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Corporate Social Responsibility As a Moderating Variable on Financial Performance With Company Value

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ABSTRACT

This study aims to determine how the influence of financial performance on firm value with the disclosure of corporate social responsibility as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange for the period 2018 – 2020. The sample of the study was 21 manufacturing companies listed on the IDX. Sampling from the population using the purposive sampling technique. The results of the study using multiple linear regression show that financial performance as a proxy for ROA has a significant positive effect on firm value, and corporate social responsibility disclosure can moderate the effect of ROA on firm value.

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1. INTRODUCTION

Indonesia is a large country with various ethnic groups and also a rich diversity of flora and fauna. With the existing wealth, Indonesia has a greater potential to be a contributor to income and also a contributor to the balance of life in the world. On this basis, many manufacturing companies want to take advantage of natural resources or human resources.

World developments also occur in manufacturing companies which continue to experience developments throughout the world. Export activities of Indonesian products are increasingly being carried out, this is because products made in Indonesia are no less good than other countries. The development of the manufacturing industry does not only occur in certain sectors but in all sectors, especially in the metal sector. With current conditions, the sector has not experienced a significant decline.

Company value is a description of company management. Companies that have bad management will cause the value of the company in the eyes of investors and the public to be not good. Vice versa, when the management and arrangement of the company are good, it becomes an illustration that the company has good and advanced corporate values. Company value is also an assessment of the company's performance in running its business. A good company with good performance, not only because the company has a competent leader, but also has employees who can be trusted and are following the company's needs.

The company continues to improve and develop the value of the company. This is done not only for developing companies but also for large companies so that they can continue to maintain industry competition. A good company is not only a company that has a lot of income or profit. The company is currently also thinking about how to make consumers loyal to the company's products through quality, service, and also convenience.

Companies prefer to maintain profits by doing various ways to make customers comfortable. In addition, to increase the value of the company, it can also be increased by providing information according to the wishes of investors or third parties. Profit is an absolute thing to be a benchmark in determining the value of the company. Profits that are not conveyed informatively will cause the company to be considered misleading users of information and it can reduce the value of the company

Making an economic decision can be taken by looking at the value of the company from the company's financial condition. for some groups of investors have their interest in companies that attach events or social activities, rather than just looking at company profits. For that, we need a facility that can provide information on social, environmental, and financial aspects simultaneously. This facility is known as the continuous reporting tool.

Financial performance is an illustration of the company's financial condition. Financial condition is something that an investor or a third party pays great attention to. Financial performance is very important to increase the company's shares so that investors get profits and make them more satisfied. Financial conditions must be disclosed through financial statements, especially regarding profit information obtained by the company. This allows investors to measure the company's potential to control economic resources.

In addition to financial performance, investors also look at social or non-profit activities carried out by the company to increase a good assessment of the company. CSR is a social activity that benefits the company through non-profit activities or the core of the company's production activities. at this time CSR is no longer considered a burden on the company. At this time CSR is considered a long-term investment that provides benefits for the company.

CSR provides enormous benefits in improving the welfare of the community and preserving the surrounding environment, as well as a form of investment for the companies that do it. Investments for the company can be in the form of guaranteeing the sustainability of the company's operations and the formation of a positive image of the company. A good corporate image will increase the value of the company in the eyes of investors.

Previous research on the effect of financial performance on firm value with corporate social responsibility as a moderating variable has been widely carried out, some of which are those conducted by Ardimas and Wardoyo (2014), Putri (2015), Widyawati and Listiadi (2014), Harningsih, et al, (2019), Pradita and Suryono, (2019), Andriani, (2017), Nursasi, (2020), Prena and Muliyawan, (2020), Nainggolan and Wardayani, (2020), and Amanah, (2018). There are many differences in research results between one researcher and another regarding the effect of financial performance on firm value with corporate social responsibility as a moderating variable..

2. RESEARCH METHOD

2.1 Population And Sample

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) while the sample in this study is a company that is included in the sample criteria as many as 21 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020. the method used in this research is the purposive sampling method, namely the technique of determining the sample with certain considerations (Sugiyono, 2015).

2.2 Multiple linear regression

The following is the regression equation in this study:

$Y = +\beta 1ROA + e$ ...(1)

$Y = + 1ROA + 3CSR + 4ROA.CSR + e$ ...(2)

Information :

Y = Company Value

□ = Constant
1, 2, 3, 4, 5 = Regression coefficient
X1 =*Return on Assets*
X2 =*Corporate Social Responsibility*
X1X2 = Interaction between*Return on Assets*with CSR
e = Error (Error)

3. RESULTS AND DISCUSSION

3.1 Multiple Linear Regression Analysis

Based on the results of multiple analysis as follows:

Y1= 0.853 + 0.072ROA+ e ...(1)
Y2= 1.015 + 0.371$_{ROA}$– 0.295CSR+0.316ROA*CSR+ e ...(2)

The constant Y1 has a value of 0.853, which means that when the independent variable is 0 or constant, the firm value has a value of 0.853. While the constant value of Y2 is 1.015 which states that when the independent variable and moderating variable are 0 or constant, the firm value will increase by 1.015.

The regression coefficient value of the financial performance variable as proxied by ROA is 0.072, it can be explained that for every 1 unit increase in return on assets, the firm value will increase by 0.072. This concludes that any value of financial performance as proxied by ROA increases or decreases, it will have an impact on increasing or decreasing the value of the company. While the regression coefficient value of the financial performance variable proxied by ROA in moderation processing is 0.371, it can be explained that with every increase in financial performance proxied by ROA of 1 unit, the firm value will increase by 0.371.

The regression coefficient value of the CSR variable in moderation processing is -0.295, it can be explained that for every 1 unit increase in CSR, the value of the company will increase by -0.295. This concludes that each CSR value increases or decreases, it will have an impact on increasing or decreasing the value company.

3.2 Hypothesis test

The test results above can be seen that the significant value is 0.000 <0.05, and the t count is 5.522 > 1.661, which means that the financial performance variable proxied by ROA has a positive and significant effect on the firm value on the Indonesia Stock Exchange.

3.3 Model Feasibility Test (F Test)

The results of the F test above are obtained by F count of 16.394 with F table 3.09 where the value of F count is greater than F table, it can be concluded that the model is feasible or good to use.

3.4 Coefficient of Determination (R2)

The test results show the Adjusted R2 value of 0.245, then the dependent variable that can be explained by the independent variable is 24.5%. This shows that 24.5% of firm value variables can be explained by financial performance variables as proxied by ROA while the remaining 75.5% firm value (Tobin's Q) is influenced by other variables not included in this research model.

3.5 HYPOTHESIS TEST

a. ROA Variable with CSR as Moderation on Firm Value (Tobin's Q)

The test results of this study can be seen that the significant value is 0.011 <0.05, then Ha is accepted and Ho is rejected. While the t count value is 2.591> 1.661, which means that CSR can moderate the relationship between financial performance as proxied by ROA and firm value.

b. Model Feasibility Test with Moderating Variables (F Test)

Based on the F test, F count is 12.670 with F table 3.09 where the F count value is greater than Ftable and F count is 15.100 with F table 3.09, it can be concluded that the model is feasible or good to use.

c. Coefficient of Determination (R2) With Moderating Variable

The test results show the value of Adjusted R2 is 0.269, so the dependent variable that can be explained by the independent variable is 26.9%. This shows that Tobin's Q variance can be explained by the independent variable of financial performance which is proxied by ROA of CSR moderation. While the rest (100% - 26.9% = 73.1% and 100% - 31.0% = 69%) is explained by other reasons outside the model.

d. The Effect of Return on Assets (ROA) on Firm Value.

The test results above can be seen that the test results show a significant value of 0.000 <0.05, then Hadi Accepts and Ho is accepted. While the value of t count 5.522 > 1.661 means that the return on assets variable has a significant effect on firm value (Tobin's Q). These results can be concluded that ROA has a positive and significant effect on the firm value on the Indonesia Stock Exchange (IDX).

High financial performance will make investors or managers will try to increase the value of wealth as shareholders in the company. Thus, financial performance can be a mechanism to increase firm value. This is because financial performance is a valid description of the company's performance. whether the company has run the company well or not. The company's financial performance has an impact on a greater responsibility to investors and provides more pleasure to investors.

These results support previous research conducted by Ardimas and Wardoyo (2014), Harningsih, et al, (2019), Pradita and Suryono, (2019), Andriani, (2017), Nursasi, (2020), Prena and Muliyawan, (2020), Nainggolan and Wardayani, (2020) which state that the value of the company is determined by the strength of the capital and the utilization of the company's assets. This research shows that the bigger and better the financial performance, the higher the firm value. The results of this study are inversely proportional to the research conducted by Widiyawati and Listiadi (2014), in which the research results found that return on assets did not affect firm value.

e. The Effect of CSR Disclosure on ROA With Firm Value

The results of the tests that have been carried out prove that CSR is a variable that strengthens the relationship between ROA and firm value. This shows that the higher the CSR disclosure made by the company, the ROA value will increase so that investors will perceive that the company can generate profits so that the value of the company in the eyes of investors will also increase.

CSR is a social activity that is a legitimate activity to maintain the company's existence. In addition, companies that carry out CSR activities are companies that can manage costs and also have awareness about the importance of managing the environment. This activity is also good for the company's profit because this activity can provide benefits in the form of a promotional event for the company. Companies are more trusted by carrying out this activity, so the company greatly benefits from this activity.

These results support research conducted by Putri (2015), Pradita and Suryono, (2019), Andriani, (2017), Nursasi, (2020), Prena and Muliyawan, (2020) which found that CSR can moderate the relationship between ROA and value. company. This is because CSR is a social activity that must be carried out by companies whose activities are related to natural resources so that with CSR companies can set aside their profits for social activities to maintain company legitimacy.

4 CONCLUSION

Based on the results of data analysis with linear regression analysis that has been carried out, it can be concluded that the results of the study indicate that the financial performance variable proxied by ROA has a significant positive effect on firm value, this proves that the company can generate corporate profits from its total assets.

Disclosure of corporate social responsibility as a moderating variable can moderate the relationship between ROA and firm value. Social responsibility is very necessary so that the company can improve the company's reputation and will ultimately improve the company's overall performance.

Suggestions for further researchers are as follows, further researchers should use financial performance proxies and other company values such as: can use Economic Value Added (EVA) or Earning Per Share (EPS), Leverage or Price Book Value (PBV), Price Earning Ratio (PER), Net Profit Margin (NPM) or Operating Profit Margin (OPM).

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