THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN MODERATING THE INFLUENCE OF FINANCIAL PERFORMANCE, ENVIRONMENTAL PERFORMANCE, AND COMPANY SIZE ON FIRM VALUE

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ABSTRACT

Firm Value can be known as a specific situation that had been reached by an entity, reflecting the public's trust in the company after undergoing a series of activities for several years, from its establishment to the present. This research aims to determine the Corporate Social Responsibility (CSR) role in moderating the influence of financial performance, environmental performance, and company size on Firm Value. The population used are all the manufacturing sector companies on IDX from 2017 to 2021. Sample selection is applying the method of purposive sampling. The selected sample for this study includes 35 companies chosen according to predetermined criteria. The methods of data analysis applied are multiple linear regression and moderation regression analysis. The research results indicate that ROA, ROE, Environmental Performance, and Size of the Company significantly influence Firm Value. Corporate Social Responsibility successfully moderates the relationship between company size and Firm Value, but it does not successfully moderate the correlation of ROA, ROE, and Environmental Performance with Firm Value.

Keywords: Firm Value, Financial *Performance, Environmental Performance, Company Size and Corporate Social Responsibility*

INTRODUCTION

The importance of corporate value makes creditors and also investors more aware and selective in investing or providing credit funding to a company. A high corporate value can enhance the attractiveness of investors and shape perceptions of the company's success. As the stock price of a company increases, its corporate value rises as well, with the expectation that this high corporate value will boost market confidence in the company's performance and prospects (Tarczyyskia, 2020).

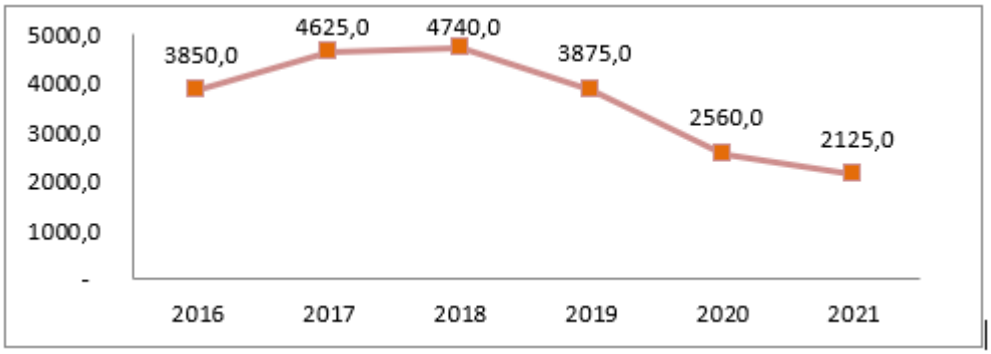

Figure 1: Development Graph of Average Stock Prices of Manufacturing Companies Year 2016 – 2021 (In Indonesian Rupiah)

The phenomenon in Figure 1.1 above shows a decline in the average prices of stock of manufacturing companies registered on IDX. The stock prices have been decreasing from 2019 until the end of 2021. This phenomenon indicates a decline in the corporate value of most manufacturing sector companies. When stock prices continuously experience a significant long-term decrease, it can lead to losses for the companies during the period of declining stock prices. Therefore, it can be concluded that the corporate value of manufacturing companies in the period 2016-2021 has experienced fluctuations.

In recent times, especially throughout 2019, there has been a significant decline in the market of capital in the industry of manufacturing in Indonesia. CNBC (2020) states that various industries, including the automotive and components industry, experienced a 7.03% decline since the beginning of the year, in line with the overall decline in this business Among 13 companies engaged in the automotive sector, 11 stocks experienced a decline since the beginning of the year, only one stock that has become strengthened, and one stock remained stagnant, based on IDX (BEI) data.

The most affected stock was PT Indo Kordsa Tbk (BRAM) with a decline of 39.81%, with the last price at Rp 6,500 per share. BPS Head, Suhariyanto, stated that the manufacturing business in the fourth quarter of 2019 increased by 3.66%, lower than in 2018 which reached 4.25%. Despite being affected by the pandemic of Covid-19, the number of investors in the capital market increased significantly, with a total increase of 3.02 million investors in 2020, or in other words, an increase of 22% from the previous year. This indicates a high interest from investors to invest in companies in Indonesia. However, this increased investor interest must be supported by an improvement in company performance because investors will analyze and assess before making investment decisions to reduce future risks. Although the capital market in Indonesia has experienced a significant increase, the stock prices of most companies have undergone a drastic decline.

Based on the phenomenon above related to the fluctuation of corporate value, maintaining a high corporate value is crucial to ensure a favorable position. A high corporate value can bring profits to its shareholders, while a decline in corporate value would adversely affect shareholders, impacting the company's sustainability in the following years.

One of the factors influencing corporate value is the financial performance. According to Munawir (2015:29), It becomes one of the fundamental assessments of the financial condition, conducted through an analysis of the company's financial ratios. Previous research already determined the influence of financial performance on corporate value, but these studies have yielded different results. Among them, Desi and Suryani (2018) and Lathifatussulalah (2022) have stated that ROA (Return on Assets) influences corporate value. Meanwhile, Nainggolan (2020) indicates that ROA (Return on Assets) does not affect corporate value. Environmental performance can be one of the factors in enhancing corporate value, as seen in how a company improves its environmental performance, which can drive an increase in corporate value (Khanifah et al., 2020). Many studies have been conducted by previous researchers on corporate value, including research by Hariati and Yeney (2014) indicating a positive influence of environmental performance on corporate value. In addition to financial performance and environmental performance, another factor that can impact corporate value is the size of the company. This aligns with the opinion of Riyanto (2016:313), who states that the larger the size, the tendency to have as many investors will tend to increase, thereby enhancing the company's value in the eyes of investors. Due to the larger size of companies, it means that the company tends to be in stable situations.

The Effect of Return On Asset on Firm Value

Return on Asset (ROA) can be known as a ratio used to measure the returns on the amount of assets employed by a company in generating sales. This becomes an attraction for investors to own company shares and will increase the stock price, thereby enhancing the corporate value. Through this ratio, the level of ROA can be determined, and if the ROA level is higher, the value of the corporation will be able to attract the interest of investors to invest (Aprilia et al., 2021).

H^1: Return on Asset (ROA) affects Firm value.

The Effect of Return On Equity on Firm Value

The term ROE is a crucial ratio for owners of a company, specifically the common stockholder. The growth of ROE indicates improving prospects for the company because it implies the potential for increased profits, thereby enhancing the confidence of investors and easing the management to help attract the capital of stocks. Return on Equity demonstrates how effectively a company manages its capital to generate profits. A high ROE shows the ability of the company to generate such significant profits for their shareholders, subsequently increasing the stock price.

H^2: Return on Equity (ROE) affects Firm value.

The Effect of Return On Environmental Performance on Firm Value

Based on legitimacy theory, legitimacy reflects the acknowledgment of a company's existence by society. To gain acceptance from the public, organizations must harmonize their economic goals with environmental and social objectives. To enhance corporate value, a company must improve its environmental performance and management. This is crucial because the community, as consumers, will place their trust in this legitimacy (Ulya, 2014). Investors also tend to prefer companies with high legitimacy levels as it influences consumer loyalty to the company's products. Consequently, in the long run, sales of the company can get higher, leading to increased profitability. If a company operates smoothly, its corporate value will also increase (Retno, 2012). Strong environmental performance prompts companies to provide more comprehensive environmental disclosures, ultimately leading to higher corporate value (Iatidris, 2013).

H^3: Environmental Performance affects Firm value.

The Effect of Return On Company Size on Firm Value

Company size can impact the company's value (Martini, 2014). If the company size or scale is larger, it makes the company have budget funding, both internally and externally (Mahatma, 2013). A larger company size leads to more investors paying attention to the company. According to Zumrotun (2013) in Pramana and Mustanda (2016), an improvement in the performance of the company can increase the stock price in the market of capital, ultimately leading to an improvement in the higher level of corporate value.

H^4: Company Size affects Firm value.

The Effect of Corporate Social Responsibility as a Moderating Variable in the Relationship between Return On Asset (ROA) and Firm Value

The CSR variable will also influence the correlation between financial performance and corporate value under certain conditions. Environmental pressures on companies demand the implementation of strategies to maximize corporate value, including the adoption of CSR. With such a strategy, it is expected to create a positive reputation for the company in the eyes of external parties. Sustaining positive financial performance can be easily achieved and accepted by external stakeholders through the disclosure of CSR. It has been mentioned in the law that companies engaged in activities related to the environment are obliged to implement CSR.

H^5: Corporate Social Responsibility moderates the correlation between Return On Asset (ROA) and Firm Value.

The Effect of Corporate Social Responsibility as a Moderating Variable in the Relationship between Return On Equity (ROE) and Firm Value

Consumers will appreciate companies that disclose CSR more than those that do not. They are inclined to buy products where a portion of the profits is allocated for social and environmental purposes, such as scholarships, community facility development, environmental conservation programs, and so on. This positively impacts the company, not only by building a favorable reputation for the stakeholders due to the company's concern for social and also environmental issues but also by increasing company profits through increased sales. Consequently, the Return on Equity (ROE) will be high, attracting investors to invest and influencing the improvement of stock performance in the market of stock.

H^6: Corporate Social Responsibility moderates the relationship between Return On Equity (ROE) and Firm Value.

The Effect of Corporate Social Responsibility as a Moderating Variable in the Relationship between Environmental Performance and Firm Value

Environmental performance is linked to corporate value through the disclosure of CSR. The disclosure of CSR gives such as a direct influence on environmental performance and corporate value because CSR becomes the disclosure of environmental performance to the public and investors. Thus, CSR acts as a mediator that attracts the investors' interest to invest. If investor interest increases, it will drive up the stock price. When the stock price rises, it contributes to the prosperity of shareholders, meaning an increase in corporate value. The disclosure of CSR plays a role as a moderating variable between environmental performance and corporate value.

H^7: Corporate Social Responsibility moderates the correlation between Environmental Performance and Firm Value.

The Effect of Corporate Social Responsibility as a Moderating Variable in the Relationship between Company Size and Firm Value

If the company size is getting larger, it can be easy for it to be given budget funding, both internal and external of the company (Pramana and Mustanda, 2016). based on Adam and Hardwick (1998), as the size keeps increasing, the company's responsibility to engage in CSR also increases. So, the companies

tend to have disclosement of social activities as effectively as possible to enhance positive reputation or image efforts and obtain stakeholders' social legitimacy.

H^8: CSR moderates the correlation between Company Size and Firm Value.

METHOD, DATA, AND ANALYSIS

The population used is the field of manufacturing for the years 2017-2021. The sample is a part of the total population with its characteristics (Sugiyono, 2019:137). The determination of the sample was conducted through the method of purposive sampling according to specific criteria specified by the researcher. The criteria used in determining the sample are displayed in the table below.

Table 3.1 Purposive Sampling Method

No	Sample Criteria	2017-2021
1	Companies of the manufacturing sector registered in IDX	178
2	Companies of the manufacturing sector not registered in IDX during the research along the years 2017 to 2021 consecutively	(49)
3	Companies that did not contribute to the Corporate Performance Assessment Program (PROPER) of the Ministry of Environment of Indonesia.	(94)
Total Sample		35
Total Observe 35 x 5 years		175

The technique of data collection applied is documentation, which involves collecting data from documents that are records of past events (Sugiyono, 2010:422). In this study, the researcher collected data from the annual reports of the company and also the results of the assessment report of the Corporate Performance Assessment Program (PROPER) for the years 2017, 2018, 2019, 2020, and 2021, which have been published.

Firm Value

The Firm's value showed the result of the public's assessment of the company's actual performance, which can be measured through stock prices in the market (Harmono, 2017:233). The value is known by Tobin's Q follows the formula proposed by Weston and Copelan (2010:244).

$$\text{Tobin's Q} = = \frac{(EMV + D)}{(EBV + D)}$$

Return On Asset

ROA is the return on total assets calculated by comparing net income available to common shareholders with total assets (Brigham and Houston, 2001). Systematically, ROA is formulated as follows:

$$\text{ROA} = \frac{Net\ profit\ after\ tax}{total\ asset} \times 100\%$$

Return On Equity

It is known as a ratio used to determine the amount of contribution of the company to help make net income. The value of ROE is given by the following formula:

$$\text{ROE} = \frac{Net\ profit\ after\ tax}{total\ equity} \times 100\%$$

Environmental Performance

It can be known as a measurable result coming from the side of the environmental system of management related to controlling its aspects of the environment. The environmental performance variable in this research is proxied in the assessment of the PROPER program by the Ministry of Environment. It is measured using an ordinal scale with categories: Gold color is assigned a score of 5, Green color is assigned a score of 4, Blue color is assigned a score of 3, Red color is assigned a score of 2, and Black color is shown a score of 1.

Company Size

According to Hartono (2015:254), the company size is determined by the magnitude of entire assets calculated by the logarithm calculation of those assets. The indicator used by the author to measure this variable is the Total Assets indicator, as stated by Hartono (2015:282):

Company size = LN (total asset)

Data Analysis Techniques

Data were analyzed by applying multiple linear regression and also moderation regression analysis. It is used to test the extent to which the probability of the dependent variable can be predicted by the independent variables (Ghozali, 2013).

RESULT AND DISCUSSION

Descriptive Statistic

Descriptive statistics are useful for providing data overview, which is known from the value of mean, minimum, maximum, and also standard deviation values.

Table 4.1 Descriptive Statistic

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	165	-.06	.31	.0567	.06102
ROE	165	-.15	.36	.0889	.08943
PROPER	165	2	5	3.01	.481
SIZE	165	26.71	32.40	29.2699	1.45946
TOBINSQ	165	.35	6.71	1.6226	1.27426
CSR	165	.08	.44	.2382	.09169
Valid N (listwise)	165				

Source: Processed Data from SPSS 2023

From Table 4.1 above, it can be seen that ROA has a data count (N) of 165 with a value of minimum is -0.06 and a maximum 0.31, while the value of mean of 0.0567, resulting in a standard deviation of 0.06102. The ROE variable gets a data count (N) of 165 with a minimum value of -0.15 and a maximum value of 0.36, and the mean value is 0.0889, yielding a standard deviation of 0.08943. The PROPER variable has a data count (N) of 165 with a value of a minimum of 2 and a maximum is 5, while the mean value is -3.01, resulting in a standard deviation of 0.481. The Size variable has a data count (N) of 165 with a value of a minimum is 26.71 a maximum is 32.40, and a value of mean is 29.2699, yielding a standard deviation of 1.45946. The TOBINSQ variable has a data count (N) of 165 with a minimum value of 0.35 and a maximum value of 6.71, while the value of the mean is 1.6226, resulting in a standard deviation of 1.27426. The CSR variable has a data count (N) of 165 with a value of a minimum of 0.08 and a maximum is 0.44, while the value of the mean is 0.2382, yielding a standard deviation of 0.09169.

Normality Test of Data

Table 4.2 One Sample Kolomogrov Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		165
Normal Parameters[b]	Mean	.0000000
	Std. Deviation	.86970089
Most Extreme Differences	Absolute	.100
	Positive	.100
	Negative	-.091
Test Statistic		.100
Asymp. Sig. (2-tailed)		.071[c]

Source: Processed Data from SPSS 2023

From Table 5.3 above, it can be seen that the result indicates a normal distribution because it has a significance value above 0.05, specifically 0.071, with a data count of 165.

Multicollinearity Test

Table. 4.3 Multicollinearity Test

Model		Collinearity Statistic	
		Tolerance	VIF
1	ROA	0,141	7,073
	ROE	0,142	7,038
	PROPER	0,882	1,134
	SIZE	0,891	1,122

Source: Processed Data from SPSS 2023

Based on Table 5.5, it can be observed that the values of tolerance for the entire variables are higher than 0.10, while the values of VIF are below 10. Therefore, it can be stated that there is no indication of multicollinearity among the independent variables, meeting the criteria for further analysis.

Autocorrelation Test

Table 4.4 Autocorrelation Test

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.731[a]	.534	.523	.88051	1.090

a. Predictors: (Constant), SIZE, ROA, PROPER, ROE
b. Dependent Variable: TOBINSQ

Source: Processed Data from SPSS 2023

The test (d) of 1.090 falls within the range of -2 to +2. According to the decision-making basis in the test, it is revealed that there is no issue or symptom of autocorrelation**.**

The Results of Hypothesis Testing

Table. 4.5 Hypothesis Testing

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.463	1.428		-4.526	.000
	ROA	19.407	2.997	.929	6.476	.000
	ROE	-5.413	2.040	-.380	-2.654	.009
	PROPER	.316	.152	.119	2.075	.040
	SIZE	.223	.050	.255	4.460	.000
	CSR_ROA	18.338	14.020	.223	1.308	.193
	CSR_ROE	5.044	10.089	.095	.500	.618
	CSR_PROPER	-3.556	2.292	-.851	-1.551	.123
	CSR_SIZE	1.562	.659	3.419	2.372	.019

Source: Processed Data from SPSS 2023

1. The first hypothesis proposed by this research states the relationship between ROA and FirmValue. According to the t-test shown in Table 4.5, it indicates that the t-value for ROA to FirmValue is 6.476, which is greater than the critical t-value of 1.974, with a value of significance is 0.000. The value of significance (0.000) is below 0.05. Therefore, it is claimed that Ha (alternative hypothesis) is getting accepted, and H0 (null hypothesis) is being rejected, meaning that financial performance (ROA) significantly influences FirmValue.
2. The second hypothesis proposed by this research states the relationship between ROE and FirmValue. The t-test shown in Table 4.5, indicates that the t-value for ROE to Company Value is 2.654, which is greater than the critical t-value is 1.974, with a significance value of 0.009. The value of significance (0.009) is less than 0.05. Therefore, it can be stated that it accepts Ha and rejects H0, meaning that financial performance (ROE) significantly influences FirmValue.
3. The third hypothesis proposed by this research states the relationship between Environmental Performance and firm value. Looking from the t-test result shown in Table 4.5 indicates that the t-

value for Environmental Performance to FirmValue is 2.075, higher than the critical t-value of 1.974, with a value of significance is 0.040. The significance value (0.040) is less than 0.05. Therefore, it can be stated that it accepts Ha and rejects H0, meaning that Environmental Performance significantly influences FirmValue.

4. The fourth hypothesis proposed by this research states the relationship between Company Size and firm value. The result of the t-test shown in Table 4.5, indicates that the t-value for Company Size to FirmValue is 4.460, higher than the critical t-value of 1.974, with a value of significance 0.000. The significance value (0.000) is less than 0.05. Therefore, it is stated that Ha is accepted, and H0 is rejected, meaning that Company Size significantly influences FirmValue.
5. The fifth hypothesis proposed by this research states the correlation of CSR as a moderator between ROA and FirmValue. Based on the t-test in Table 4.5, indicates that the t-value for CSR_ROA to FirmValue is 1.308, which is greater than the critical t-value of 1.974, with a significance value of 0.193. The value of significance (0.193) is higher than 0.05. Therefore, it can be revealed that it rejects Ha and accepts H0, meaning that Corporate Social Responsibility does not successfully act as a moderating variable in the relationship between ROA and FirmValue.
6. The sixth hypothesis proposed by this research states the correlation of CSR as a moderator between ROE and FirmValue. Based on the t-test in Table 4.5, it indicates that the t-value for CSR_ROE to FirmValue is 0.500, which is less than the critical t-value of 1.974, with a value of significance is 0.618. The significance value (0.618) is greater than 0.05. Therefore, it is revealed that Ha is rejected, and H0 is accepted, meaning that Corporate Social Responsibility does not successfully act as a moderating variable in the relationship between ROE and FirmValue.
7. The seventh hypothesis proposed by this research states the relationship of CSR as a moderator between Environmental Performance and firm value. Looking from the result of the t-test shown in Table 4.5 indicates that the t-value for CSR_PROPER to FirmValue is 1.551, which is above the t-value of 1.974, with a value of significance is 0.123. The significance value (0.123) is greater than 0.05. Therefore, it is revealed that Ha is rejected, and H0 is accepted, meaning that CSR does not successfully act as a moderating variable in the relationship between Environmental Performance and Firm Value.
8. The eighth hypothesis proposed by this research states the relationship between Corporate Social Responsibility (CSR) as a moderator between Company Size and firm value. Based on the t-test in Table 4.5, it indicates that the t-value for CSR_SIZE to FirmValue is 2.372, which is greater than the critical t-value of 1.974, with a value of significance is 0.019. The value shown (0.019) is less than 0.05. Therefore, it can be concluded that Ha is accepted, and H0 is rejected, meaning that CSR successfully acts as a moderating variable in the relationship between Company Size and firm value.

CONCLUSION

Based on the research findings on the Role of CSR in Moderating the Influence of Financial Performance, Environmental Performance, and Company Size on the value od a Firm, it can be stated that:

1. Financial Performance (ROA) significantly influences Firm Value.
2. Financial Performance (ROE) significantly gives impacts toward Firm Value.
3. Environmental Performance significantly influences Firm Value.
4. Company Size significantly influences Firm Value.

5. CSR does not successfully moderate the correlation of Financial Performance (ROA) toward Firm Value.
6. Corporate Social Responsibility (CSR) does not successfully moderate the relationship between Financial Performance (ROE) and Firm Value.
7. Corporate Social Responsibility (CSR) does not successfully moderate the relationship between Environmental Performance and Firm Value.
8. CSR successfully moderates the relationship between Company Size and Firm Value.

Limitations:

1. The study only includes Financial Performance, Environmental Performance, and Company Size variables, while there may be other variables influencing Firm Value.
2. The study only focuses on companies in the manufacturing sector registered in IDX.
3. The sample size is relatively small due to the specific criteria used in purposive sampling.
4. The research is limited to manufacturing companies, and results might differ for other types of organizations.
5. Not all factors influencing Firm Value are represented by the variables used in this study.

Recommendations:

1. Future researchers are encouraged to consider additional independent variables beyond those studied here.
2. Given that some variables were not successfully moderated in this study, it's recommended that future researchers to reevaluate these findings.
3. For the Environmental Performance variable, it's suggested to use a ratio scale measurement.

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