THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON COMPANY VALUES WITH COMPANY PROFITABILITY AS MODERATING VARIABLES IN PLANTATION COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

Andru, Idhar Yahya, Fachruddin
Universitas Sumatera Utara
andru.dwinata@gmail.com

Abstract: This study aims to analyze the effect of Corporate Social Responsibility (CSR) in terms of labor disclosure, product responsibility, economic performance, environment, and waste on firm value with profitability as a moderating variable on plantation companies on the IDX. This type of research is causal associative research. The research method uses secondary data collection techniques. The population in this study included plantation companies listed on the Indonesia Stock Exchange from 2013 to 2017. The sampling method used in this study was purposive sampling. Data were processed using panel data regression analysis. The results showed that the workforce had a negative and not significant effect on firm value. Product liability has a positive and significant effect on firm value. Economic performance has a positive and not significant effect on firm value. Energy has a positive and not significant effect on firm value. Waste has a negative effect and is not significant to the firm value. Profitability is a moderating variable for the relationship between labor, product responsibility, and waste on firm value. But the profitability variable is not a moderating variable for the relationship between economic performance and energy on firm value.

Keywords: corporate social responsibility (CSR), firm value, and profitability

1. INTRODUCTION

The company currently considers CSR disclosure to be part of the company’s strategy. The company realizes the importance of implementing CSR can be part of the company’s business strategy. This is reinforced by a survey of the last few years conducted by The Economist Intelligence Unit which found that almost 85% of decision makers from various companies and organizations use CSR as a basis or guide in their decision making process. CSR disclosure is basically based on the existence of stakeholder theory and legitimacy theory.

Firm value will be guaranteed to grow in a sustainable manner if the company pays attention to economic, social, and environmental aspects because sustainability is a balance between economic, environmental and community interests. These aspects in the implementation of CSR carried out by the company are as a form of accountability and care for the environment around the company. Many benefits obtained by the company through the implementation of CSR, among others, products are increasingly preferred by consumers, the environment around the company will be maintained, employee loyalty increases, the company’s reputation increases in the eyes of the community, which means that the implementation of CSR will provide increased company performance so that the
company is also in demand by investor. With the existence of CSR practices, the company’s social performance will also get better and it is expected that investors are interested in investing in the company so that firm value which is reflected in its share price increases.

This study, there are factors that are considered to affect the relationship between CSR and firm value, namely profitability. Profitability is one of the financial factors that can affect fluctuations in firm value. Although Hacston’s research (1996) found no significant associative relationship between corporate CSR and profitability, the study explained that CSR can improve the company’s image before the community, as well as the similarity of these two variables in affecting firm value, the authors decided to include profitability as a moderating variable between the effect of CSR on firm value.

2. LITERATURE REVIEW
2.1 Signalling Theory
Signalling theory was first introduced by Spence in his research entitled Job Market Signalling. Spence (1973) argues that in the labor market there is always asymmetric information, so Spence makes a signal criterion to strengthen decision making in the recruitment of workers in the company. The signals are in the form of educational background, work experience, race, gender, and personality. The existence of this criterion is based on an uncertainty about the ability of employee productivity.

2.2 Stakeholder Theory
Stakeholders are parties / people who have interests or interests in a company, in other words Stakeholders are people who are affected by what happens because of the company, whether negative or positive impacts. These interests can involve financial interests or other interests. According to Waluyo (20107) Disclosure of the company’s Corporate Social Responsibility is important, because the stakeholders need to evaluate and know the extent to which the company is implementing Corporate Social Responsibility.

2.3 Legitimacy Theory
The theory of legitimacy was first put forward by Dowling and Pfeffer (1975) which provides an overview of the differences between the values held by the company and the values of society, then the company will be in a threatened position where the difference is known as the Legitimacy gap. Legitimacy gaps will arise if the company is not sensitive to the impact that might result from the company’s activities and people’s expectations of the company and is only oriented towards generating maximum profits. CSR disclosure is very useful for companies to minimize the legitimacy of the gap through the compatibility between the company’s operations and the expectations of the community.

2.4 Firm Value
Maximizing firm value in increasing the prosperity of shareholders and improving performance is the goal and obligation of the company (Andini, 2014). Dominick (2005) states that the purpose of a company is to maximize the company’s wealth or value. Maximizing the firm value is very important, because maximizing the firm value means maximizing the prosperity of shareholders which
is the company’s main goal. While the firm value will be reflected in the market price of its shares (Wahyudi and Pawestri, 2006). The stock price is indicated by the market capitalization value. Firm value can also be seen from the price book value (PBV) which is a comparison between the share price and the book value per share.

2.5 Corporate Social Responsibility (CSR)

Corporate social responsibility or CSR is a mechanism for an organization to voluntarily integrate environmental and social attention into its operations and interactions with stakeholders, which exceeds organizational responsibility in the field of law (Darwin, 2004). According to The World Business Council for Sustainable Development (2000), CSR or corporate social responsibility is defined as a business commitment to contribute to sustainable economic development, in collaboration with employees and their representatives, their families, local communities and the general public to improve quality of life in a way that is beneficial to both one's own business and for development (WBCSD, 2000). The CSR Disclosure category uses GRI standards consisting of 3 disclosure focuses, namely economic, environmental and social as the basis for sustainability reporting (Dahlia and Siregar, 2008). These three aspects (social, economic, and environmental) in CSR programs can form opinions, assessments and community responses to companies that carry out CSR programs in the environment around where the company stands. Carriga (2004) concludes that most current CSR theories are focused on four main aspects, namely:

a. Meet the goals that generate long-term profits  
b. Using business power in a responsible manner  
c. Integrate social demands  
d. Contribute to good society by doing what is ethically right.

2.6 Profitability

According to Meidiawati (2016) profitability is the company’s ability to generate profits and measure the level of operational efficiency and efficiency in using its assets. Investors who invest shares in a company certainly have a goal to get a return, where the higher the company's ability to generate profits, the greater the investor's expected return so that the firm value will increase.

According to (Harahap, 2001: 226) return of equity or profitability is a measure of income or income available to business owners of the capital they invest in the company, profitability is the amount derived from a reduction in the cost of production, other costs and losses from operating income.

Profitability is the end result of a series of policies and management decisions, where these policies and decisions concern the source and use of funds in carrying out company operations that are summarized in the balance sheet and elements in the balance sheet. Profitability is a management performance indicator that is shown through the profits generated during managing company wealth. Profitability can be measured using profitability ratios that will show how effectively the company operates so as to generate profits for the company through ratios such as ROA (Return on Assets), ROE (Return on Equity), and NPM (Net Profit Margin) (Brigham and Houston, 2010).

2.7 Conceptual Framework
The conceptual framework in this study is as follows:

2.8 Hypothesis

Based on the background, theoretical foundation and conceptual framework, the research hypotheses were formed, including:

H1: Disclosure of Labor (X1) in Social Aspects of CSR affects firm value.
H2: Disclosure of Product Responsibility (X2) in Social Aspects of CSR firm value.
H3: Disclosure of Economic Performance (internal company) (X3) in the Economic Aspects of CSR affects firm value.
H4: Disclosure of Energy (X4) in Environmental Aspects CSR affects firm value.
H5: Disclosure of Waste (X5) in Environmental Aspects CSR affects firm value.
H6: Firm profitability can moderate the effect of CSR on firm value.

3. METHODS

This type of research is included in the causal associative research. According to Erlina (2011), causal research is research that identifies causal relationships between various variables. This study aims to analyze the effect of Corporate Social Responsibility (CSR) in terms of labor disclosure, product responsibility, economic performance, environment, and waste on firm value with profitability as a moderating variable on plantation companies on the IDX.

The population in this study were plantation companies listed on the Indonesia Stock Exchange in 2013 to 2017. For the sampling of representatives of the population studied, a purposive sampling technique through judgment sampling
was used. In this study the sample was set as many as 14 companies multiplied by 5 years (2013 to 2017) so that the total sample amounted to 70.

The method of data analysis used is the panel data regression model, namely the regression used to find out how much influence the independent variable has on the dependent variable and the selection of panel data regression by performing a hausman test, chow test, and the lagrange multiplier test using the Eviews application.

Descriptive statistical analysis is used to determine the characteristics of the sample used and describe the variables in the study. Descriptive statistical analysis consists of the number of samples, range, minimum value, maximum value (Ghozali, 2013).

The research hypothesis testing was carried out through the coefficient of determination ($R^2$) test, the $F$ statistical test (Fisher), the $t$ statistical test, and the interaction test to test the moderating variable.

4. RESEARCH RESULTS AND DISCUSSION

In this study, the variable used in the calculation of descriptive statistics is corporate social responsibility as an independent variable, in this case using the following benchmarks: labor (X1), product responsibility (X2), economic performance (X3), energy (X4), waste (X5), and firm value (Y) as the dependent variable and profitability (Z) as the moderating variable. Based on descriptive statistical analysis obtained the following sample description.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min</th>
<th>Max</th>
<th>mean</th>
<th>standard deviation (sd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor (X1)</td>
<td>0.00</td>
<td>0.6875</td>
<td>0.436</td>
<td>0.1598</td>
</tr>
<tr>
<td>Product Responsibility</td>
<td>0.00</td>
<td>0.3333</td>
<td>0.082</td>
<td>0.0818</td>
</tr>
<tr>
<td>Economic Performance</td>
<td>0.00</td>
<td>0.75</td>
<td>0.439</td>
<td>0.1876</td>
</tr>
<tr>
<td>Energy (X4)</td>
<td>0.00</td>
<td>0.75</td>
<td>0.339</td>
<td>0.3298</td>
</tr>
<tr>
<td>Waste (X5)</td>
<td>0.00</td>
<td>0.4</td>
<td>0.362</td>
<td>0.0854</td>
</tr>
<tr>
<td>Company Value (Y)</td>
<td>0.576957323</td>
<td>4.18742641</td>
<td>1.293</td>
<td>0.63</td>
</tr>
<tr>
<td>Profitability (Z)</td>
<td>-</td>
<td>3.50297794</td>
<td>0.083</td>
<td>0.4687</td>
</tr>
</tbody>
</table>

Determination of the estimation model between the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), the estimation model chosen for use in this study is the common effect model (CEM).

The classic assumption test in this study is known that the probability value from the J-B statistic is 0.051502. Because the probability value, which is 0.051502, is greater than the significance level, which is 0.05. This means that the assumption of normality is fulfilled.

<table>
<thead>
<tr>
<th>Variable</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
<th>X5</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>1.000000</td>
<td>0.229103</td>
<td>0.443776</td>
<td>0.555890</td>
<td>0.448828</td>
</tr>
</tbody>
</table>
Based on the results of multicollinearity testing, it can be concluded that the correlation value of all variables, there are no symptoms of multicollinearity between independent variables. Can be seen the correlation value from X1 to X2 X3 X4 and X5, X2 to X1 X3 X4 and X5, X3 to X1 X2 X4 and X5, X4 to X1 X2 X3 and X5 and X5 to X1 X2 X3 and X4 no more than 0.9.

The autocorrelation test results showed the value of the Durbin-Watson statistics was 1.745780. Because the Durbin-Watson statistical value lies between 1 and 3, which is 1 < 1.745780 < 3, the non-autocorrelation assumption is fulfilled. In other words, no autocorrelation symptoms occur. Based on Arch test results, the Prob value is known in the Obs * R-squared line is 0.3621 between labor (X1), product responsibility (X2), economic performance (X3), energy (X4), waste (X5), where the value is 0.3621 > 0.05 which means there is no heteroscedasticity.

Hypothesis testing of the coefficient of determination (R2) in this study, it is known the value of the coefficient of determination (Adjusted R-squared) of. This value can be interpreted labor, product responsibility, economic performance, energy, waste simultaneously or jointly affect firm value by 30%, the remaining 70% is influenced by other factors.

F statistical test is known to the value of Prob. (F-statistics), that is 0.000031 < 0.05, it can be concluded that all independent variables, namely labor, product responsibility, economic performance, energy, waste simultaneously, have a significant effect on firm value variables.

T statistical test obtained by the multiple linear regression equation as follows.

\[ Y = 1.32 - 0.61X_1 + 4.69X_2 + 0.16X_3 + 0.24X_4 - 0.82X_5 \]

1. It is known that the regression coefficient value of labor is -0.61, which is a negative value, with a Prob value of 0.2333, is > a significance level of 0.05, then labor has a negative effect on firm value, but not significantly.
2. It is known that the regression coefficient value of product responsibility is 4.69, which is positive, with a Prob value of 0.0000, which is < a significance level of 0.05, then product responsibility has a positive and significant effect on firm value.
3. It is known that the regression coefficient of economic performance is 0.16, which is a positive value, with a Prob value of 0.6833, is > a significance level of 0.05, then economic performance has a positive effect on firm value, but not significantly.
4. The regression coefficient of energy is known to be 0.24, which is a positive value, with a Prob value of 0.3196, which is > a significance level of 0.05, so energy has a positive effect on firm value, but not significantly.
5. The regression coefficient of waste is known to be -0.82, which is a negative value, with a Prob value of 0.3512, is > a significance level of 0.05, so the waste has a negative effect on the firm value, but not significantly.

Table 3. Interaction Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1Z</td>
<td>-13.05955</td>
<td>3.920287</td>
<td>-3.331274</td>
<td>0.0015</td>
</tr>
<tr>
<td>X2Z</td>
<td>23.43444</td>
<td>7.182791</td>
<td>3.262581</td>
<td>0.0019</td>
</tr>
<tr>
<td>X3Z</td>
<td>1.105145</td>
<td>5.231979</td>
<td>0.211229</td>
<td>0.8334</td>
</tr>
<tr>
<td>X4Z</td>
<td>0.290571</td>
<td>1.755088</td>
<td>0.165559</td>
<td>0.8691</td>
</tr>
<tr>
<td>X5Z</td>
<td>18.88253</td>
<td>7.754329</td>
<td>2.435095</td>
<td>0.0180</td>
</tr>
<tr>
<td>C</td>
<td>1.611333</td>
<td>0.301471</td>
<td>5.344897</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

R-squared | 0.531078 | Mean dependent var 1.293008
Adjusted R-squared | 0.442145 | S.D. dependent var 0.629991
S.E. of regression | 0.470539 | Akaike info criterion 1.84928
Sum squared resid | 12.84159 | Schwarz criterion 1.870384
Log likelihood | -39.97248 | Hannan-Quinn criter. 1.638036
F-statistic | 5.971640 | Durbin-Watson stat 1.931252
Prob(F-statistic) | 0.000002 |

Based on Table 2, the interaction moderation equation is obtained as follows.

\[ Y = 1.61 + 0.79X_1 + 0.91X_2 + 0.23X_3 - 0.03X_4 - 2.45X_5 - 3.53Z \\
-13.05X_1Z + 23.43X_2Z + 1.10X_3Z + 0.29X_4Z + 18.88X_5Z + e \]

Is known:
1. Prob value. at X1Z is 0.0015, which is <0.05, it is concluded that profitability is significant in moderating the effect of labor on firm value, because the significance value is 0.0015 which is smaller than 0.05.
2. Prob value. at X2Z is 0.0019, which is <0.05, it is concluded that profitability is significant in moderating the effect of product responsibility on firm value, because the significance value is 0.0019 which is smaller than 0.05.
3. Prob Value. at X3Z is 0.8334, which is > 0.05, it is concluded that profitability is not significant in moderating the effect of economic performance on firm value, because the significance value is 0.8334 which is greater than 0.05.
4. Prob Value. at X4Z is 0.8691, which is > 0.05, it is concluded that profitability is not significant in moderating the effect of energy on firm value, because the significance value is 0.8691 which is greater than 0.05.
5. Prob Value. at X5Z is 0.0180, which is < 0.05, it is concluded that profitability is significant in moderating the effect of waste on firm value, because the significance value is 0.0180 which is smaller than 0.05.
6. Given the Prob (F-Statistic) value is 0.000002 <0.05, then profitability simultaneously significantly moderates the effect of corporate social responsibility on firm value (with a note that other independent variables are constant).
Based on the statistical t test, the results showed that the workforce had a negative effect but did not significantly affect firm value which meant hypothesis 1 was rejected. Ideally, if the workforce in the company is good, firm value will increase. However, considering that labor has very complex problems, ranging from fellow workers (equality, education and training, etc.), with companies (industrial relations) and government (labor regulations), then the disclosure of workers on CSR in plantation companies cannot increase firm value. This study, in line with Api (2015) that disclosure of labor and decent work has a negative effect on firm value.

Based on the statistical t test, the results of the study showed that product responsibility had a positive effect and had a significant effect on firm value which meant hypothesis 2 was accepted. Responsibility for the product demands a guarantee for consumers of the product, so that corporate responsibility is needed for the product used by consumers. If the guarantee of the product can be held, the firm value will increase because customer satisfaction is maintained. This is in accordance with what was revealed by Mardikanto (2014) stating that environmental aspects are a company’s obligation, therefore a company that has a high environmental aspect in its CSR program will have an effect on firm value.

Based on the statistical t test, the results showed that economic performance had a positive effect but did not significantly affect firm value which meant hypothesis 3 was accepted. In making business decisions companies tend to use economic performance information such as the direct economic value generated, financial implications, obligations for programs that are launched and financial assistance received. Economic performance is the main source in evaluating the company’s business prospects, but in the current conditions the company is starting to consider non-economic factors, such as environmental and social. This result is also supported by research from Chahal and Sharma (2006) suggesting that social activities have begun to be carried out by many companies because these activities have a very significant impact on the company’s financial performance. good performance will affect firm value.

Based on the statistical t test, the results of the study show that energy has a positive but not significant effect on firm value which means hypothesis 4 is accepted. Energy management for a company will bring at least two benefits, namely financial benefits and environmental benefits. This energy management will increase firm value arena able to combat global warming, pollution, and acid rain. Using less energy means the company is able to improve the quality of the environment. This result is also supported by research from Mardikanto (2014), stating that environmental aspects are the company’s obligation to environmental impacts resulting from company operations.

Based on the statistical t test, the results of the study showed that waste had a negative effect but did not significantly affect firm value, which means hypothesis 5 was rejected. Improper handling of waste will have an impact on environmental pollution around the company, causing a reaction from the surrounding environment. For this reason, companies need more intensive handling of mediation and outreach to the surrounding community. It is expected that the waste does not affect the value of the product in the market and does not affect the decline in the
value of the company’s shares. This research is in line with Febrianto (2018) who explains that environmental disclosure does not affect firm value because the company does not care much about the environment around the company and has not paid much attention to the interests of stakeholders, but the company only focuses on increasing corporate profits.

Based on the interaction test, the results of the study showed that profitability simultaneously significantly moderated the influence of CSR on firm value. Companies that have a healthy profitability ratio will directly have an impact on increasing the value of shares, so that it will encourage the company to increase the role of social environment to support the company’s survival going forward. This is supported based on research by Bowman and Haire (1976) and Hackston and Milne (1996) that the higher the level of corporate profitability, the greater the disclosure of social information by the company. From this research it is seen that firm value will be guaranteed to grow in a sustainable manner (sustainable) with the company paying attention to the application of economic, social, and environmental aspects because sustainability is a balance between economic, environmental and community interests.

5. CONCLUSIONS AND SUGGESTIONS
5.1 Conclusions
The conclusions of this study include:

a. Simultaneously the variable of labor, product responsibility, economic performance, energy, and waste have a significant effect on firm value.

While partially, the conclusions of the research results are as follows:

1) Labor force has a negative effect on firm value, but it is not significant.
2) Product responsibility has a positive and significant effect on firm value.
3) Economic performance has a positive effect on firm value, but not significantly.
4) Energy has a positive effect on firm value, but it is not significant.
5) Waste has a negative effect on firm value, but it is not significant.

b. Profitability is a moderating variable for the relationship between labor, product responsibility and waste on firm value. However, profitability is not a moderating variable for the relationship between economic performance and energy on firm value.

5.2 Suggestions
The suggestions from this research are in the form of:

a. For further researchers, can use other indicators to measure firm so that it can be used as a comparison. And further researchers are also expected to be able to add to other factors such as conflicts of interest, types of corporate strategy, political costs, taxes, and others that would affect firm value.

b. For further researchers, can use populations and samples outside the plantation sector, such as the financial, manufacturing and service sectors, and use a more recent data period.
c. For the Company, as a material consideration in carrying out CSR activities in the future so that it is more targeted and can be felt by all its stakeholders such as labor, consumers, society and nature so that it can help increase firm value going forward. And the reporting can be clearly stated in the annual report (annual report) in order to apply transparency to all existing stakeholders.

References: