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The Effect of Corporate Social Responsibility Disclosure on Firm Value with Profitability as a Moderating Variables

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ABSTRACT. Indonesia's business economy, which is growing from day to day, has made corporate competition tighter. As a result, it creates social inequality and environmental damage in people's lives due to uncontrolled company activities aimed at increasing the company's value and profit. Therefore, currently, the disclosure of Corporate Social Responsibility is needed. The researcher aims to find whether Corporate Social Responsibility affects firm value and whether profitability can strengthen CSR disclosure on Firm Value. This study processed used the Moderate Regression Analysis method. There are 30 samples from 5 banking companies listed in the Sri Kehati Index for the period 2014-2019. Based on the results of research conducted using Eviews 10, it shows that the results of the disclosure of Corporate Social Responsibility have a positive and significant effect on firm value, and profitability has a positive and significant effect on strengthening the disclosure of Corporate Social Responsibility on Firm Value.

Keywords: *Corporate Social Responsibility, Profitability, Corporate Value.*

1. INTRODUCTION

The higher the progress and development of businesses in Indonesia, the higher the level of environmental damage and social inequality. It is due to the uncontrolled activities of the company towards various resources to increase company profits. The company's responsibility is not only to shareholders but also to parties interested in the company, such as investors, customers, suppliers, communities, and competitors. A business's success is how it contributes to the general public's welfare, not only customers, suppliers, and investors who get this welfare. Running an organization is inseparable from the environment and the surrounding community, resulting in a reciprocal relationship between the company and the community. The company urgently needs a positive response from the community. The company is a part of society, so the company must have a program that can benefit the surrounding environment, especially for the environment in which the company carries out its operations. A good company does not only optimize profit, but must participate in paying attention to the community environment.

Corporate Social responsibility (CSR) is no longer an option but accurately described as an obligation that companies must undertake to maintain the natural balance. Law No.440 of 2007 concerning Limited Liability Companies (PT) explains that companies whose business activities are in the field or related to natural resources must carry out social and environmental responsibilities. Current CSR arrangements are not only a commitment made by the company in carrying out responsibility for the activities carried out by the company but have become an obligation for the company to implement it.

Trisnadewi & Amlayasa (2020) found that profitability has a significant positive effect on firm value and firm size negative effect on firm value. CSR disclosure is proven to strengthen the relationship between profitability and firm value, but CSR weakens the relationship between managerial ownership and firm size and firm value. Chabachib et al., (2020) using purposive sampling, determined 267 manufacturing companies on the Indonesia Stock Exchange in the 2013-2017 period, analyzed using multiple and bivariate regression analysis. The results showed that ROA and company size had a positive effect on corporate public awareness. It can conclude that corporate social awareness could mediate the effect of leverage and firm scope on firm value, but it cannot mediate the effect of earnings on firm utility.

The results of research conducted by Zhang & Cui (2019), Bagus et al., (2019) dan Flammer et al., (2019) show that CSR has a significant positive effect on increasing firm value. In contrast to the research results found by Chen et al., (2017) CSR activities increase the costs of low-value companies and decrease firm value, which negative effect on stock returns. Zheng, (2006) used 521 companies listed on the Shanghai Securities Exchange in 2003 and conducted empirical research on the relationship between firm value and corporate social responsibility (CSR). In 2003, the more CSR activities a company carried out, the smaller the company's value. In the long term, based on primary stakeholder theory and social capital theory, CSR activities do not reduce firm value. The study also finds that company size, debt to asset ratio, and high-polluting industry categories significantly affect CSR activities. The company, last year's profitability, had a significant negative relationship with CSR activities. Nuswandari et al., (2019) found that profitability does not affect firm value, and CSR has a significant positive effect on firm value. There are still differences in research results that make this research necessary.

Research objectives in this study are to determine how the influence of disclosure of Corporate Social Responsibility (CSR) on firm value and determine how the influence of profitability moderates CSR disclosure on corporate value. The contribution of this research is to provide evidence that disclosure of Corporate Social Responsibility (CSR) affects firm value, and profitability moderates CSR disclosure on corporate value.

2. LITERATURE REVIEW AND HYPOTHESES

Investors need to consider the pattern of corporate CSR activities in making economic decisions (Hwa et al., 2016). CSR is an investment to increase product differentiation that allows companies to benefit from higher profit margins (Albuquerque et al., 2018). CSR has a positive impact on financial performance (Maqbool & Zameer, 2018). In Indonesia, China, and Indonesia, CSR disclosure and company profitability have a significant and positive influence on firm value, and corporate governance indirectly affects firm value through mediating CSR disclosure (Anom et al., 2019). Stakeholder theory explains that stakeholders can influence the sustainability of a company. This theory hoped that the company could meet stakeholders' expectations with the CSR program disclosed in the company's annual financial report. Tarigan et al., (2019) stated that CSR serves as a tool to help shareholder value and performance. Therefore, companies must incorporate CSR practices to enhance their strategic investments and maintain strong relationships with their stakeholders. Furthermore, management must also pay attention to good corporate governance to improve company performance by supervising and monitoring company operations, ensuring compliance for stakeholders' interests.

Kim & Park, (2018) found that the relationship between CSR and firm value is weaker in companies with high broad shareholder ownership than in companies with low, broad shareholder ownership. Zolotoy et al., (2019), Ronald et al., (2015) found that CSR can increase firm value. Sheikh, (2018) found that CSR is an investment that increases value only when market competition is high, or product fluidity is high, and CSR's strength affects firm value, but CSR concerns have no effect on firm value Yoon & Chung, (2018) found that internal CSR increases its operational profitability but has no effect on its market value. Based on this, the hypotheses that can develop are:

H1: CSR has a positive and significant effect on firm value profitability is a company's ability to generate profits in one period; the company must be consistent in reporting or attaching all information related to its financial statements. Because the company can be said to be good if the company can generate good profitability. When the company's profitability is good, it indicates that the company's performance is by reviewing its stock price, which is attached to its financial statements. Investors will be very interested in the company's profitability increases. The increasing profitability indicates the more significant the company's profit so that the company can increase CSR activities or social responsibility and can disclose social responsibility in the form of an annual report more widely.

Servaes et al., (2013) stated that CSR activities could add value to the company. Sugosha et al., (2020) researched the Pharmaceutical Industry on the Indonesia Stock Exchange for the period 2013- 2018, with a total sample of 42 obtained by purposive sampling technique and analyzed by the path analysis method. The results showed that foreign ownership had a significant positive effect on profitability but had no significant positive effect on firm value. Managerial ownership has no significant positive effect on profitability and does not significantly negatively affect firm value. Institutional ownership does not have a significant positive effect on profitability and firm value. Firm size has a significant positive effect on profitability but has no significant positive effect on firm value. Profitability has a significant positive effect on firm value. The results showed that profitability was able to mediate foreign ownership of firm value and profitability to mediate firm size to firm value. Based on this, the following hypotheses can develop:

H2: profitability has a positive and significant effect on strengthening CSR disclosure on firm value

3. METHODS

CSR disclosure is measured using a list of social responsibility disclosures, namely by giving a score of "0" for each item that is not disclosed in the company's annual report and giving a score of "1" for each disclosed item. CSR disclosure with the Sustainability Reporting Guidelines obtained from the Global Reporting Initiative (GRI). Profitability in this study was proxied using Return on Assets (ROA). This study's dependent variable is firm value with the following formula: Firm value is proxied by Tobin's Q. Tobins Q = (market capitalization + Total Liabilities) / Total Asset. The population of this study was 5 banking companies listed on the IDX. This study uses the 2014-2019 research period. The banking companies used as samples in this study were five banking companies listed on the Sri Hepatic Index, namely Bank BCA, Bank BRI, Bank BTN, Bank BNI, Bank Mandiri. Data collected from the website http://www.idx.co.id/. This research model is

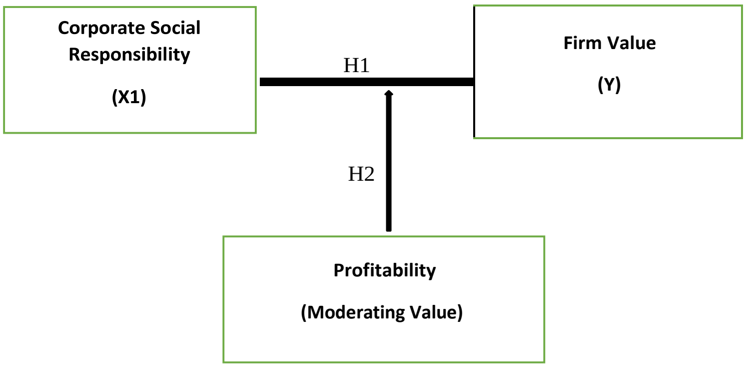

Fig. 1 Research Design

This study uses Multiple Linear Regression analysis techniques and Moderated Regression Analysis (MRA) using the EViews program. The steps taken are calcic assumption test, regression analysis model formulation, determination coefficient, model suitability test, and t statistic test. The operational definition of the variables used in CSR disclosure measured using a list of social responsibility disclosures, namely by giving a score of "0" for each item not disclosed in the company's annual report and giving a score of "1" each item disclosed. The analysis used in this study is multiple linear regression analysis with Moderated Regression Analysis (MRA). MRA is a unique application of multiple linear regression where the regression equation contains an element of interaction (multiplication of two or more independent variables). The regression model estimation results using three approaches, namely, Pooled Least Square, Fixed Effect Model, and Random Effect Model. The data collected and analyzed using statistical analysis tools, namely:

$Y = \alpha + \beta_1 X_1$ (4) $Y = \alpha + \beta_1 X_1 + \beta_2 X_m + \beta_3 X_1 X_m + e$ (5)

Information:

Y : Firm Value

α : Constant

β_1 - β_2 : Regression Coefficient

X_1 : Corporate Social Responsibility

X_m : Profitability

X_1X_m : Interaction between CSR and Profitability

E : Error Term.

4. RESULT AND DISCUSSION

Based on Table 1, the mean is 0.024977, with a minimum value of 0.000000 and a maximum value of 0.047300 and a standard deviation value of

0.016360. From the data from table 1, it can conclude that the mean is greater than the device standard so that the deviation of the data can be said to be quite useful because the data changes do not move variably.

TABLE 1. Descriptive Analysis

	CORPORATE VALUE	CSR	PROFITABILITY	CSRPROFITABILITY
Mean	0.324521	0.733333	0.030063	0.024977
Median	0.280493	1.000000	0.031600	0.030900
Maximum	0.897570	1.000000	0.047300	0.047300
Minimum	0.072873	0.000000	0.011200	0.000000
Std. Dev.	0.211903	0.449776	0.010005	0.016360
Skewness	1.106385	-1.055.290	-0.457256	-0.679026
Kurtosis	3.626536	2.113636	2.127007	1.874964
Jarque-Bera	6.611128	6.550232	1.998059	3.887516
Probability	0.036679	0.037812	0.368237	0.143165
Sum	9.735642	22.00000	0.901900	0.749300
Sum Sq. Dev.	1.302182	5.866667	0.002903	0.007762
Observations	30	30	30	30

The Chow test determines the best data method used in this study, whether to use the Pooled Least Square or the Fixed Effect Model. Determining the best model is done by comparing the probability value with a significance level of alpha α = 5%. If the probability value <α, then H0 is rejected. The results obtained in this study after processing data are as follows:

TABLE 2. Chow Test

Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	26.011170	(4,22)	0.0000
Cross-section Chi-square	52.367820	4	0.0000

The chow test results for this model have a probability value of f 0.0000 smaller than α = 0.05 so that H0 command effects rejected and H1, namely fixed effects, are accepted, so the model that matches the results of this chow test is fixed effects. Based on Table 3, the Husman test shows a significance value of 0.00, or this significance value is smaller than the level α = 0.05, so h0 or random effect is rejected, and H1 or Fixed Effect is accepted. So, it can be interpreted that the fixed effect model is better than the random effect model

TABLE 3. Hausman Test

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		36.078817	3	0.0000
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
CSR	0.188730	0.139074	0.000449	0.0191
PROFITABILITY	11.541267	22.219672	7.630986	0.0001
CSR_ROA	-9.926703	-10.046663	0.403414	0.8502

Table 4, the normality test, illustrates that in this study, it normally distributed. It descriptive from the probability value of 0.0895491, which is greater than the degree of error 0.05 so that this model normally distributed.

TABLE 4. Normality Test

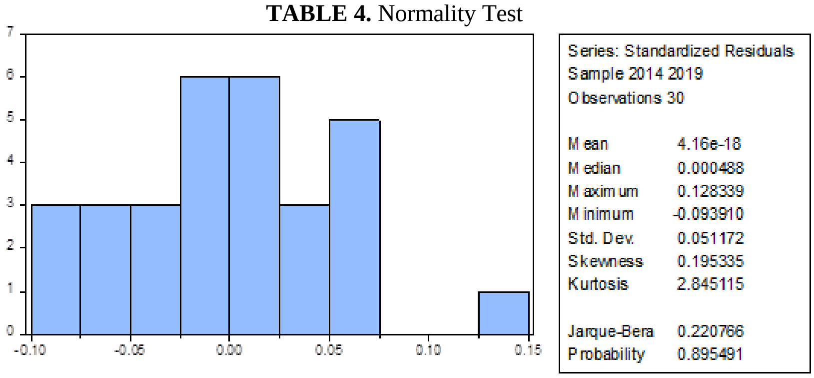

Table 5 shows the correlation value above 0.8 between Csr, profitability, and Csr-Roa experiencing multicollinearity problems, which means that the variables have a relationship with the previous year.

TABLE 5. Multicollinearity Test

CSR	PROFITABILITY	CSR_ROA	CSR
	1.000000	0.600415	0.910360
PROFITABILITY	0.600415	1.000000	0.816091
CSR_ROA	0.910360	0.816091	1.000000

For the heteroscedasticity test is using treated residues with the dependent variable. The results of data processing with residuals show that the probability value for the CSR variable is 0.6851, the profitability is 0.2456, and csr_roa is 0.4167, where the probability value is above 0.05. These variables prove that CSR's dependent variable does not have a heteroscedasticity problem, and the profitability and csr_roa variables used in this study do not have a heteroscedasticity problem.

TABLE 6. Heteroscedasticity Test

Dependent Variable: RESABS
Method: Panel Least Squares
Date: 07/05/20 Time: 14:07
Sample: 2014 2019
Periods included: 6
Cross-sections included: 5
Total panel (balanced) observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.085280	0.045177	1.887664	0.0723
CSR	-0.015195	0.036981	-0.410889	0.6851
PROFITABILITY	-2.099094	1.759721	-1.192856	0.2456
CSR_ROA	1.133474	1.369254	0.827804	0.4167

The Durbin-Watson stat value is 1.325118, with the number of independent variables being three variables x. The number of research observations was 40 observations, with a DL value of 1.2138 and DU 1.6498 in the Durbin-Watson table, henceforth 4-DL = 2.7862, 4-DU = 2.3502. Based on the table, the data show the Durbin-Watson value of 1.4332 exceeds the DL area 1.2138, so there is an undecided autocorrelation, which means that the past influences the correlation that occurs in time series data between observations in these three variables.

TABLE 7. Autocorrelation Test

Positive Autocorrelation	Undecided	There is no autocorrelation	Undecided	Negative Autocorrelation
0 **dL**	1.2138- 1.4332 **dU 2**	1.6498 **4-dU**	2.7862 **4-dL**	2.3502 **4**

From the results of the MRA regression analysis above it show that the value of the company for the 2014-2019 period in banking companies listed in the Sri Kehati Index for CSR obtained a prob. value of 0.0349 <0.05, explaining that CSR has a positive and significant effect on the dependent variable of Firm Value. This MRA test results obtained a profitability value of 0.0085 <0.05; it shows that profitability has an effect and is significant in strengthening CSR on firm value. The more ROA, the company, generates, the higher the disclosure made.

TABLE 8. Moderated Regression Analysis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.086454	0.102518	0.843305	0.4081
CSR	0.188730	0.083918	2.248989	0.0349
PROFITABILITY	11.54127	3.993207	2.890225	0.0085
CSR_ROA	-9.926703	3.107148	- 3.194795	0.0042

From table 8, it can show that the acquisition of an R-squared value of 0.941684 means 94% and an Adjusted R-Squared of 0.923129 means that 92% where this value explains that the influence between the independent variables of Corporate Social Responsibility and Profitability on the dependent variable is very simultaneous (together equal) has an effect of 92%. In contrast, the rest (100% - 92% = 8%) influenced by other variables outside the regression variables that do not examine.

TABEL 9. Determination Coefficient Test

R-squared	0.941684	Mean dependent var	0.324521
Adjusted R-squared	0.923129	S.D. dependent var	0.211903
S.E. of regression	0.058751	Akaike info criterion	-2.607824
Sum squared resid	0.075938	Schwarz criterion	-2.234171
Log likelihood	47.11736	Hannan-Quinn criter.	-2.488289
F-statistic	50.75067	Durbin-Watson stat	1.433206
Prob(F-statistic)	0.000000		

Table 9 shows the probability value (F-statistic) of 0.000000, where this value is smaller than the significance level α = 5% (0.0000 <α). It means that the CSR variables together affect the firm value variable.

TABLE 10. Statistical F Test

F-statistic	50.75067
Prob(F-statistic)	0.000000

Table 10 T-test for the CSR variable shows a coefficient value of 0.188730 with a probability value of 0.0349. With a significance level of <5%, it means that the first hypothesis is accepted. It means that the CSR variable does not have a significant effect on Firm Value. The profitability variable shows a coefficient value of 11.54127, with a probability value of 0.0085. With a significance level of <5%, it means that H0 is accepted. It means that the profitability variable has a significant effect on Firm Value. The CSR_ROA moderation variable shows a coefficient value of -9.926703 with a probability value of 0.0042. With a significance level of <5%, it means that H0 is accepted. It means that the CSR_ROA moderation variable can strengthen the company's value.

TABLE 11. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.086454	0.102518	0.843305	0.4081
CSR	0.188730	0.083918	2.248989	0.0349
PROFITABILITY	11.54127	3.993207	2.890225	0.0085
CSR_ROA	-9.926703	3.107148	-3.194795	0.0042

5. CONCLUSION

This study shows that the results of the disclosure of Corporate Social Responsibility have a positive and significant effect on firm value, and profitability has a positive and significant effect on strengthening the disclosure of Corporate Social Responsibility on Firm Value for the period 2014-2019. This study's results are in line with the theoretical basis used, namely the theory of stakeholders and legitimacy. This research can prove that CSR is a form of disclosure made by every company to provide information to investors and stakeholders regarding its contribution to the natural and social environment around the company in carrying out operational activities. This study concludes that profitability can strengthen Corporate Social Responsibility (CSR) towards firm value, profitability proxied by using ROA can moderate the effect of CSR disclosure on firm value in banking companies listed on the Sri Kehati Index, IDX Indonesia. Suggestions for further research using variables other than those studied in this study and using a more extended research period.

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