



DETERMINANT OF COMPANY VALUE IN THE SRI-KEHATI INDEX ON THE INDONESIAN STOCK EXCHANGE

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Abstract

The Sri-Kehati index is one of the indices that is an indicator of stock price movements on the Indonesia Stock Exchange. This index uses the principles of sustainability, finance, and good governance, as well as concern for the environment as benchmarks. There are many factors thought to influence the level of firm value, including corporate social responsibility, intellectual capital, and environmental performance. This study aims to determine the significance of the influence of corporate social responsibility and intellectual capital on firm value with environmental performance as a mediating variable on the Sri-Kehati Index on the Indonesia Stock Exchange. This research was conducted on all companies listed on the Sri-kehati Index listed on the Indonesia Stock Exchange, totaling 25 companies with a research period from 2017 to 2021. The research method used is PLS (Partial Least Squares), namely SEM (Structural Equation Method) based on variance. The results of this study state that corporate social responsibility has a negative and insignificant effect on firm value. Intellectual capital has a positive but not significant effect on firm value. Corporate social responsibility has a positive but not significant effect on environmental performance. Intellectual capital has a negative and significant effect on environmental performance. Environmental performance has a negative and significant effect on firm value. As well as environmental performance is not able to mediate corporate social responsibility and intellectual capital on the company's firm value on the Sri-Kehati Index.

Keywords: *Corporate Social Responsibility, Intellectual Capital, Firm Value, Environmental Performance*

1. INTRODUCTION

Financial reporting has a major influence on investors, where financial report information can be used by investors to make or review investment decisions. Several studies have found a relationship between corporate environmental performance and corporate value is a focal point in environmental disclosure. As for certain information such as policies or management decisions that will have an impact on investors. Issues of environmental responsibility are a concern for companies or even investors in Indonesia.

Currently, financial performance fluctuates due to unstable conditions. Even though a company has good financial performance, a company will still be a major consideration for investors. The value of a company is strongly influenced by the profitability of the company. Where profitability is reflected in stock prices and is shown in financial performance on how companies use their assets to obtain maximum profit. If the company's ability to generate profits increases, the stock price will also increase (Wihardjo, 2014).

Investors are getting interested in environmental issues at this time. Therefore, an index that applies the green investment index was developed, namely the Sri-Kehati Index, where the Sri-Kehati index is an index that measures the stock price performance of 25 companies that have good performance in encouraging sustainability efforts, and have an awareness of the environment. ,

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social and good corporate governance. The Sri-Kehati index is a green investment index based on Exchange and Sustainable Investment data. Companies that are concerned with environmental issues are expected to have more value which will have an impact on the company's firm value, because currently investors are more interested in companies with a good reputation and who actively participate in environmental and community issues.

The phenomenon of decreasing company value that occurred in companies listed on the Sri-Kehati index during the 2017-2021 period has raised an attitude of caution among investors before investing their shares in the company. Investor trust can also be built through a form of transparency from the companies listed on the Sri-Kehati index both in terms of financial reports and the condition of the company's soundness level that is published.

Concern for the environment, which is one of the characteristics of the companies selected in the Sri-Kehati index, is closely related to PROPER, where the link is aimed at encouraging corporate management in environmental management. This is supported by the award given by the Biodiversity Foundation (KEHATI) to companies listed on the Sri-Kehati index that implement environmentally friendly practices and of course must also comply with the principles of sustainability and responsible investment (SRI) (Sari, 2020). Where companies are required to make and report sustainability reports as reports that must be included by the company as one of the administrations to avoid social and environmental problems and demands for accountability from the government (GRI, 1997). The regulations governing environmental management are Law no. 32 of 2009 which reads "companies that carry out their business activities in the field and or related to natural resources are obliged to carry out social and environmental responsibility".

Environmental performance encouraged the government under the Ministry of Environment and Forestry of the Republic of Indonesia to issue a company performance rating assessment program, namely the environmental compliance monitoring program for industries in Indonesia or commonly known as PROPER. This is to evaluate companies that comply with regulations on water pollution control, air pollution control, B3 waste management, AMDAL and marine pollution control.

The theory used in environmental performance is stakeholder theory. Where this stakeholder theory underlies the actions related to company concern (Hadi, 2011). Stakeholder theory states that the amount of environmental information disclosed by companies will affect stakeholders, resulting in stock prices and affecting company returns. In addition, regret theory supports environmental performance to become an intervening variable, where regret theory explains how an investor in making decisions is very concerned about and anticipates making and making further decisions (Cheng, 2019).

Companies that respect the environment so that their performance increases, the company's financial performance will also increase. Where financial performance increases due to good environmental performance (Rahmantari, 2021). Therefore, many companies are currently developing corporate social responsibility (Pratama, 2022). Carrying out corporate social responsibility activities apart from providing benefits to stakeholders is also expected to be able to provide distinct benefits for the company, namely by maintaining and boosting the company's reputation and brand image which creates a positive image of the company (Zulaika, 2020).

corporate social responsibility becomes a factor that there is a change in the paradigm of the business world to not only seek profit but also to behave ethically through corporate social responsibility policies as a form of creating social investment. In addition, there are other factors that influence company value, namely the ability of human resources to manage companies, especially individuals because every company operation involves quality rather than resources, one of which is human (Yolanda, 2022).

Business people are starting to realize that the ability to compete does not only lie in physical assets such as ownership of machines to drive operational performance but companies have paid attention to intellectual property such as information technology, innovation and human resources in managing their organizations. Because business organizations are increasingly



emphasizing the importance of knowledge assets in an intangible form (Wijaya, 2018).

A concept used in research and measurement of intangible assets is intellectual capital. Intellectual capital has been widely used to develop value in companies. One component of company management is using human resources or qualified employees, having reliable technical knowledge, how to communicate with customers in a good relationship and how innovative. Therefore, the application of knowledge management within a company will assist the company in creating effective use of other assets that can create added value and competitive advantage for a company (Amalia, 2020).

2. LITERATURE REVIEW

2.1. Firm Value

Firm value very important because high corporate value will be followed by shareholders with high prosperity (Budiharjo, 2020). The main goal of the company is to increase value by increasing the prosperity of the owner or shareholder. firm value represents the market value of outstanding debt and equity. The price that potential buyers are willing to pay is defined as the market price of the company itself. The maximum value of the company can be achieved if the shareholders hand over the management of the company to people in their fields such as managers and commissioners (Kamilla, 2020).

One of the ratios to measure the market value of a company is Tobin's Q. Tobin's Q is an indicator to measure company performance, especially regarding company value, which shows a management proforma in managing company assets, besides that Tobin's Q can describe a condition of investment opportunities owned by the company (Sudiyatno, 2010).

2.2. Environmental Performance

Environmental performance is the performance of a company that creates good corporate environmental survival in order to obtain high profitability (Biswas, 2018). Environmental performance oriented to prevent environmental damage. Environmental performance is also useful to measure the extent to which a company's success in reducing and minimizing its environmental impact. Where companies with good environmental performance will be committed to informing investors and stakeholders through disclosure of the company's environment (Darsono, 2021).

2.3 Corporate Social Responsibility

Implementing corporate social responsibility in companies will have a number of costs that are not small. The cost in question will become a burden that will reduce revenue, so that the level of profit will decrease. However, by implementing corporate social responsibility, the company's image will be better so that investor loyalty will also increase (Barlian, 2022).

Corporate social responsibility is the commitment of the company or the business world to sustainable economic development by taking into account corporate social and emphasizing the balance of paying attention to economic, social and environmental aspects. Companies that implement CSR will reap positive benefits, namely gaining legitimacy with the community, which will ultimately have an impact on company profits in the future (Zulaika, 2020).

2.4 Intellectual Capital

Intellectual capital is information and knowledge that can be applied to a job to create value in the company. Investors will provide greater value to companies that have higher intellectual resources than those with low intellectual resources (Septiani, 2019). Intellectual capital or intellectual capital has an important and strategic role in the company. In its development, intellectual capital can be defined as intangible resources owned by commercial organizations that can be used to generate added value and competitive advantage for companies (Anggraini, 2021).

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3. RESEARCH METHOD

This research is a quantitative research that emphasizes measurable data through several hypothesis testing, classical assumption testing, analyzing the relationship between variables and drawing conclusions. The nature of this research is included in correlational research, namely research that has the aim of seeing whether there is a relationship between two or more variables and seeing how big the relationship is between the observed variables. This research was conducted by taking the research object of all companies included in the Sri-Kehati Index on the Indonesia Stock Exchange (IDX). The total data used is 125 companies for the 2017-2021 period. In this study, data analysis used the Partial Least Square (PLS) approach. PLS is a component- or variant-based Structural Equation Modeling (SEM) model.

4. RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

	CSR	IC	EP	FV
Means	0.502	0.864	3,508	0.372
Maximum	0.703	2,474	5,000	0.990
Minimum	0.175	-1.654	2,000	0.000
std. Dev.	0.082	0.640	0.657	0.337
Observations	125	125	125	125

Source: Processed Data, 2023

Table 1 explains that the corporate social responsibility variable has a minimum value of 0.175. The maximum value is 0.703, the average value is 0.502 and the standard deviation value is 0.802. The intellectual capital variable has a minimum value of -1.654, a maximum value of 2.474, an average value of 0.864 with a standard deviation value of 0.640. The environmental performance variable has a minimum value of 2.000, a maximum value of 5.000, an average value of 3.508 with a standard deviation value of 0.657. The firm value variable has a minimum value of 0.000, a maximum value of 0.990, an average value of 0.372 with a standard deviation value of 0.337.

Table 2. Path Coefficient

	Original sample (O)	sample Means (M)	standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values
CSR -> FV	-0.042	-0.044	0.103	0.388	0.681
IC -> FV	0.014	0.014	0.077	0.175	0.850
CSRs -> EPs	0.048	0.043	0.087	0.518	0.581
IC -> EP	-0.016	-0.005	0.088	0.179	0.853
EP -> FV	-0.234	-0.227	0.083	2,687	0.005

Source: Processed Data, 2023

Table 2 explains that the coefficient values direct effect of corporate social responsibility of -0.042 which is negative with a tstat of 0.388 < 1.96 and a Pvalue of 0.681 > α (0.05) meaning that corporate social responsibility has a negative and insignificant effect on firm value. The direct effect coefficient value of intellectual capital is 0.014, which is positive with a tstat of 0.175 < 1.96 and a Pvalue of 0.850 > α (0.05) meaning that intellectual capital has a positive and insignificant effect on firm value.



Table 3. Indirect Effects

	Original sample (O)	sample Mean(M)	StandardDeviation (STDEV)	Q Statistics ((O/STDEV))	P Values
CSR -> EP -> FV	-0.011	-0.012	0.023	0.480	0.631
IC -> EP -> FV	0.004	0.005	0.023	0.167	0.867

Source: Processed Data, 2023

Table 3 explains that the coefficient of indirect effect environmental performance mediates the relationship between corporate social responsibility and firm value of -0.011, which is negative, with a tstat of 0.480 < 1.96 and a Pvalue of 0.631 > α (0.05), this indicates that environmental performance is unable to mediate corporate social relations responsibility towards firm values. While the coefficient of indirect effect environmental performance mediates the relationship between intellectual capital and firm value of 0.004, which is positive, with a tstat of 0.167 < 1.96 and a Pvalue of 0.867 > α (0.05), this shows that environmental performance is unable to mediate the relationship between intellectual capital and firm values.

DISCUSSION

The results of the analysis show that the direct effect coefficient value of corporate social responsibility is -0.042 which is negative with a tstat of 0.388 < 1.96 and a Pvalue of 0.681 > α (0.05) meaning that corporate social responsibility has a negative and insignificant effect on firm value. This means that for every 1 percent increase in corporate social responsibility, the firm value will significantly decrease by -0.042 units. This research does not prove empirically that companies that have introduced CSR and more effectively communicate their social responsibility have high corporate value. This is because the low quality of disclosure of social responsibility and non-compliance with GRI standards are factors that prevent CSR practices from adding added value to companies (Sunandes, 2020).

The direct effect coefficient value of intellectual capital is 0.014, which is positive with a tstat of 0.175 < 1.96 and a Pvalue of 0.850 > α (0.05) meaning that intellectual capital has a positive but insignificant effect on firm value. This means that for every 1 rupiah increase in intellectual capital, it will significantly increase firm value by 0.014 units.

Companies in Indonesia, especially those included in the Sri-Kehati Index, no longer tend to operate in a stable environment and do not rely solely on tangible assets. It is possible that there is no awareness that company resources must be integrated with the right competitive strategy (Yulandari, 2019). By choosing the right competitive strategy, it will be easy for companies to determine their competitive position, where this will have an impact on winning competition in the market (Yuliusman, 2022).

The direct effect coefficient value of corporate social responsibility is 0.048 which is positive with a tstat of 0.518 > 1.96 and a Pvalue of 0.581 < α (0.05) meaning that corporate social responsibility has a positive but not significant effect on environmental performance. This means that every 1 percent increase in corporate social responsibility will significantly increase environmental performance by 0.048 units.

The direct effect coefficient value of intellectual capital is -0.016 which is negative with a tstat of 0.179 > 1.96 and a Pvalue of 0.853 < α (0.05) meaning that intellectual capital has a positive but insignificant effect on environmental performance. This means that every 1 rupiah increase in intellectual capital will significantly increase environmental performance by -0.016 units.

The direct effect coefficient value of environmental performance is -0.234 which is negative with a tstat of 2.687 > 1.96 and a Pvalue of 0.005 < α (0.05) meaning that environmental performance has a positive and significant effect on firm value. This means that environmental

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performance has a negative and insignificant effect on firm value. This means that for every 1 unit increase in environmental performance, the firm value will significantly decrease by -0.234 units.

Based on environmental performance testing mediating the relationship between corporate social responsibility and firm value, the coefficient results are smaller than 0.05, namely -0.011 with a tstat value of $0.480 > 1.96$ and a Pvalue of $0.631 > \alpha (0.05)$. The results of testing this hypothesis indicate that environmental performance is not able to mediate the relationship between corporate social responsibility and firm value, meaning that H6 is rejected.

Based on environmental performance testing mediating the relationship between intellectual capital and firm value, it shows a coefficient of less than 0.05, namely 0.004 with a tstat value of $0.167 > 1.96$ and a Pvalue of $0.867 > \alpha (0.05)$. The results of testing this hypothesis indicate that environmental performance is not able to mediate the relationship between intellectual capital and firm value, meaning that H7 is rejected.

5. CONCLUSION

Based on the results of the research above, it can be concluded that corporate social responsibility has a negative and insignificant effect on firm value in companies on the Sri-Kehati index. Intellectual capital has a positive but not significant effect on firm value in companies on the Sri-Kehati index. Corporate social responsibility has a positive but not significant effect on the environmental performance of companies on the Sri-Kehati index. Intellectual capital has a negative and insignificant effect on environmental performance of companies on the Sri-Kehati index. Environmental performance has a positive and significant effect on firm value in companies on the Sri-Kehati index. Environmental performance is not able to mediate corporate social responsibility on firm value in companies on the Sri-Kehati index.

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