



VALUE OF MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

By

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ABSTRACT

The importance of disclosing corporate social responsibility reports in the company's annual report can indirectly affect the high value of the company. Profitability which in this study is proxied by ROE is the company's ability to generate profits based on certain share capital. This study aims to obtain empirical evidence regarding the effect of Corporate Social Responsibility on company value with profitability as a moderating variable. This research was conducted at manufacturing companies listed on the IDX in 2018-2020. The sampling method used was purposive sampling. The number of companies that meet the criteria is 78 companies that have data related to the variables used. Data collection was done by using documentation method. The data analysis technique used is the Moderated Regression Analysis (MRA) test. Based on the research results, it shows that Corporate Social Responsibility has a significant positive effect on company value. This study also found that the profitability proxied by ROE was able to moderate the influence of Corporate Social Responsibility on company value.

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1. INTRODUCTION

Noerirawan (2012) states that company value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, since the company was founded until now. Company value is very important because it reflects the company's performance and stock prices that can affect investors' perceptions of the company. According to McWilliams and Siegel (2000), financial conditions are not sufficient to ensure the value of the company grows sustainably. Corporate sustainability will only be guaranteed if the company pays attention to the social and environmental dimensions. Mardiasari (2012), stated that the development of the business world in Indonesia is currently growing more rapidly, marked by the increasingly diverse number of new companies that have sprung up in Indonesia, causing increasingly fierce competition between business actors. At a time when many companies are growing rapidly, it will cause social inequality and environmental damage due to uncontrolled company activities on various resources to increase company profits. In addition to those directly related to the company, the community and the environment around the company also feel the impact caused by the company's operating activities. Therefore, there is also awareness that comes from companies in reducing these negative impacts, namely by developing what is called Corporate Social Responsibility (CSR).

Chariri (2008) argues that CSR disclosure can be used as a managerial tool to avoid social and environmental problems. According to Wondabio (2007), the company hopes that by implementing CSR or corporate social responsibility it will gain social legitimacy and will maximize financial measures for the long term. The more CSR activities disclosed by the company, the value of the company will increase because the market will give a positive appreciation to companies that carry out CSR as indicated by an increase in the company's stock price. Investors appreciate CSR practices and see CSR activities as a guideline for assessing the sustainability potential of a company. Therefore, in making investment decisions, many investors pay enough attention to the CSR disclosed by the company (Ghoul et al., 2011).

Various financial aspects within the company have a significant effect on company value, one of which is the profitability ratio. High profitability reflects the company's ability to generate high profits for shareholders. With a high profitability ratio owned by a company will attract investors to invest in the company. Profitability is proxied through Return On Equity (ROE) as a measure of company profitability. According to Brigham and Houston (2006), Return on Equity (ROE) is the ratio of net profit after tax to own capital. This ratio measures the rate of return on investment for shareholders. In general, the higher the ROE, the better the position of the owner of the company, resulting in a good investor assessment of the company which can increase stock prices and company value (Bhegawati&Mendra, 2021). CSR disclosure is allegedly influenced by several factors, one of which is profitability. Hackston and Milne (1996) and Sembiring (2005) state that a company that has high profitability should carry out its corporate social responsibility transparently. Research on CSR on company value shows inconsistent results. With the inconsistency of the results of the study, it shows that there are other variables that also affect the relationship between CSR and company value. Therefore, this study includes profitability as a moderating variable which is thought to contribute to strengthening the interaction between CSR and company value. Based on this, the purpose of this study is to determine the effect of Corporate Social Responsibility Disclosure on Company Value with Profitability as a Moderating Variable (Studies on manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020).

Waryanti (2009), states that the concept of corporate social responsibility has been known since the early 1970s, which is generally known as stakeholder theory, meaning as a collection of policies and practices related to stakeholders, values, compliance with legal provisions, community and environmental awards. , as well as the commitment of the business world to contribute to sustainable development. Stakeholder theory begins with the assumption that values are explicitly and undeniably part of business activities (Purwitasari, et al., 2021). The value of the company plays an important role in projecting the company's performance so that it can influence investors and potential investors of a company. Value is something that is desired if the value is positive in the sense that it is beneficial or pleasant and makes it easier for the party who obtains it to fulfill their interests related to the value. Conversely, value is something that is undesirable if the value is negative in the sense of harming or making it difficult for the party who obtains it to influence the interests of the party so that the value is shunned (Pabundu, 2012: 40). In this study, the ratio used in determining the value of the company is using Tobin's Q. According to Herawaty (2008), this ratio was developed by Professor James Tobin in 1967. If Tobin's Q is above one, this indicates that investment in assets generates profits that provide a higher value. higher than investment spending, this will stimulate new investment.

According to Riswari et al (2012), the concept of CSR as one of the important milestones in corporate management. The definition of CSR has been put forward by many researchers. Among them is the definition put forward by (Wibisono, 2007: 8), the company's responsibility to stakeholders to behave ethically, minimize negative impacts and maximize positive impacts which include social and environmental economic aspects in order to achieve sustainable development goals. According to Boone and Kurtz (2007), the notion of social responsibility (social responsibility) in general is management support for the obligation to consider profit, customer satisfaction and community welfare equally in evaluating company performance. Corporate Social Responsibility (CSR) is basically a necessity for corporations to be able to interact with local communities as a form of society as a whole. The corporate need to adapt and to derive social benefits from relationships with local communities, a social benefit of trust.

Crowther David (2008) in the book Nor Hadi (2011) describes the principles of social responsibility (social responsibility) into three, namely: (1) sustainability; (2) accountability; and (3) transparency. Sustainability relates to how the company in carrying out activities (actions) still takes into account the sustainability of resources in the future. Sustainability also provides direction on how to use resources now while taking into account and taking into account future generations. Thus, sustainability revolves around partisanship and the efforts of how society utilizes resources in order to pay attention to future generations.

According to Kusumadilaga (2010), profitability is a factor that gives management freedom and flexibility to carry out and disclose to shareholders social responsibility programs more broadly. The profitability of a company will affect the policies of investors on the investments made. The company's ability to generate profits will be able to attract investors to invest their funds in order to expand their business, otherwise a low level of profitability will cause investors to withdraw their funds. As for the company itself, profitability can be used as an evaluation of the effectiveness of the management of the business entity (Trisnayanti, et al., 2020). According to Brigham and Houston (2006), profitability is the end result of a number of company management policies and decisions. Thus, according to Nofrita (2013), it can be said that the company's profitability is the company's ability to generate net income from activities carried out in an accounting period. Investors invest shares in companies to get returns, which consist of yields and capital gains. The higher the ability to earn a profit. the greater the return expected by investors, thus making the value of the company better.

H1: Corporate Social Responsibility has a positive effect on company value

H2: Profitability is able to moderate the effect of Corporate Social Responsibility on company value.

2. RESEARCH METHOD

The location of this research is a manufacturing company listed on the Indonesia Stock Exchange in 2018-2020 which is accessed through the official website of the Indonesia Stock Exchange (www.idx.co.id). The reason for choosing a manufacturing company listed on the Indonesia Stock Exchange as the object of research is because manufacturing companies are large-scale companies when compared to other companies so that they can make comparisons between one company and another. The object of research is a scientific target to obtain data with certain purposes and uses about something objective, valid and reliable about something (Sugiyono, 2017). The object of research in this study is the value of the company contained in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020. In this study the source of data used in this study is secondary data that can be obtained from financial statements of manufacturing companies. Listed on the Indonesia Stock Exchange in 2018-2020 which can be downloaded through the website (www.idx.co.id).

The population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2017). The population in this study were manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020 totaling 147 companies. 3 year period. In this study the method used is the method of documentation. According to Sugiyono (2017) documentation is a method used to obtain data and information in the form of books, archives, documents, written numbers and pictures in the form of reports and information that can support research. Documentation is used to collect data and then reviewed. The analytical technique used in this research is to use the Moderated Regression Analysis (MRA) technique using the SPSS (Statistical Product and Service Solution) program. This technique is used to see the effect of Corporate Social Responsibility on company value with profitability as a moderating variable. The stages of analysis in this research are Classical Assumption Test, Formulation of Moderated Regression Analysis (MRA), Coefficient of Determination Analysis, Model Suitability Test, and Partial Test.

3. RESULTS AND ANALYSIS

Moderated Regression Analysis (MRA) is a data analysis technique used to determine the effect of the independent variable on the dependent variable and the ability of the moderating variable to moderate the effect of the independent variable on the dependent variable. The results of the MRA test are presented in Table 1 below.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.215	.522		.412	.681		
	CSRDI	5.535	2.141	.231	2.586	.010	.451	2.219
	ROE	22.472	4.044	1.153	5.557	.000	.083	12.002
	XM	-64.700	15.843	-.920	-4.084	.000	.071	14.151

a. Dependent Variable: TOBIN'S Q

Source: Data processed by Researchers (2021)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.418 ^a	.175	.164	2.29830	.175	16.273	3	230	.000	1.817

a. Predictors: (Constant), XM, CSRDI, ROE

b. Dependent Variable: TOBIN'S Q

Source: Data processed by Researchers (2021)

Based on Table 2 above, it can be seen that the value of the adjusted R square is 0.164 which means that 16.4% of the variation in changes in company value can be explained by CSR and profitability variables. While the remaining 83.6% is explained by other variables outside of the regression model used. The model feasibility test (F test) aims to test whether the model used in this study is feasible or not to be used as an analytical tool in testing the effect of the independent variable on the dependent variable. The results of the model suitability test in this study have been presented in Table 3.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	257.863	3	85.954	16.273	.000 ^a
	Residual	1214.897	230	5.282		
	Total	1472.760	233			

a. Predictors: (Constant), XM, CSRDI, ROE

b. Dependent Variable: TOBIN'S Q

Source: Data processed by Researchers (2021)

Based on the results of the model suitability test in Table 3 above, it can be seen that the value of the F test is 0.164 and the p-value (Sig.F) which is 0.000 is smaller than the significance level of = 0.05 (5%) which means that The regression model made is feasible to use. The t-test is used to determine the effect of each independent variable partially on the dependent variable and to determine whether the moderating variable is able to moderate the effect of the independent variable on the dependent variable. The t-statistical test was carried out by comparing the results of the significance value with = 0.05 and can be explained as follows:

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.215	.522		.412	.681		
	CSRDI	5.535	2.141	.231	2.586	.010	.451	2.219
	ROE	22.472	4.044	1.153	5.557	.000	.083	12.002
	XM	-64.700	15.843	-.920	-4.084	.000	.071	14.151

a. Dependent Variable: TOBIN'S Q

Source: Data processed by Researchers (2021)

The Effect of Corporate Social Responsibility on Company Value

The results of this study indicate that the regression coefficient of CSR is 5.535 and CSR has an effect on company value with a significance level of 0.010 which is smaller than 0.05. This result accepts hypothesis H1, this means that the size of the CSR ratio will affect the value of the company. This study shows that investors still respond positively to earnings information on CSR disclosure in making investment decisions. The greater the disclosure of CSR, the greater the value of the company, because investors are interested in investing in companies with a high level of disclosure of social responsibility. The company's profit in disclosing more CSR will make the company stronger. The company will maintain good relations with the community and the environment to maintain the company's survival. The existence of these advantages makes investors will consider CSR disclosures disclosed by the company. The results of this study are in line with the results of research conducted by Rustiarini (2010), which found that CSR disclosure has a positive effect on company value. The results of research by Jo and Harjoto (2011), also found that CSR disclosure has a positive effect on company value.

The Effect of Profitability Moderates the Relationship between CSR and Company Value

The test results using Moderated Regression Analysis (MRA) show that the regression coefficient of the interaction variable between company value and profitability is -64,700 with a significance value of 0.000 less than 0.05. This result accepts hypothesis H2, which means that profitability has an effect as a moderating variable that weakens the relationship between CSR disclosure and company value. The weak influence given by profitability to company value is due to the existence of companies that have disclosed CSR well but suffered losses resulting in low or minus profits. The higher the form of accountability will further improve the company's image and of course the company will become better so that it will be easier to attract investors and customer loyalty will also increase. High profitability does not guarantee an increase in corporate social responsibility, this is because high profitability does not guarantee that the company will increase the value of its social responsibility. The results of this study are in line with research conducted by Kusumadilaga (2010), the results of this study indicate that CSR disclosure has a positive and significant effect on company value and profitability. Similar to the research conducted by Putra (2007) which found that CSR had a positive effect on company value, and profitability was able to strengthen the influence of CSR on company value.

4. CONCLUSION

Corporate Social Responsibility has a significant positive effect on company value. The results of this study indicate that the size of CSR practices affects the increase in company value. This is in accordance with the theory that the company is not an entity that only operates for its own interests but must provide benefits to its stakeholders. Stakeholder satisfaction can be achieved by means, one of which is an increase in sustainable social responsibility.

Profitability as a moderating variable has a significant effect on the relationship between CSR and company value. However, the effect of profitability weakens the relationship between CSR and company value. This is because there are companies that have disclosed CSR well but have suffered losses, resulting in low or minus profits. Then the value of the company that rises when the company discloses CSR slightly decreases because the reported earnings are negative. The implementation of CSR programs that are not in accordance with the needs of the community causes disruption of the company's financial statements causing companies to be reluctant to implement CSR programs.

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