly contribute to reducing the global warming phenomenon, so it is closely related to the CSR activities carried out by the company.

METHOD

This study uses a quantitative method with a descriptive and associative approach. The population used is companies listed on the Sri-Kehati Index for the 2017-2021 period. The total population on the Sri-Kehati Index is 38 companies. Determination of the sample using purposive sampling technique with a total sample of 15 companies. Secondary data sources for this research come from the Indonesian Stock Exchange (IDX) website, namely www.idx.com, and the Sri-Kehati Index website. The data analysis technique uses multiple linear regression, which contains interactions between variables or is often called Moderated Regression Analysis (MRA). The regression equation of this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 * X_4 + \beta_6 X_2 * X_4 + \beta_7 X_3 * X_4 + e \dots\dots\dots(1)$$

Where Y represent Firm Size, X₁ stands for ROA, X₂ represent DER, X₃ stands for Total Assets, X₄ represent Corporate Social Responsibility, X₁X₄ stands for Interaction between ROA and Corporate Social Responsibility, X₂X₄ represent Interaction between DER and Corporate Social Responsibility, X₃X₄ stands for Interaction between Total Assets and Corporate Social responsibility, α represent Constants β stands for Regression coefficient, e represent Error term.

RESULTS

Descriptive statistical tests were carried out to describe each variable's minimum value, maximum value, average value, and standard deviation value. The results of descriptive statistics can be seen in Table 1.

Table 1. Results of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	15	7,10	185,14	31,3287	44,80622
Leverage	15	1,05	31,17	12,5193	10,66009
Firm Size	15	222,14	243,42	232,7673	7,16787
CSR	15	1,93	4,29	3,1807	0,70724
Firm Value	15	3,71	254,43	25,9780	63,47291
Valid N (listwise)	15				

Source: Secondary data processed, (2022)

The variable profitability proxied by ROA has a minimum value of 7.10 for Bank Negara Indonesia (BBNI) companies and a maximum value of 185.14 for Unilever Indonesia Tbk (UNVR) companies. It shows that the profitability value of the Sri-Kehati index company has high volatility. The mean of profitability is 31.33, with a standard deviation value of 44.8. The standard deviation value which is higher than the mean value indicates that ROA has a spread of data with high fluctuations. The leverage variable proxied by DER has a minimum value of 1.05 for the company Kalbe Farma Tbk (KLBF) and a maximum value of 31.17 for Bank Negara Indonesia (BBNI). The mean leverage of 12.52 means that Index-Sri Kehati companies have high debt risk. The standard deviation of 10.66 is smaller than the average value, indicating that the distribution of leverage data is close to the average value.

The leverage variable proxied by DER has a minimum value of 1.05 for the company Kalbe Farma Tbk (KLBF) and a maximum value of 31.17 for Bank Negara Indonesia (BBNI). The mean leverage of 12.52 means that Index-Sri Kehati companies have high debt risk. The standard deviation of 10.66 is smaller than the average value, indicating that the distribution of leverage data is close to the average value.

The company value variable is proxied by PBV, which has a minimum value of 3.71 for Bumi Serpong Damai Tbk (BSDE) and Wijaya Karya Tbk (WIKA). The maximum value is 254.43 for Unilever Indonesia (UNVR). It shows that the Sri-Kehati index company has a high corporate value gap. The mean of the company's value is 25.9780, closer to the minimum value. It shows that the average PBV of the Sri-Kehati Index tends to be low. The standard deviation is 63.47291, greater than the average value indicating that the company value has a high data distribution. The corporate social responsibility variable proxied by CSRDI has a minimum value of 1.93 for Bank Central Asia (BBCA) companies and a maximum value of 4.29 for Semen Indonesia (SMGR) companies. The mean of CSR is 3.18, meaning the average CSR is closer to its maximum value. It shows that the average CSR value of the Sri-Kehati Index companies tends to be high. The standard deviation of 0.71 is smaller than the average value, meaning the CSR value fluctuations are not too fluctuating.

Table 2. Normality Test Results

		Unstandardized Residual
N		74
Normal Parameters ^b	Mean	.0000000
	Std.Deviation	.58056112
Most Extreme Difference	Absolute	.082
	Positive	.082
	Negatives	-.059
Test Statistic		.082
Asymp.Sig.(2-tailed)		.200 ^{c,d}

Source: Secondary data processed, (2022)

Based on Table 2, the results of the Kolmogorov-Smirnov analysis test obtained an Asymp.sig (2-tailed) value of 0.200 and more excellent than 0.05, so data are normally distributed.

Table 3. Multikolinearitas Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficient	t	sig.	Collinearity Statistics	
		B	Std.Error	Beta			Tolerance	VIF
1	(Constant)	311.045	53.859		5.775	.000		
	ROA	.051	.029	.170	1.767	.082	.977	1.024
	DER	3.675	.802	.599	4.581	.000	.527	1.899
	TOTAL ASSET	-6.845	1.177	-.760	-5.815	.000	.527	1.896
	CSR	5.469	7,583	.070	.070	.473	.969	1.032

a. Dependent Variabel : PBV

Source: Secondary data processed, (2022)

The results of the multicollinearity test in Table 3, show that the ROA variable has a tolerance value of 0.977 and a VIF value of 1.024. The DER variable has a tolerance value of 0.527 and a VIF value of 1.899. The total assets variable has a tolerance value of 0.527 and a VIF value of 1.896. The CSR variable has a tolerance value of 0.969 and a VIF value of 1.032. In this way, the tolerance value of the variables ROA, DER, Total Assets, and CSR is > 0.100. Furthermore, the VIF value is more < than 10.00. So it can be concluded that there are no symptoms of multicollinearity.

Table 4. Heteroskedastisitas Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficient	t	sig.
		B	Std.Error	Beta		
1	(Constant)	-.044	1.256		-.035	.972
	ROA	.132	.031	.419	4.226	.265
	DER	-.022	.140	-.016	-.158	.875
	TOTAL ASSET	-.002	.001	-.358	-3.521	.241
	CSR	.620	1.749	.036	.355	.724

a. Dependent Variable: LN_RES

Source: Secondary data processed, (2022)

Based on the heteroscedasticity test in Table 4 above, it is known that there are no symptoms of heteroscedasticity. It can be seen from the significance value of all variables greater than 0.05 (> 0.05).

Table 5. Autokorelasi Test Result
Runs Test

	Unstandardized Residual
Test Value	.03034
Cases < Test Value	37
Cases \geq Test Value	38
Total Cases	75
Number of Runs	26
Z	-2.905
Asymp. Sig. (2-tailed)	.154

a. Median

Source: Secondary data processed, (2022)

Based on Table 5, the Asymp.Sig (2-tailed) value is $0.154 > 0.05$, and it can be concluded that the regression model does not contain autocorrelation.

Table 6. Research Hypothesis Test Results (t-Test)
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficient	t	sig.
		B	Std.Error	Beta		
1	(Constant)	315.938	53.248		5.933	.000
	ROA	.049	.029	.163	1.713	.091
	DER	-3.626	.797	-.591	-4.552	.000
	TOTAL ASSETS	6.872	1.172	.763	5.862	.000

a. Dependent Variable: LN_RES

Source: Secondary data processed, (2022)

Based on Table 6, the coefficient value of ROA is positive, namely 0.049. Meanwhile, the significant level of 0.091 is greater than 0.05. That is, ROA has no significant positive effect on firm value. Thus, the results of this study rejected H1, which stated that ROA had a positive effect on the company's value. The coefficient value of DER is -3.626 with a significant level of 0.000, less than 0.05. Based on these results, the second hypothesis, namely that DER has a negative effect on firm value, is accepted. The coefficient value of total assets is positive at 6.872 with a significant level of 0.000, less than 0.05. Based on these results, this research receives a third hypothesis that total assets have a positive effect on the company's value.

Table 7. F-test Result
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4402.423	3	1467.474	13.609	.000 ^b
	Residual	7655.965	71	107.830		
	Total	12058.388	74			

a. Dependent Variable: PBV

b. Predictors: (Constant), T_ASSETS, ROA, DER

Source: Secondary data processed, (2022)

Based on the results of Table 7, it is known that the significant value is 0.000. Because of the value of sig. $0.000 < 0.05$, it can be concluded that the hypothesis is accepted, or in other words, ROA, DER, and Total Assets simultaneously affect firm value.

Table 8. Determination Coefficient Test Results (Adj R²)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.604 ^a	.365	.338	10.38415	.745

a. Predictors: (Constant), T_ASSETS, ROA, DER

b. Dependent Variable: PBV

Source: Secondary data processed, (2022)

Based on Table 8, it is known that the adj value of R² is 0.338. This means that the effect of all X variables simultaneously on Y variables is 0.338. It means that ROA, DER, and Total Assets simultaneously affect PBV by 33.8%, while the rest is influenced by other variables not examined in this study.

Table 9. MRA Test Result
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficient	t	sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-523.766	170.432		-3.073	.003		
	ROA	5.722	.689	18.928	8.309	.000	-.001	1421.808
	DER	.960	2.435	.156	.394	.695	.023	43.142
	T_ASSET	10.616	3.717	1.178	2.856	.006	.021	46.625
	CSR	1055.917	280.503	13.419	3.764	.000	.000	3481.691
	ROA*CSR	-.7128	.865	-18.700	-8.238	.000	.001	1411.881
	DER*CSR	3.218	3.869	.342	.832	.408	.022	46.224
	TOTALASET*CSR	-21.997	6.128	-13.009	-3.589	.001	.000	3598.745

a. Dependent Variabel : PBV

Source: Secondary data processed, (2022)

Table 9 shows that the significance value of the interaction variable between ROA and CSR is 0,000 < 0.05. It shows that CSR can moderate the relationship between ROA and company value. The significant value of the interaction variable between DER and CSR is 0.408 > 0.05. Thus it can be concluded that CSR cannot moderate the relationship between DER and company value. The significant value of the interaction variable between total assets and CSR of 0.001 < 0.05. It shows that CSR can moderate the relationship between total assets of the company's value.

DISCUSSION

The first hypothesis of this study is that ROA has a positive effect on the company's value. Based on the results of the partial test (T-test), it is known that ROA with a company value has a significance value of 0.091 is more excellent than Alpha (0.05). That is, ROA has a positive effect, not significantly, on the company's value.

Thus the results of this study rejected H1, which states that ROA positively affects the company's value. The results of this study indicate that investors do not only use ROA to assess company performance in predicting company value in the Sri-Kehati Index shares. In addition, there is a tendency for investors who prefer to make short-term investments such as trading, so they pay less attention to the aspect of profitability when buying company shares. So profitability does not affect the company's value in this study.

This result aligns with research conducted by Pramana and Mustanda (2016), which states that profitability positively affects company value. The second hypothesis proposed in this study is that DER negatively influences the company's value. Based on the results of the partial test (T-test), it is known that DER with a company value has a significance value of 0,000 lower than Alpha (0.05). That is, DER has a significant negative effect on company value. Thus, the results of this study accept H1, which states that DER negatively affects accepted

firm value. Considerable leverage can increase the burden and risk that the company must bear. In other words, when leverage has increased, the company's value will decrease. Negative leverage is due to the average level of leverage every year and experiences up and down. It shows that the company still uses more debt than its capital, and as a result, the value of the company is down. It is in line with research conducted by Chen and Chen (2011), which states that leverage has a negative and significant effect on company value.

The third hypothesis proposed in this study is that total assets positively affect the company's value. Based on the results of the partial test (t-test), it is known that the total asset with a company value has a significance value of 0,000 lower than Alpha (0.05). That is, total assets have a significant positive effect on company value. Thus, the results of this study accept H1, which states that firm size has a positive effect on firm value.

The greater the firm size, the easier the company will be to obtain internal and external funding sources. Companies with a larger company size will have the opportunity to attract large amounts of debt compared to small companies because the value of assets used as more excellent guarantees and the level of bank confidence is also higher.

It is in line with research conducted by Pramana and Mustanda (2016) which states that company size has a significant positive effect on company value.

Based on Table 7, it can be seen that ROA, DER, and total assets simultaneously affect the company's value because it has a p-value of 0,000 < 0.05, so H0 is rejected, and H4 is accepted. At the same time, the adjusted R-square value is 0.038. It shows that the dependent variable, the company value (PBV), can be explained by ROA, DER, and total assets of 33.8%. Furthermore, the remaining 66.2% is explained by other variables not examined in this study.

It aligns with research conducted by Pramana and Mustanda (2016), which states that profitability, leverage, and company size simultaneously affect the company's value.

Based on Table 9, it can be seen that CSR can moderate the effect of ROA on company value because the significant value of the interaction variable between ROA and CSR is 0,000 < 0.05. Therefore H0 was rejected, and H5 was accepted. The CSR variable as a moderation variable in this study strengthens the effect of ROA on company value. It supports the research results of Gherghina and Vintila (2016), which states that companies must pay attention to economic, social, and environmental dimensions to increase company value. However, the results of this study are inversely proportional to the research.

CONCLUSION

Following the study's initial hypothesis, the study showed that DER and total assets positively affect PBV. Following the study's initial hypothesis, it showed that DER and total assets positively affect PBV following the study's initial hypothesis. While ROA does not affect the PBV value, which means it is not following the research hypothesis. It shows that the company's leverage and size are the determining factors that affect the value of the Sri-Kehati Index company. The results of this study prove that CSR as a moderation variable can strengthen the effect of ROA and total assets on company value. However, CSR cannot moderate the influence of DER on company value.

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