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Disclosure of Corporate Social Responsibility in Moderating the Effect of Financial Performance on Firm Value

[1]Prisna Meiga Sari, [2]I Dewa Gede Dharma Suputra
[1]*(Faculty of Economics and Business, Udayana University (Unud), Bali,Indonesia)*
[2]*(Faculty of Economics and Business, Udayana University (Unud), Bali,Indonesia)*

ABSTRACT: One of the ways to maximize company value is through financial performance. However, financial conditions are not sufficient to guarantee the company's value to grow sustainably. CSR disclosure is expected to strengthen financial performance in increasing company value. The study aims to obtain empirical evidence regarding CSR disclosure as a moderating effect of financial performance on the value of mining sector companies listed on the IDX for the 2017-2019 period. The sampling method used was nonprobability sampling method with purposive sampling technique. The number of samples was 54 observations. The data analysis technique used is Moderated Regression Analysis. The results of the study found that financial performance has an effect on firm value. CSR disclosure is able to strengthen the effect of financial performance on firm value.

KEYWORDS: *Financial performance; CSR disclosure; The value of the company*.

I. INTRODUCTION

In investing in stocks, investors must analyze the factors that can affect the condition of the company. The stock price of a company reflects the central assessment of all market participants, the market price acts as a barometer of the company's management performance. High share prices make the company value high and increase market confidence not only in the company's current performance but also in the company's future prospects (Damayanthi, 2019). Firm value is the investor's perception of the company's success rate in being able to provide maximum shareholder prosperity with the increase in the company's share price (Putri and Wirakusuma, 2019).

One of the ways to maximize company value is through financial performance. The better the numbers listed on the company's profit / loss statement, the better the value of the company is because the prosperity of shareholders lies in the company's shares. Financial performance in this study is proxied by the Return on Assets (ROA) which measures the rate of return on assets after deducting interest and taxes. The higher the ratio, the better the company's performance because the return is greater. The existence of a greater return will attract investors to invest in the company so that in turn, it will have an impact on the increase in stock prices due to increased demand for these share prices. This increase in profit is indicated by an increase in the use of its assets, namely to produce products to be sold so as to obtain an increase in profits. With increased profits, the dividends to be distributed to shareholders will increase. A large dividend distribution will increase investors' interest to invest, so that the demand for their shares will increase. If the demand for shares increases, the stock price will increase so that the company value will increase.

However, when a company is getting bigger and growing, the profit earned by the company is no longer the only concern for the company. Other aspects are also important for the company such as social and environmental aspects. One of the ways that companies can pay attention to social and environmental aspects is by carrying out Corporate Social Responsibility (CSR) and making disclosures of their activities. Corporate Social Responsibility (CSR) and disclosure made by companies can build a good image and name for the company, because the increasing competition in the business sector causes companies to compete to build a good image and name for the company. Mining companies are examples of industries that are obliged to implement Corporate Social Responsibility (CSR) and disclose it in the annual report because their business activities utilize natural resources which have a direct impact on the environment.

Signal theory explains why companies present information for the benefit of the capital market (Wolk and Dodd, 2017: 3). Good financial performance is a positive signal to investors that the company is in a favorable condition. A high ROA value is a positive signal to investors that the company is in a favorable condition. This is an attraction for investors to own company shares and will increase stock prices so that the company value increases. The results of this study are in line with research conducted by Pratama and Wirawati (2016), Ayu and Suarjaya (2017) which state that profitability is proxied by return on assets (ROA) has a positive effect on firm value. The results of this study contradict the results of research by Suranta and Medistusi (2004) which found return on assets (ROA) has a negative effect on firm value.

The inconsistency of the results of previous research regarding the effect of financial performance on firm value is the basis and motivation for including disclosure of Corporate Social Responsibility (CSR) as a moderating variable. The inclusion of CSR disclosure as a moderating variable in this study with the argument that financial conditions are not sufficient to guarantee the value of the company to grow sustainably. Based on an economic perspective, companies will disclose information if the information can increase company value. Companies will gain social legitimacy and maximize their financial strength in the long run through CSR disclosure (Maemunah, 2005).

Signal theory explains that managers provide a signal to parties who have an interest in the company to reduce information asymmetry. Companies can use reports on Corporate Social Responsibility (CSR) to reduce information asymmetry, as a signal to provide information to stakeholders that the company has good information. The purpose of CSR disclosure is to provide a signal to investors that the company not only provides financial information but also cares about the environment around the company. Thus these signals can attract investors and can build a company image. Disclosure of CSR activities is a good signal for investors and stakeholders that the company has been active in CSR activities so that the company's value is in a good position and can make the company's social performance good. CSR disclosure can be one way in a management strategy to be accountable to all stakeholders. Companies that carry out CSR activities will be able to satisfy the needs of stakeholders so that the company will also get benefits in the form of good corporate value. The legitimacy theory explains how the company's siding with its social environment in managing the company will be responded to by the market and the sustainability of the company will be maintained. This means that in addition to seeing the company's ability to generate profits, the market also responds to the company's CSR disclosures.

Previous research conducted by Dewi (2018) stated that there is a significant and positive relationship in CSR disclosure in moderating the effect of the profitability relationship on firm value, this means that CSR disclosure is able to strengthen the relationship between profitability and firm value. CSR disclosure as a company strategy can be done to provide a good corporate image to external parties. Companies can maximize shareholder capital, company reputation, and long-term viability of the company by carrying out CSR and disclosure. The results of this study are in line with research conducted by Malino (2017), Munawaroh and Maswar (2014), Indraswari and Astika (2015) and Hermawan and Maf'ulah (2014).

Based on the theory and research results, the following hypothesis can be proposed.

H1: Return on Assets (ROA) has a positive effect on firm value..

Return on Asset is a ratio that measures the ability of capital invested in all assets to generate net profit. The net profit is the net profit after tax. A high Return On Asset (ROA) value is a positive signal for investors that the company is in a favorable condition. This attracts investors to own shares in the company and will increase the share price so that the company's value increases.

H2: Disclosure of Corporate Social Responsibility (CSR) strengthens the positive influence of Return On Assets (ROA) on firm value.

According to Anggraini (2006) the higher the level of company profitability, the greater the disclosure of social information by the company. This is because in addition to financial performance, something that investors consider before deciding to invest in a company is the disclosure of Corporate Social Responsibility (CSR) items in the financial statements. Disclosure of Corporate Social Responsibility (CSR) is expected to be an added value that will increase investors' confidence that the company will continue to develop and be sustainable. Consumers will appreciate companies that disclose Corporate Social Responsibility (CSR) more than companies that do not disclose Corporate Social Responsibility (CSR). They will buy products where a portion of the profit from the product is set aside for the benefit of the social environment, for example for scholarships, construction of community facilities, environmental conservation programs, and so on. This will have a positive impact on the company, in addition to building a good image in the eyes of stakeholders because of the company's concern for the social environment, it will also increase company profits through increased sales. Thus the value of Return On Assets (ROA) will increase so that it will attract the attention of investors to invest and have an effect on improving the performance of shares on the stock exchange. So it can be concluded that the disclosure of Corporate Social Responsibility (CSR) will strengthen the effect of financial performance on firm value.

II. METHODS

The data collection method used is the collection of data obtained through the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id. The location of this research was conducted at all mining companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. The object of this research is company value which is influenced by financial performance as proxied by Return On Assets (ROA) and Disclosure of Corporate Social Responsibility (CSR) in mining sector companies listed on the IDX for the 2017-2019 period.

The population in this study were all mining sector companies listed on the IDX for the 2017-2019 period, totaling 141 companies. Sampling in this study using nonprobability sampling method with purposive sampling technique. The dependent variable in this study is firm value as measured using the Price to Book Value (PBV) ratio. The independent variable in this study is financial performance which is proxied by Return On Assets (ROA). The moderating variable in this study is the Disclosure of Corporate Social Responsibility (CSR). Disclosure of Corporate Social Responsibility (CSR) is measured using the G4 Version of the Global Reporting Initiative (GRI) index of 91 items with reference to three aspects.

The data analysis technique used in this research is Moderated Regression Analysis (MRA) with Interaction Test. The regression model is shown in the following equation:

$Y = \alpha + \beta 1X + \beta 2M + \beta 3XM + e$ ………………………………………………..… (1)

Information

Y = Firm Value

α = Constant

β = Regression Coefficient

X = Financial Performance

M = Disclosure of Corporate Social Responsibility

XM = Interaction between Financial Performance and Corporate Social Responsibility Variables

e = Error

III. RESULT ANDDISCUSSION

Descriptive statistics are presented to provide information about the characteristics of the research variables, namely the number of samples, the maximum value, the minimum value, the average value and the standard deviation. The results of the descriptive statistics of this study can be seen in Table 1. as follows:

Tabel 1. Descriptive Test Results

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Nilai Perusahaan	54	0,22	6,42	1,4178	1,37791
ROA	54	-0,7	38,03	8,5715	8,49624
CSR	54	0,41	0,66	0,5128	0,06957
Valid N (listwise)	54				

Sumber: Data Penelitian, 2020

Based on Table 1. The average PBV value of 1.4178 tends to be lower than the maximum value of 6.42 which means that the average company has not been able to increase firm value. Firm Value has an average value of 1.4178. The minimum value held by a DOID company in 2019 was 0.22 and the maximum value owned by a BYAN company in 2017 was 6.42. The standard deviation of the company value is 1.37791. This shows that the difference in the value of the company to the average is 1.37791.

The average value of Return On Assets (ROA) is 8.5715. The minimum value owned by INCO company in 2017 was -0.7 and the maximum value owned by BYAN company in 2017 was 38.03. The standard deviation of Return On Assets (ROA) is 8.49624, this means that there is a difference in the value of the Return On Assets (ROA) that has been studied against the average value of 8.49624.

The average value of the Corporate Social Responsibility (CSR) Disclosure (M) is 0.5128. The minimum value held by KKGI companies in 2018 was 0.41 and the maximum value owned by ITMG companies in 2017 AND ANTM in 2018 was 0.66. The standard deviation of the Disclosure of Corporate Social Responsibility (CSR) is 0.06957, this means that there is a difference in the value of the Corporate Social Responsibility (CSR) Disclosure that has been studied against the average value of 0.06957.

Data normality testing in this study was carried out using the Kolmogorov-Smirnov test with the help of the Statistical Software Package for the Social Science (SPSS) for Windows. The results of the normality test are presented in Table 2. As follows:

Tabel 2. Kolmogorov-Smirnov normality test results.

		Unstandardized Residual
N		54
Normal Parameters[a,b]	Mean	0
	Std. Deviation	0,75552387
Most Extreme Differences	Absolute	0,114
	Positive	0,114
	Negative	-0,064
Test Statistic		0,114
Asymp. Sig. (2-tailed)		,078[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Sumber: Data Penelitian, 2020

Based on Table 2. Asymp value. Sig (2-tailed) in table 4.3 shows that it is greater than the level of significance of 0.05 used, it can be concluded that the residuals of data are said to be normally distributed.

The autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding error in period t and confounding error in period t-1. This test was carried out with the Durbin-Watson Test, the Autocorrelation Test Results are presented in Table 3. As follows:

Tabel 3. result Autokorelasi Durbin-Watson

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,836[a]	0,699	0,688	0,7702	2,085

a. Predictors: (Constant), CSR, ROA

b. Dependent Variable: Nilai Perusahaan

Sumber: Data Penelitian, 2020

The Durbin-Watson test listed in Table 3 has a value of 2.085 (d = 2.085). The "d" value will be juxtaposed with the "du" and "dl" values where the "du" and "dl" values with a sample size of 54 are dl = 1.4851 and du = 1.6383. When juxtaposed, there is no correlation where du <d <4-du (1.6383 <2.085 <2.3617).

Heteroscedasticity test is proposed when the regression model is different in variance from the residuals of one observation to another. If the residual variance from one observation to another is constant, it is called homoscedasticity and if it is different it is called heteroscedasticity (Ghozali, 2016). The results of the Heteroscedasticity Test are presented in Table 4 as follows:

Tabel 4 result Heterokedastisitas Glejser

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,762	0,473		1,61	0,113
	ROA	0,049	0,028	0,387	3,02	0,070
	CSR	0,75	0,905	0,106	0,83	0,411

a. Dependent Variable: abs_RES

Sumber: Data Penelitian, 2020

The Heteroscedasticity test in the table shows that the significance value of the Return On Assets (ROA) variable is 0.070 and the CSR Disclosure variable is 0.411, thus the significant value> 0.05 means that heteroscedasticity does not occur.

Tabel 5 ***Moderated Regression Analysis***

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-0,45	1,074		-0,419	0,677
	ROA	0,458	0,11	2,822	4,155	0,000
	CSR	1,526	2,103	0,077	0,725	0,472
	ROA*CSR	0,645	0,218	2,024	2,963	0,005

a. Dependent Variable: Nilai Perusahaan

Sumber: Data Penelitian, 2020

The regression model formed based on Table 5 above is as follows,

$$Y = -0{,}45 + 0{,}458X + 1{,}526M + 0{,}645XM + e$$

Based on the results of the moderated regression analysis test, the sig value of the ROA variable is 0,000 and the significance value of ROA * CSR is 0.005, this means that the significance is less than 0.05. These results indicate that the disclosure of Corporate Social Responsibility (CSR) strengthens the positive effect of Return On Assets (ROA) on firm value or H2 is accepted.

The coefficient of determination is the amount of the independent variable's contribution to the dependent variable. The higher the coefficient of determination, the higher the ability of the independent variables to explain the variation of changes in the dependent variable. The coefficient of determination is between zero and one (Ghozali, 2016). The results of the coefficient of determination of this study can be seen in Table 6 below:

Tabel 6 Test result Koefisien Determinasi

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,822[a]	0,675	0,669	0,79286	2,131

a. Predictors: (Constant), ROA

b. Dependent Variable: Nilai Perusahaan

Sumber: Data Penelitian, 2020

Based on the output table above, it is known that the coefficient of determination or R Squer is 0.675. This value can be interpreted that 67.5% of financial performance simultaneously (together) has an effect on firm value while 32.5% is influenced by other variables.

The F statistical test is used to see the feasibility of the research model. The F test basically aims to see whether all the independent or independent variables referred to in the model have a simultaneous influence on the dependent or dependent variable. The results of the F test can be seen from the results of the processed SPSS regression by comparing the significance level of F count with $\alpha = 0.05$. If the significant level $F < \alpha = 0.05$ then this can be said to be feasible. Conversely, the significant level of $F \geq \alpha = 0.05$, the regression equation model can be said to be unfit for testing (Ghozali, 2016). The Simultaneous Test Results (Test F) of this study can be seen in Table 7 below:

Tabel 7 Test result Simultan (Uji F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67,939	1	67,939	108,074	,000[b]
	Residual	32,689	52	0,629		

Total	100,628	53

a. Dependent Variable: Nilai Perusahaan

b. Predictors: (Constant), ROA

Sumber: Data Penelitian, 2020

Based on Table 7, it is known that the F Test value in the sig table is 0,000. The sig value is 0,000 <0.05, so as the basis for decision making in the F test it can be concluded that financial performance simultaneously (together) has a significant positive effect on firm value.

Hypothesis testing is carried out to test each hypothesis or the effect partially (per independent variable) on the dependent variable (Ghozali, 2016: 98). This test can be done by observing the regression results processed using the SPSS program, namely by comparing the significance level of each independent variable α = 0.05. If the significant level is t <0.05, the hypothesis proposed in this study is accepted (Ghozali, 2016). The results of the hypothesis test (t test) of this study can be seen in Table 8 below:

Tabel 8 hipotesis test result (Uji t)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,276	0,154		1,789	0,079
	ROA	0,133	0,013	0,822	10,396	0,000

a. Dependent Variable: Nilai Perusahaan

Sumber: Data Penelitian, 2020

Based on the output table, it is known that the t test value in table 4.9 is equal to 0.000. The sig value is 0,000 <0.05, so as the basis for decision making in the t test it can be concluded that financial performance has an effect on firm value or H1 is accepted.

IV. CONCLUSION

The results of this study indicate that Return on Assets (ROA) has a positive effect on firm value. Stakeholders of the company in using the aspect of company value should think about the number of assets and net income of the company to determine the causes and effects that occur on company value. The results of this study indicate that the disclosure of Corporate Social Responsibility (CSR) strengthens the positive influence of Return On Assets (ROA) on firm value. Stakeholders of the company in using the aspect of company value should also consider the company's Corporate Social Responsibility (CSR) reporting as a basis for assessing the causes and effects that occur on company value. This study only has an R square value of 67.5%. This research in the independent variable can only explain the effect of the dependent variable by 67.5%. Furthermore, it is expected to be able to use other variables in assessing the factors that affect firm value.

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