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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY, PROFITABILITY AND LEVERAGE ON COMPANY VALUE WITH COMPANY SIZE AS A MODERATING VARIABLE IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

This study aims to examine and analyze the influence of corporate social responsibility, profitability, and leverage on firm value in manufacturing companies listed on the Indonesia Stock Exchange from 2011 to 2015. This study examines moderating variables in manufacturing companies listed on the Indonesia Stock Exchange. This type of research is causality research. Sampling used a purposive sampling method, resulting in 44 company samples with a total population of 119 samples for analysis. The data analysis method in this study is multiple linear regression and residual tests to test moderating variables. The results show that corporate social responsibility, profitability, and leverage simultaneously and partially have a positive and significant effect on the value of companies listed on the Indonesia Stock Exchange. Based on the results of the residual test, this study indicates that company size can moderate the relationship between corporate social responsibility, profitability, and leverage with firm value.

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

INTRODUCTION

The primary goal of a company is to maximize the wealth or value of the company (Salvatore, 2005). High company value can provide prosperity to company owners and shareholders. A company's value is reflected in its stock market price (Fama, 1978). Shareholder value will increase if the company's value increases, which is indicated by a high rate of return on investment for shareholders. High stock prices reflect high company value.

Public companies utilize the capital market as a means of obtaining funding or alternative financing. Investors will invest in a company if their investment generates a profit. The existence of the capital market provides companies with a tool for self-reflection on their performance and financial condition. If a company's financial condition and performance are good, the market will respond positively by increasing the company's stock price.

Along with the rapid development of the business sector, various private sector organizations, community organizations, and educational institutions are striving to formulate and promote social responsibility in the business sector in relation to society and the environment. Therefore, the business world is seeking partnerships with all stakeholders to play a role in development while simultaneously improving its performance to survive and even grow into a competitive company. These efforts are generally referred to as corporate social responsibility.

The debt ratio in this study is proxied as DER (Debt to Equity Ratio), which is the comparison of the amount of long-term loans held by a company to the amount of equity. DER is a financial ratio that measures the company's ability to repay debts with its capital (Sambora, Handayani, and Rahayu, 2014). The higher the DER, the smaller the profit that will be distributed to shareholders, thus lowering the share price. The lower the DER level, the higher the company's value and the company will gain investor trust. Ambarwati and Stephanus's (2014) study stated that DER has a simultaneous and partial effect on company value, while Mahendra, Artini, and Suarjaya's (2012) and Wahyuni, Ernawati, and Murhadi's (2013) studies found DER to have a negative and significant effect on company value.

Firm size is cited as a determinant of financial structure in nearly every study, and for a number of different reasons. Firm size can determine the ease with which a firm can obtain funds from capital markets and its bargaining power in financial contracts. Larger firms typically have access to various forms of debt financing, including more favorable special offers, compared to smaller firms. The larger the amount of money involved, the more likely it is that contracts can be tailored to the preferences of both parties, rather than using standard debt contracts (Hasnawati and Sawir, 2015). Research by Wahyuni et al. (2013), Handriyani (2013), and Gill and Obradovich (2012) found that firm size

has a positive and significant effect on firm value. However, research by Gusaptono (2010) found that firm size had a significant negative effect on firm value.

LITERATURE REVIEW

Theoretical basis

Signaling theory suggests that there is information asymmetry between company management and stakeholders. Wolk, Taerney, and Dodd (2000) argue that "signaling theory explains why companies present information to capital markets." Signaling theory proposes how companies should provide signals to users of financial statements.

"Signal theory states that high-quality companies will intentionally send signals to the market, thus enabling the market to distinguish between high-quality and low-quality companies" (Hartono, 2005). "For these signals to be effective, they must be captured by the market and perceived favorably, and not easily imitated by low-quality companies" (Hartono, 2005).

Signaling theory is rooted in pragmatic accounting theory, which focuses on the influence of information on changes in user behavior. One type of information that can serve as a signal is an announcement made by an issuer. This announcement can then influence the price fluctuations of the securities of the issuing company making the announcement (Suwardjono, 2005).

Company Values

Company value is a reflection of the company's condition. Company value is investors' perception of the company's level of success.

The company's ability to manage its resources is reflected in its stock price (Sujoko, 2007). The higher the stock price, the higher the company's value. Managerial decisions will affect the company's value, and appropriate financial decisions can maximize the company's value.

High company value will be followed by high investor welfare. Company value reflects investors' perceptions of the company's performance in
past time and future prospects.

Maximizing company value according to the theory of the firm is one of the company's goals. Therefore, company financial management must be carried out optimally to achieve successful company performance. Company value reflects the ability of financial management to manage and allocate funding activities, investment activities, and the efficiency and effectiveness of the company's operational activities. Optimizing company value can be achieved through the implementation of financial management functions, where one financial decision taken will influence other financial decisions and impact the company's value.

Corporate Social Responsibility

Corporate social responsibility, or CSR, is a mechanism for an organization to voluntarily integrate environmental and social concerns into its operations and interactions with stakeholders. CSR is one of the factors influencing a company's value. One of the fundamental principles underlying CSR, currently considered the core of business ethics, is the recognition that companies not only have economic and legal obligations to shareholders but also social obligations to stakeholders such as the government, customers, investors, the community, employees, and even competitors.

In recent years, many companies have increasingly recognized the importance of implementing CSR programs as part of their business strategies. This is due to the undeniable accusation that industry is a major contributor to global warming. Wasteful energy use and carbon emissions from production processes are the negative impacts of daily company operations. Global warming is a constant topic of discussion among major companies worldwide. This situation differs from what is happening in Indonesia.

Profitability

Profitability is the main attraction for company owners (shareholders) because profitability is the result obtained through management efforts on funds invested by shareholders and also reflects the distribution of profits to which they are entitled, namely how much is reinvested and how much is paid as cash dividends or stock dividends to them (Jusriani and Rahardjo, 2013). According to (Soliha and Taswan, 2002) stated that profitability is the level of net profit that a company is able to achieve when running its operations. Profits that are worthy of being distributed to shareholders are profits after interest and taxes.

Leverage

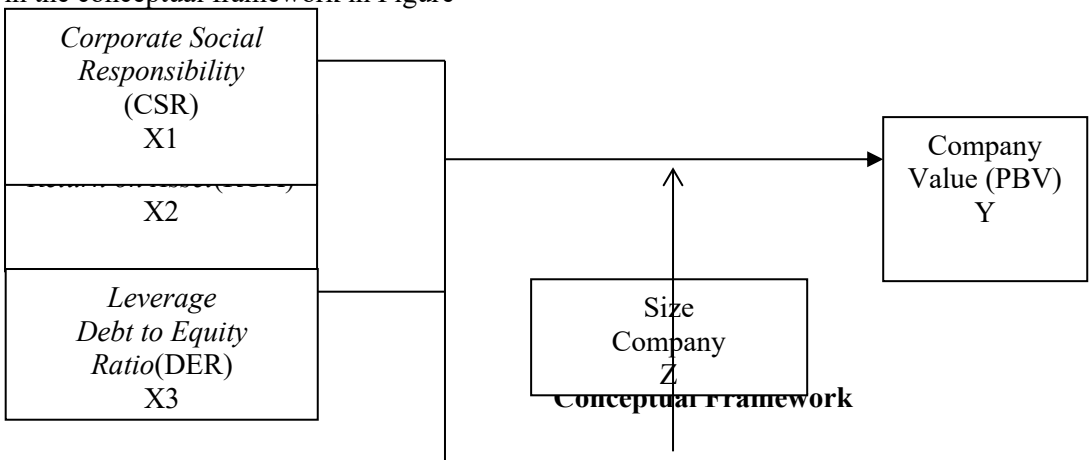
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Leverage Leverage is a ratio used to measure the extent to which a company's assets are financed by its liabilities (Kasmir, 2008). Leverage is used to measure a company's ability to pay all its obligations, both short-term and long-term, if the company is liquidated. The company will understand several things related to the use of equity and borrowed capital. Financial managers can take policies deemed necessary to balance capital use. A company is considered solvent if its total assets are greater than its liabilities.

METHOD

Conceptual Framework

The conceptual framework is a temporary explanation of the symptoms that are the object of the problem regarding the relationship between variables, namely the independent variable and the related variable (dependent), which is compiled from various theories that have been described (Sugiono, 2007). The influence of the independent variables (Corporate Social Responsibility, Profitability, and Leverage) on the dependent variable (Company Value) is depicted in the conceptual framework in Figure



Conceptual Framework

This study uses Corporate Social Responsibility, Profitability (Return on Assets), Leverage (Debt Equity Ratio) as independent variables (X), Company Value as dependent variable (Y) and company size as moderating variable (Z).

Research Hypothesis

A hypothesis is a proposition formulated with the intention of being tested empirically, in the form of an explanatory statement that a temporary answer can be believed, refuted or tested for its truth.

Based on this, the first hypothesis can be formulated as follows:

H1: Corporate social responsibility, profitability and leverage have a significant effect on company value in manufacturing companies listed on the Indonesia Stock Exchange partially.

H2: Corporate social responsibility, profitability and leverage have a significant influence on company value in manufacturing companies listed on the Indonesia Stock Exchange simultaneously.

RESULTS AND DISCUSSION

Types of research

This research uses a quantitative approach, namely by testing the comparative causal relationships of measurable (parametric) research variables. This research usesreplication modelfrom previous research with the aim of answering problems and objectivesresearch that has been formulated.

Location and Time of Research

The research locations that are to be studied are all overmanufacturing companies that publish annual reportsaudited companies listed on the Indonesia Stock Exchange in 2011-2015. The research period is planned from July 2017 to January 2018 with a planned seminar on the results in January 2018 and then continued with a hearing and guidance until January 2019. Attachment 1.

Population and Research Sample

The sampling technique used was purposive sampling. Umar (2007:92) states that purposive sampling is the selection of samples based on certain characteristics. The population in this study was all companies listed on the Indonesia Stock Exchange. The sampling technique used was purposive sampling, with the following provisions:

1. The company was listed on the Indonesia Stock Exchange during the period 2011-2015.

2. The company publishes audited financial statements and annual reports.
3. The financial report data presents CSR funds for the 2011 to 2015 reports.
4. Companies that did not have consecutive profits for the period 2011 – 2015.

Table
Sample Selection List

Category	Amount
Manufacturing companies on the Indonesia Stock Exchange for the period 2011 – 2015	119
Manufacturing companies that did not publish financial reports consecutively for the period 2011-2015	(24)
Manufacturing companies that did not present CSR funds in their financial reports consecutively for the period 2011 – 2015	(21)
Companies that did not have consecutive profits for the period 2011 – 2015	(30)
Number of companies selected as research samples	44

Of the 119 manufacturing companies that were used as the population (Table) There were 44 manufacturing companies that met the sample criteria.The list of names of manufacturing companies that were samples in this study can be seen in Appendix 2.

Operational Definition and Measurement of Variables

The operational definition of a variable explains the characteristics of an object into observable elements that cause the concept to be measurable and operationalized in research (Jogiyanto, 2004). The dependent variable in this study is company value (Y). The independent variables used are corporate social responsibility, profitability, and leverage, while company size is a moderating variable.

The formula for calculating corporate social responsibility disclosure is as follows:

$$CSDIij = \frac{\sum Xij}{nj}$$

Information:
CSDIij :Corporate Social Responsibility Disclosure Indexcompany j year i
nj :Number of items for company j
∑Xij :Number of items disclosed by company j in year i

Data Analysis Methods

The data analysis method used in this study is descriptive statistical analysis using SPSS software. Data analysis was carried out by testing classical assumptions and testing research hypotheses. Regression testing of moderating variables is an independent variable that will strengthen or weaken the relationship between other independent variables on the dependent variable (Ghozali, 2013).
Regression testing of moderating variables with residual tests.
The multiple linear regression equation is:

$$Y = \alpha + \beta_1.X1 + \beta2.X2 + \beta3.X3 + \varepsilon$$

The moderating variable regression equation is:

$$Z = \alpha + \beta1.X1 + \beta2.X2 + \beta3.X3 + \varepsilon$$
$$|e| = \alpha + \beta1.Y$$

Information:
Y = Company Value
α =Constant
β1-β3 =Regression Coefficient

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X1 =Corporate Social Responsibility
X2 =Return on Asset
X3 =Debt to Equity Ratio
Z = Moderating Variable
e =Error or confounding variables

A fundamental weakness of using the coefficient of determination is bias toward the number of independent variables included in the model. Each additional independent variable necessarily increases the R2 value, regardless of whether that variable significantly influences the dependent variable. Therefore, many researchers recommend using the adjusted R2 value when evaluating the best regression model (Ghozali, 2013).
This autocorrelation test is intended to determine whether a correlation exists between the observed data. The presence or absence of autocorrelation in this study was detected using the Durbin-Watson test. The steps to generate the Durbin-Watson coefficient using SPSS 18 are as follows:

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	,811a	,659	,654	,70116	1,986

a. Predictors: (Constant), Debt Equity Ratio, LN_CSR, LN_ROA
b. Dependent Variable: LN_PBV
Source: SPSS output, data processed 2018

The autocorrelation test aims to test whether in a linear regression model there is a correlation between the nuisance errors in period one and the previous period.

This test is conducted to determine whether there is a correlation between the independent variables. Multicollinearity can be determined by looking at the Variance Inflation Factor (VIF) value in Table

Results TableMulticollinearity Test
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3,572	,227		15,752	,000		
	LN_CSR	,214	,074	,117	2,877	,004	,974	1,026
	LN_ROA	1,001	,052	,813	19,183	,000	,902	1,109
	Debt Equity Ratio	,208	,055	,158	3,767	,000	,925	1,081

a. Dependent Variable: LN_PBV

The table shows that there is no correlation between the independent variables, meaning that there is no multicollinearity. A regression model is declared free from multicollinearity if it has a Tolerance value greater than or equal to 0.10 and a VIF value less than or equal to 10. From the table, it is found that all independent variables have a Tolerance value greater than or equal to 0.10 and a VIF value less than or equal to 10, thus there are no symptoms of multicollinearity in the independent variables studied.
The results of this study align with Pratama and Wiksuana (2016), who stated that the debt-equity ratio has a partial positive and significant effect on firm value. They stated that increasing debt in the capital structure increases

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shareholder wealth, which in turn affects firm value.

The research results are not in line with the research results conducted by Mahendra et al (2012) which stated that the debt equity ratio partially had a negative and insignificant effect on company value, while the research results of Wahyuni et al (2013) stated that the debt equity ratio partially had a negative and significant effect on company value.

CONCLUSION AND SUGGESTIONS

CONCLUSION

Based on the results of data analysis and discussions conducted in the previous chapter, this research produces the following conclusions:

1. Based on the results of simultaneous testing, Corporate Social Responsibility (CSR), Return on Assets (ROA), and Debt Equity Ratio (DER) have a significant influence on company value in manufacturing companies listed on the Indonesia Stock Exchange during the 2011-2015 period.
2. Based on the partial test results, Corporate Social Responsibility (CSR), Return On Assets (ROA), and Debt Equity Ratio (DER) have a significant influence on company value in manufacturing companies listed on the Indonesia Stock Exchange during the 2011-2015 period.
3. The results of the moderating test indicate that the regression coefficient for the dependent variable, firm value, has a positive and significant effect, along with its interaction with the moderating variable (firm size). The results of the moderation test indicate that firm size is a moderating variable in this interaction.

SUGGESTIONS

From the results of the research conclusions and research limitations, the suggestions that can be given are as follows:

1. For further research, it is hoped that other independent variables will be added which are suspected to have an influence on company value, for example ownership structure variables, dividend policy, institutional ownership and so on in different company sectors.
2. Future researchers need to conduct broader observations of objects, not just one industrial sector, so that they can be used as a reference for a problem.

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