

The Effect of Profitability, Liquidity, and Leverage on Corporate Values with Corporate Social Responsibility (CSR) as Moderating Variable



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ABSTRACT: The aims of this study were (1) to find out whether profitability has an effect on firm value, (2) to find out whether liquidity has an effect on firm value, (3) to find out whether leverage has an effect on firm value, (4) to find out whether Corporate Social Responsibility (CSR) as a variable moderating profitability, liquidity, and leverage on firm value. This type of research is using descriptive methods and quantitative fund analysis. Documentation data collection methods were obtained from the Indonesian Capital Market Directory (ICMD), the Indonesian Stock Exchange (IDX) website www.idx.co.id. Data analysis techniques use Moderated Regression Analysis (MRA) to determine the relationship between profitability, liquidity, and leverage on firm value with Corporate Social Responsibility (CSR) as a moderating variable.

KEYWORDS: Corporate Social Responsibility (CSR); Profitability; Liquidity; leverage; Company Values

I. INTRODUCTION

A high increase in company value is a long-term goal that should be achieved by the company which will be reflected in the market price of its shares, because investors' evaluation of the company can be observed through the movement of the company's stock price which is traded on the stock exchange for companies that have gone public. Companies going public tend to always increase the value of the company to attract the attention of investors (1). Firm Value is the investor's perception of the company's level of success associated with stock prices and profitability. High stock prices make the company value also high and increase market confidence not only in the company's current performance, but also in the company's financial prospects in the future.

The profitability ratio is a very useful measure in viewing banking profits, because the profit generated by a company shows the company's profitability (2). Profitability can reflect the benefits of financial investment, meaning that profitability affects company value because internal sources are getting bigger. The better the company's profitability growth means that the company's future prospects are considered good, meaning that the company's value will also be better in the eyes of investors. (3), the liquidity ratio is the ratio that describes the company's ability to meet short-term obligations (debt). (4) argue that leverage is a ratio that measures the ratio between the funds provided by the owner,

Currently, many new companies are experiencing growth. However, along with these developments, environmental ecosystems began to experience instability, as has often been heard recently, one of the real evidence is the condition of global warming. Due to these circumstances, the tendency of modern business enterprises to carry out social activities has changed the direction of business. The business world, which so far seems profit-oriented, wants to change its image to become a company that has social responsibility towards society and the environment. One of the efforts made is to hold Corporate Social Responsibility (CSR) activities. And that goes hand in hand with the existence of the Limited Liability Company Law Number 40 of 2007 which was originally an option, but now it can be said that it is an obligation that must be carried out by companies to maintain the balance of nature. Corporate Social Responsibility (CSR) is an idea that emphasizes corporate responsibility on a balance between attention to economic, social and environmental aspects or the triple bottom lines (5).

The purposes of this research are (1) to find out whether profitability has a significant effect on firm value, (2) to find out whether liquidity has a significant effect on firm value, (3) to find out whether leverage has a significant effect on firm value. (4) To analyze, explain, and find out whether Corporate Social Responsibility (CSR) as a moderating variable weakens or strengthens the effect of profitability, liquidity, and leverage on firm value.

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II. MATERIALS AND METHODS

Profitability is the company's ability to generate profits in its operations is the main focus in assessing the company's performance. Because for companies, profitability can be used as an evaluation of the effectiveness of managing an organization (6). Profitability is one measurement for the performance of a company. The profitability of a company shows the ability of a company to generate profits during a certain period at a certain level of sales, assets, and share capital. (8). Liquidity is the ability of a company to fulfill all financial obligations that can be immediately disbursed or that have matured (9). Specifically, liquidity reflects the availability of funds owned by the company to meet all debts that are due. Leverage (4) is a ratio that measures the ratio between funds provided by the owner, with funds originating from third parties or parties used by management to permanently finance the company.

Company Value is the price that is willing to pay if the company is sold. The value of the company can be reflected through the stock price. The higher the stock price means the higher the rate of return to investors and that means the higher the value of the company related to the goal of the company itself, namely to maximize shareholder wealth. (8) revealed that firm value is the price that prospective buyers are willing to pay if the company is sold. Therefore, every company will try to maximize the value of the company by having a high company stock price.

Corporate Social Responsibility (CSR) or corporate social responsibility is a form of action that departs from corporate ethical considerations directed at improving the economy, coupled with improving the quality of life for employees and their families, as well as improving the quality of life for the surrounding community and society at large. Corporate Social Responsibility (CSR) is an idea that emphasizes corporate responsibility on a balance between attention to economic, social and environmental aspects or the triple bottom lines (5). Corporate Social Responsibility (CSR) is intended so that the business world minimizes the adverse impacts on social and environmental aspects that arise during all of its activities.

Hypothesis Development

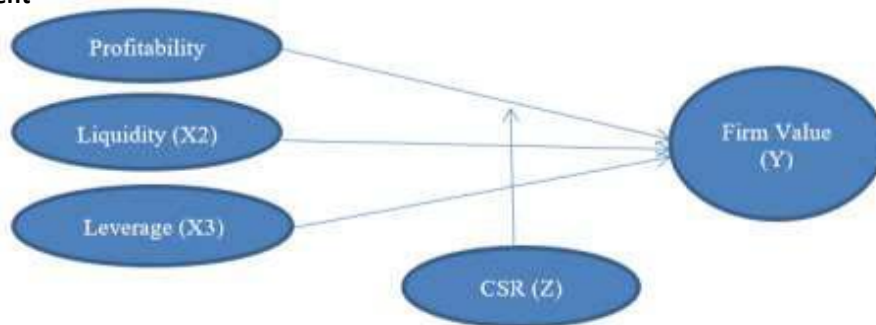


Figure 1. Hypothetical Model

Study (10), (11) resulted in the finding that profitability has a positive and significant effect on firm value. (12) found that Corporate Social Responsibility (CSR) is able to moderate the relationship between financial performance and firm value.

Research Methods

This study aims to explain phenomena in the form of relationships between variables. This type of research is using descriptive method and quantitative data analysis. The data in this study are sourced from secondary data (secondary data) originating from the financial reports of Manufacturing Companies published on the Indonesia Stock Exchange, which are contained in the annual report, IDX Statistics, website www.idx.co.id (Schaeffer, 2017). The population used in this study is a manufacturing company listed on the Indonesia Stock Exchange as many as 30 companies. The sampling technique used was purposive sampling. The criteria used are as follows: (1) Manufacturing companies listed on the Indonesia Stock Exchange, (2) Manufacturing companies that publish financial reports during the 2017-2019 observation period, (3) Manufacturing companies that have ROA, PER, and CSR data. The analytical method used in this study is the classical assumption, descriptive statistical analysis, And multiple regression test with Moderated Regression Analysis (MRA) to determine the relationship between profitability, liquidity, and leverage on firm value with Corporate Social Responsibility (CSR) as a moderating variable.

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III. RESULTS AND DISCUSSION

Table 1. Results of Multiple Linear Regression Analysis Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,286	,053		5,378	,000		
	Profitabilitas	,003	,001	,490	3,424	,002	,924	1,082
	Likuiditas	,040	,019	,289	2,097	,046	,993	1,007
	Leverage	-.272	,113	-.344	-2,401	,024	,919	1,088

Source: Processed Data
a. Dependent Variable: Nilai perusahaan

Based on the results of the regression analysis in Table 1, a multiple regression equation can be formulated as follows:

$$Y = 0.286 + 0.003 X_1 + 0.040 X_2 - 0.272 X_3 + e$$

From Table 1, the results of the analysis show that the significance level of the profitability variable (X1) is 0.002 < α, (5%). These results indicate that there is a significant influence on the profitability variable (X1) on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX).) For the 2017-2019 period, the ownership structure variable (X2) is 0.046 < α, (5%) the results indicate that there is a significant influence on the liquidity structure variable (X2) on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) The 2017-2019 period assuming constant profitability and leverage variables, the leverage structure variable (X3) is 0.046 < α, (5%) these results indicate that there is a significant influence of the leverage variable (X3) on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period assuming constant profitability and liquidity variables.

Table 2. Results of Corporate Social Responsibility (CSR) Test as Moderating Variable Effect of Profitability on Firm Value

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,222	,018		12,455	,000
	Profitabilitas	,003	,001	,468	2,141	,005
	ROA-CSR	,001	,005	,110	2,174	,006

a. Dependent Variable: Nilai perusahaan

The results of the analysis show that Corporate Social Responsibility (CSR) strengthens the relationship between profitability and company value. Based on the test results presented in Table 2, it shows a significance value for the ROA-CSR variable of 0.005. This value is smaller than alpha 0.05. This shows that Corporate Social Responsibility moderates the effect of profitability on firm value. The interaction of the moderating variable strengthens the effect of profitability on firm value, which is shown by the regression coefficient showing a positive value.

Table 3. Results of Corporate Social Responsibility (CSR) Test as a Moderating Variable on the Effect of Liquidity on Firm Value

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,233	,033		7,159	,000
	Likuiditas	,025	,065	,186	2,390	,002
	CR-CSR	,088	,090	,465	2,974	,001

a. Dependent Variable: Nilai perusahaan

The results of the analysis show that Corporate Social Responsibility (CSR) strengthens the relationship between liquidity and firm value. Based on the test results presented in table 4.20, it shows a significance value for the CR-CSR variable of 0.001. This value is smaller than alpha 0.05. This shows that Corporate Social Responsibility moderates the effect of liquidity on firm value. The interaction of the moderating variable strengthens the effect of liquidity on firm value, which is shown by the regression coefficient showing a positive value.

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Table 4. Results of Corporate Social Responsibility (CSR) Test as a Moderating Variable of the Effect of Leverage on Firm Value

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,404	,059		6,804	,000
	Leverage	-,393	,183	-,498	-2,150	,041
	DER-CSR	,078	,189	,063	2,271	,004

a. Dependent Variable: Nilai perusahaan

The results of the analysis show that Corporate Social Responsibility (CSR) strengthens the relationship between leverage and company value. Based on the test results presented in table 4.21, it shows a significance value for the DER-CSR variable of 0.004. This value is smaller than alpha 0.05. This shows that Corporate Social Responsibility moderates the effect of leverage on firm value. The interaction of the moderating variable strengthens the effect of leverage on firm value, as shown by the regression coefficient showing a positive value.

Discussion

Effect of Profitability on Firm Value

Profitability is very important for companies in order to maintain their business continuity in the long term, this is because profitability shows whether the company has good prospects in the future or not. According to (7) profitability is a factor that can affect firm value. If managers are able to manage the company well, the costs incurred by the company will be smaller so that the profits generated will be greater. The size of this profit will affect the value of the company. The results of this study support previous research conducted by (10) and Priyadi (11) which obtained the result that profitability has an influence on firm value.

The Effect of Liquidity on Firm Value

Liquidity in the aspect of Current Ratio (CR) in increasing the value of the company can be argued that, this ratio provides an overview of the company's ability to fulfill its short-term obligations, where the greater the percentage current ratio (CR), the company has a good level of liquidation, so will give a positive perception of the condition of the company and will increase the value of the company in the eyes of investors. The results of this study support previous research conducted by (15) and (13) which obtained the result that liquidity has an influence on firm value.

Effect of Leverage on Firm Value

leverage measures the company's ability to meet all of its financial obligations consisting of short-term debt and long-term debt. Leverage can also be interpreted as a description of the company's ability to utilize fixed assets or assets (fixed assets fund) to increase the level of income for shareholders. The leverage ratio in this study is represented by the Debt Equity Ratio (DER). DER is a debt ratio that is used to measure how much a company's assets are financed by debt or how much a company's debt affects the management of its own capital which supports efforts to increase company value. The results of this study support previous research conducted (14)

Corporate Social Responsibility (CSR) Moderate Profitability, Liquidity, and Leverage on Company Value

Companies that can carry out and disclose CSR activities properly can improve their reputation and can reduce costs for possible lawsuits or protests that will occur, so that company profitability can increase. The company's compliance with applicable laws and regulations and paying attention to social welfare will have a good effect on the company, namely there is no controversy that occurs. The implementation of social responsibility by the company can be said as an investment not as a burden because the company will gain profitability in the future. So, every company does not only seek profit, but also must pay attention to the community and the surrounding environment (16).

IV. CONCLUSION

Based on the results of the analysis it can be seen that there is a significant influence between profitability on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This means that by increasing profitability, the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period will also increase. There is a significant influence between liquidity and the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This means that by increasing company liquidity, the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period will also increase. The results

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of the analysis show that there is a significant negative effect between leverage on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This means that by increasing company leverage, the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period will also decrease. Corporate Social Responsibility (CSR) as a moderating variable and strengthens the influence of profitability, liquidity and leverage on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This means that by increasing company leverage, the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period will also decrease. Corporate Social Responsibility (CSR) as a moderating variable and strengthens the influence of profitability, liquidity and leverage on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This means that by increasing company leverage, the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period will also decrease. Corporate Social Responsibility (CSR) as a moderating variable and strengthens the influence of profitability, liquidity and leverage on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period.

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