



THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND CAPITAL STRUCTURE ON FIRM VALUE WITH PROFITABILITY AS A MODERATING VARIABLES

Andi Besse Lia Riska ¹, Syamsuddin ², and Yohanis Rura ³

Magister of Accounting, Faculty of Economics and Business
Hasanuddin University, Makassar, Indonesia

Abstract

This study aims to analyze the effect of disclosure of *corporate social responsibility* and capital structure on firm value with profitability as a moderating variable. The population of this research is 59 manufacture companies in the consumer goods industry sector which are listed on the IDX. This study used a *purposive sampling technique* and produced 34 companies with observation years, namely 2015-2019. The analysis technique used to analyze the data is *Moderated Regression Analysis (MRA)*. The results showed that the disclosure of *corporate social responsibility* has an effect on firm value. Capital structure has no effect on firm value, profitability is able to moderate the relationship between disclosure of *corporate social responsibility* on firm value and profitability is able to moderate the relationship between capital structure and firm value.

Keywords: Disclosure of *Corporate Social Responsibility*, Capital Structure, Profitability, Firm Value.

I. INTRODUCTION

The company is an economic entity that has the objective of carrying out its business operations. Basically, the company's goals are divided into two parts, namely short-term goals and long-term goals. The company's short-term goal is to generate profits for one period, while the company's long-term goal is to maximize firm value. According to Gapenski (2006), firm value can reflect the prosperity of its owners and shareholders. The higher the company value, the more prosperous the investors will be, and conversely the lower the company value, the less prosperous the investors will be. In other words, it can be said that the company's value is a parameter or a measure of whether an investor is prosperous and is a

positive signal for potential investors to invest in a company.

In 2018 the investment level of manufacturing companies has decreased. Investment in the manufacturing industry in 2017 reached Rp. 274.8 trillion, while in 2018 it was Rp. 226.18 trillion means that investment fell 17% from the previous year. Based on this, the government focuses on encouraging investors to invest in manufacturing companies (CNN Indonesia, 2018). Apart from the efforts made by the government, it must be accompanied by an increase in company value by manufacturing companies in Indonesia.

The five manufacturing sectors that are currently prioritized by the government which are considered capable of making a major contribution to national economic growth include the electronics sector reaching Rp. 58.2 trillion, food and beverage sector Rp. 56.2 trillion, the chemical sector of Rp. 48.69 trillion, the automotive sector of Rp. 17.44 trillion, and the textile and apparel sector amounting to Rp. 8.75 trillion (Catriana, 2019).

As an investor, in making investment decisions, one must be smart in analyzing and have in-depth knowledge of company performance. Company performance information can be seen from the company's financial statements. The information presented in the financial statements adequately describes the company's development and its achievements. If the company value shows a good prospect, shareholders and potential investors will be interested in buying shares, which in turn will increase the share price (Purwanto, 2017).

Firm value is the investor's perception of the company. Therefore the company strives to increase the share price. The increase in company value is an achievement in accordance with the wishes of the owners, because the increase is able to increase the

prosperity of shareholders, which is the main goal of the company. The measurement of company value, which is generally the ratio of stock price to book value (*Price Book Value Ratio*), is measured by dividing the market price of shares by the book value of shares. Basically, investors will consider the company's performance before deciding to invest their funds in the company, so that the better the company's stock performance, the better the company's value for investors.

In an effort to increase company value, the company will disclose important information in its financial statements so as to attract investors. The information disclosed includes information on *corporate social responsibility* that has been carried out by the company. The *corporate social responsibility* report is evidence that the company is responsible for the social and environmental aspects in which the company is located. Society as a whole is increasingly placing demands on company transparency and accountability, which has had an adverse impact on their environment due to company operations. This will later be reflected in the company's ability to be able and willing to carry out *corporate social responsibility* which can be an added value for investors who will invest.

The disclosure of *corporate social responsibility* by companies generally refers to the *Global Reporting Initiative* (GRI). GRI G3 is a standard that has been widely used by companies in Indonesia. In GRI G3, there are nine aspects of the impact caused by the company on the environment, namely material aspects, energy aspects, water aspects, aspects of biodiversity, aspects of emissions, pollution and waste, aspects of products and services, aspects of conformity, aspects of transportation, and aspects of harmony. Apart from environmental impacts, GRI also includes economic impacts related to shareholder interests and social impacts that include labor and human rights.

Investors before making a decision to invest need to look at the existing capital structure in the company. Investors look at the company's capital structure to assess access to funds used by the company, the company's courage to bear risks and analyze the costs and benefits obtained from the source of funds. Effective financial decisions can increase company value and minimize capital costs (Pasaribu and Sulasmiyati, 2016). The higher the company's debt, the

higher the risk borne by shareholders. The high risk can lower the stock price which results in a decrease in the value of the company.

In this study, researchers made profitability a moderating variable, namely a variable that would strengthen or weaken the influence of the independent variable on the dependent. Profitability is used as a moderating variable because profitability is a company measuring tool to determine the effectiveness of company performance. Weston and Copeland (1996) state that profitability is management effectiveness that is indicated by the profit generated from the sale or investment of the company. Increasing company profitability can affect firm value and depends on how investors perceive the increase in company profitability. Investor perceptions in response to profitability will affect the share price as well as the value of the company.

II. LITERATURE REVIEW

A. Theory *Stakeholder*

Theory of *Stakeholders* is a theory which states that the company is not the only entity that operates for its own sake, but must provide benefits to all *stakeholders* him (Ghazali and Chariri, 2007). In line with this, Wibisono in Ayu et al. (2015) states that *stakeholder* who are usually interpreted as stakeholders are parties or groups with an interest, either directly or indirectly, in the existence or activities of the company, and therefore these groups influence and are influenced by the company. .

The theory of *stakeholders* is generally concerned with the ways that companies use to set *stakeholder*- her (Gray, et al., 1997 in Ghazali and Chariri, 2007). The ways in which a company manages its *stakeholders* depends on the strategy adopted by the company. Organizations can adopt active or passive strategies. An active strategy is when a company tries to influence the relationship between its organization and *stakeholder* who are considered to have an important influence. Meanwhile, companies that adopt a passive strategy tend not to continuously monitor *stakeholder* activities and deliberately do not seek optimal strategies to attract *stakeholder* attention (Ullman, in Ghazali and Chariri, 2007). The result of the lack of attention to *stakeholders* is the low level of social information disclosure and the low social performance of the company.

B. Signaling Theory

Akerlof's (1970) thought was developed by Spence (1973) in the *basic equilibrium signaling model*. Spence (1973) provides an illustration of the labor market (*job market*) and suggests that companies that have a good *performance* (*superior performance*) use financial information to send signals to the market. From research Spence (1973) also found that the *cost of signals on bad news* is higher than *good news* and companies that have *bad news* send signals that are not credible. This motivates managers to disclose *private* information to reduce information asymmetry in the hope of sending good signals (*good news*) about the company's performance to the market.

Signaling theory explains that companies have the urge to provide financial report information to external parties to the company. The incentive of companies to provide information is because there is information asymmetry between the company and external parties. External parties then assess the company as a function of the different *signaling mechanisms*. Lack of outside information about the company causes them to protect themselves by giving low prices to the company, and it is possible that external parties who do not have information will have the same perception about the value of all companies. This view will harm companies that have better conditions because external parties will rate the company lower than it should be and vice versa (Taufik, 2016).

C. Trade Off Theory

Trade off theory is a capital structure theory which states that companies exchange the tax benefits of debt financing with problems caused by potential bankruptcy (Brigham and Houston, 2011). From this model it can be stated that companies that do not use loans at all and companies that use their investment financing with loans are all bad. The best decision is a moderate decision by considering the two financing instruments.

Trade off theory assumes that there are tax benefits due to the use of debt, so that companies will use debt as a certain level to maximize company values. The essence of *trade off theory* in the capital structure is to balance the benefits and tradeoffs that arise as a result of using debt. As far as the benefits are greater, additional debt is still being introduced. If the sacrifice due to the use of

debt is already greater, then additional debt is not allowed. The use of 100% debt is difficult to find in practice and this is opposed by the *trade off theory*.

D. Disclosure of Corporate Social Responsibility

Ebert (2003) defines *corporate social responsibility* as a company effort to balance its commitments to groups and individuals in the company environment, including customers, other companies, employees, and investors. *Corporate social responsibility* pays attention to the environment and society in its operations and interactions with stakeholders who go beyond legal responsibilities.

So that *corporate social responsibility* and the company cannot be separated from each other, because *corporate social responsibility* greatly affects the long-term sustainability of the company. By carrying out *corporate social responsibility*, the company cares about the welfare of the community and the surrounding environment, especially the many benefits the company will get if it discloses its social responsibilities which are stated in the annual financial report.

E. Capital Structure

Capital structure is the financing of equity and debt in a company which is often calculated based on the relative size of various funding sources. The company's financial stability and the risk of default on debt service depend on the source of funding and the type and amount of various assets the company owns. Determining a good capital structure in the company can be used as a reference for the company's financial stability and avoiding the risk of default (Subramanyam and Wild, 2010: 199).

Capital structure can also be said to be a collection of funds that can be used and allocated by a company where the funds are obtained from long-term debt and equity. Another definition suggests that the capital structure is a mixture or collection of debt, preferred stock and equity that is used to raise capital (Brigham and Houston, 2003: 402).

Determination of the appropriate composition of the capital structure can provide adequate guarantees for the funds invested by the company by both investors and creditors. The capital structure consists of internal and external sources. Internal sources are capital or funds that are

formed or generated by themselves in the company, which means an expenditure in "own power". Meanwhile, the external source comes from the owner, which is a component of their own capital and funds from creditors, which are loan or debt capital.

F. Firm Value

Firm value is defined as market value because company value can provide maximum prosperity for shareholders if the company's share price increases. Various policies taken by management in an effort to increase company value by increasing the prosperity of owners and shareholders are reflected in share prices (Brigham and Houston, 2006).

Company value can also show the value of assets owned by the company such as securities. Shares are one of the valuable assets issued by a company (Martono and Agus, 2003). The value of a publicly traded company, apart from showing the value of all assets, is also reflected in the market value or share price, so that the higher share price reflects the high value of the company (Afzal, 2012).

G. Profitability

Profitability is the company's ability to make a profit. According to Kasmir (2012: 196), profitability is the ratio to assess a company's ability to seek profit. Profitability provides an overview of how effectively the company operates so that it can provide benefits for the company.

The objective of investors investing in the company is to get a *return* or take the shares invested. In this case, the level of profitability of the company reflects the company's performance to generate profits for a certain period of time which can be seen from the rate of retrieval or *return on assets* (ROA). The higher the company's ability to earn a profit, the greater the *return* that investors will get, thus making the company value better and the company's stock price will increase.

H. Firm Size

Firm size has a different effect on the firm value of a company. In terms of company size, it is seen from the total assets owned by the company, which can be used for company operations. If the company has large total assets, the management is freer to use the existing assets in the company. This freedom that management has is proportional to the worry that owners have over its assets. A large number of assets will reduce the value

of the company if it is assessed from the side of the company owner. However, from a management perspective, the ease with which it controls the company will increase the company's value.

I. Firm Age

Firm age is the length of time the company was founded, which shows that the company can maintain its existence, be able to compete in the business world, and be able to maintain its business continuity (Suryamis and Oetomo: 2014). Thus, the age of the company can be related to the company value of a company. Older companies have more experience with company information. The age of the company shows the company's ability to overcome difficulties and obstacles that can threaten the life of the company, so that the longer the company is established, the more it is able to increase investor confidence.

J. Hypothesis

Referring to the various opinions above, the hypotheses of this study are: (a) Disclosure of corporate social responsibility has an effect on firm value, (b) Capital structure affects firm value, (c) Profitability strengthens the effect of disclosure of corporate social responsibility on firm value, (d) Profitability strengthens the effect of capital structure on firm value.

III. RESEARCH METHODS

This study uses a quantitative research approach. Quantitative research is a study that basically uses a deductive-inductive approach. This approach departs from a theoretical framework, the ideas of experts, as well as the understanding of researchers based on their experience, then it is developed into problems that are proposed to obtain justification (verification) or rejection in the form of field empirical data documents (Ahmad Tanzeh, 2009:99). The establishment of the Indonesia Stock Exchange as a place of research by considering that the Indonesia Stock Exchange is one of the centers for selling shares of companies that go public in Indonesia. The time of research was carried out from August to October 2020.

The population used in this study is perusahaan manufacturing consumer goods industry sector which *went public* listed on the Indonesia Stock Exchange year period 2015-2019. Teknik decision until using *purposive sampling* is sampling technique with a certain consideration. And obtained as

many as 34 companies that meet the sample criteria. The type of data used in this study is documentary data in the form of company annual reports and the *Corporate Image Index* published by the *Frontier Consulting Group*. The source of data needed in this study is secondary data . The research method used is the method of documentation and methods of literature.

A. Operational Definition

a. Company value

Firm value is measured by the market ratio, namely *price book value* (PBV) (Weston and Brigham, 2001). This ratio is used to value an equity based on its book value a.

$$PBV = \frac{\text{Harga per Lembar Saham}}{\text{Nilai Buku per Lembar Saham}}$$

b. Disclosure of Corporate Social Responsibility

The disclosure of *corporate social responsibility* is measured using the CSRD (*Corporate Social Responsibility Disclosure Index*) proxy . Based on *Global Reporting Initiative* (GRI) indicators which are divided into several categories including economy, environment, work practices, human rights, social and product responsibility. CSRI is assessed by comparing the number of disclosures made by the company with the number of disclosures required in GRI G3 which includes 79 disclosure items.

$$CSRDI = \frac{\sum X_{ij}}{79} \times 100\%$$

c. Capital Structure

Capital structure is a form of the company's financial proportion, namely the capital owned by long-term debt and its own capital which is a source of financing for a company .

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

d. Profitability

Return on Asset (ROA) is a measure of the company's ability to generate the company's rate of return or the company's effectiveness in generating profits by utilizing the company's assets .

$$ROA = \frac{\text{Laba Bersih}}{\text{Total Assets}} \times 100\%$$

e. Company Size

Company size is the scale to determine the size of a company. According to Zulkarnaini (2007), the size of a company is reflected in the total assets owned, the greater the assets owned, the greater the size of the company, and vice versa.

Company size = Ln Total Assets

f. Company Age

Through the age of the company, investors can see whether a company is able to continue to survive and be able to compete for business opportunities (Sembiring, 2012). In this study, the age of the company will be calculated from the year the company was founded until the year the observation was made.

$$AGE = \text{Year of observation} - \text{the year the company was founded .}$$

B. Data analysis method

To test the hypotheses that have been put forward sebelumnya it is necessary to do some testing, ie descriptive statistics, u ji classic assumption moderation regression analysis and hypothesis testing.

IV. Research Results and Discussion

A. Descriptive statistics

Descriptive statistical analysis serves to describe or provide an overview of the object under study through sample or population data as it is, without analyzing and making general conclusions.

Table 1. Descriptive Statistics

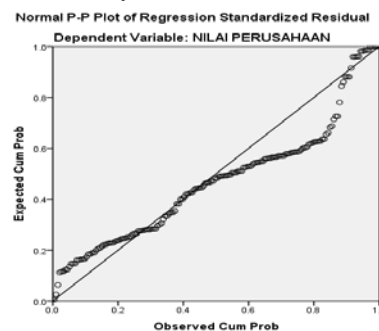
	N	Min	Max	Mean	Std. D
CSR Disclosure (X1)	170	0.25	0.86	0.4592	0.11012
Capital Structure (X2)	170	0.03	6.30	0.8166	0.76294
Company Size (X3)	170	20.34	32.21	28,7952	1,81726
Company Age (X4)	170	13.00	106.00	44,8235	20,7456
Firm Value (Y)	170	0.07	39.81	5,2735	8.15143
Profitability (Z)	170	-0.70	1.26	0.09256	0.13212
Valid N	170				

Source: data processed by researchers, 2020

B. Normality test

The normality test aims to test whether in the regression model the confounding or *residual* variables have a normal distribution or not. If this assumption is violated, the statistical test will be invalid for a small sample size.

Figure 1. Normality Test Results



By looking at the normal plot graph, it can be seen that the points spread far around the diagonal line, and the spread does not follow the direction of the diagonal line. The graph above shows that the regression model is not feasible because it does not meet the assumption of normality.

Table 2. Kolmogorov Normality Test Results

	Unstandardized Residual	Conclusion
Kolmogorov-Smirnov Test	2,565	Normal Distribution
Asymp. Sig. (2-tailed)	,136	

Source: data processed by researchers, 2020

Based on Table 2 Results of normality test statistical analysis (KS) showed that the Kolmogorov-Smirnov value obtained was 2.565 and significance far beyond 0.05 is 0,136. In other words, the KS value is not significant, so it can be concluded that the residuals have been normally distributed.

C. Multicollinearity Test

The multicollinearity test aims to determine whether there is a relationship between the independent variable or the independent variable. A good regression model is a model where there is no correlation between the independent variables. Multicollinearity test can be done by looking at the *tolerance* and VIF values.

Table 3. Multicollinearity Test Results

Independent Variable	Tolerance	VIF value	Test result
CSR (X ₁)	0,546	1,831	Not Multicollinearity
Capital Structure (X ₂)	0,170	5,879	Not Multicollinearity
Company Size (X ₃)	0,882	1,134	Not Multicollinearity
Company Age (X ₄)	0,728	1,374	Not Multicollinearity

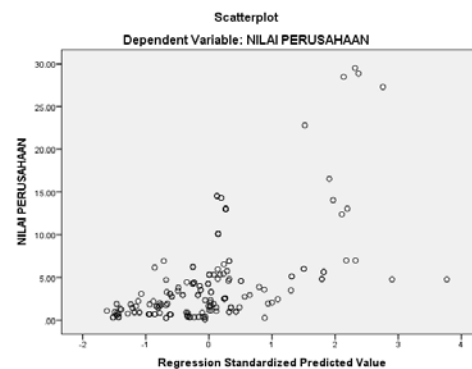
Source: data processed by researchers, 2020

Based on Table 3, Multicollinearity Test Results, it can be seen that the *tolerance* value of each independent variable shows no multicollinearity, because the *tolerance* value is more than 0.10 or *tolerance* > 0.10. In addition, the VIF value also shows the results that the independent variables are free from multicollinearity, because the VIF value of each variable is not more than 10 or the VIF value <10.

D. Heteroscedasticity Test

Heteroscedasticity test is performed to determine whether the regression model has an inequality of *variance* from the *residuals* of one observation to another.

Figure 2. Heteroscedasticity Test Results



In Figure 2 the *scatterplot* graph, it can be seen that the dots spread randomly both above and below zero on the Y growth and do not form a certain pattern. So it can be concluded that there is no heteroscedasticity in the regression model.

E. Hypothesis test

Hypothesis testing using multiple regression analysis. A summary of the results of multiple regressions is presented in table 4.

Table 4 Regression Test Results

$$Y = a + b_1.X_1 + b_2.X_1.Z + b_3.X_2 + b_4.X_2.Z + b_5.X_3 + b_6.X_4 + \epsilon$$

$$Y = 27,792 + 4,262 X_1 + 23,579 X_1.Z + 0,935 X_2 + 3,873 X_2.Z + 0,859 X_3 + 0,061 X_4$$

Variable	Coefficient	t-Statistic	Sig.
Constant	27,792	3,907	0,000
CSR	4,262	2,572	0,011
CAPITAL STRUCTURE	0,935	1,681	0,151
CSR*PROFITABILITY	23,579	4,626	0,000
SM * PROFITABILITY	3,873	2,634	0,009
COMPANY SIZE	0,859	3,526	0,001
AGE OF COMPANY	0,061	3,053	0,003

R Square = 0.340

Adj. R Square = 0.316

F-statistic = 13.997

Signification = 0.000

* significance at $\alpha = 0.05$

The dependent variable is Firm Value; independent variables are CSR, CSR * PROFITABILITY, CAPITAL STRUCTURE, CAPITAL STRUCTURE * PROFITABILITY; control variables COMPANY SIZE and AGE OF THE COMPANY; and the moderating variable is profitability

Source: data processed by researchers, 2020

Testing multiple linear regression in this study, to test the influence of *corporate social responsibility*, capital structure, Size company, and age company against the value of the company. In Table 4 coefficient - the coefficient of determination shown by R squared from the regression equation on the model used, yielding a value of 0,340 use values that can be explained

that 95.0 % of the independent variables consisting of *corporate social responsibility*, capital structure, size company, and age company supported by profitability as variable moderation that is able to explain the variable value of the company. The remaining 5% is explained by other variables outside the model. This implies that there are other factors that influence the firm value variable .

In the significance test simultaneously demonstrated by the F- *statistic* , the value generated by the regression equation in the research model of 13.997 with a significance under 0:05 namely $\alpha = 0.000$. It can be explained that *corporate social responsibility* , capital structure, size company, and age company supported by profitability as variable moderation simultaneously affect the variable value of the company .

Based tabel 4 The results of multiple regression constants obtained from the regression equation model of research that is 27.792 . The result of the constant value of the claim that without the influence of *corporate social responsibility* , capital structure , ukuran p ompany, umur p ompany and profitability , the average company will me ningkatkan value of the company amounted to 277 %.

V. DISCUSSION

A. Disclosure of *Corporate Social Responsibility* affects Company Value

The regression coefficient of the *corporate social responsibility* variable shows that there is an influence on the value of the company which has a positive pattern so that the increasing the value of *corporate social responsibility* , the greater the value of the company. Results of regression analysis to influence the *corporate social responsibility* to corporate value indicates a probability of $0.011 < 0.050$. This value indicates that *corporate social responsibility* affects firm value. The results are consistent with the *signaling theory* (the theory of signal), the disclosure of *corporate social responsibility* which is precisely the expectations of *stakeholders* can be used as a signal in the form of *Goodnews* given the management of the public that the company has good prospects in the future and ensure the creation of *sustainability development*. By implementing *corporate social responsibility*, the company's image will be better, so that customer satisfaction will be higher and thus customer loyalty. The company's high

concern for the community makes the public trust and investors' interest in the company is getting higher. *High corporate social responsibility* is not a burden, but a social investment. Thus the implementation of *corporate social responsibility* can increase company value.

The research result is consistent with the results Panjaitan (2016), Bawafi and Prasad (2017) , Benne and Moningka (2018), Junardi (2018) which showed that variably *corporate social responsibility* positive and significant effect on firm value. In theory, *corporate social responsibility* should be considered by investors before investing, because it contains social information that has been done by the company. By reporting and disclosing *corporate social responsibility*, *stakeholders* can evaluate how the implementation of *corporate social responsibility* and give awards / sanctions to companies according to the results of their evaluation. Signal theory emphasizes that companies can provide signals to external parties through disclosing their information to reduce information asymmetry and increase firm value. Based on the signal theory perspective, companies disclose *corporate social responsibility* as an effort to send good signals to *stakeholders* (Indrawan, 2011).

However, the results of this study are not in line with Juniarti (2015) which shows that *corporate social responsibility* does not have a significant effect on firm value. Likewise with Mudjijah et al (2018), Sianipar and Mulyani (2019) which show that the *corporate social responsibility* variable does not have a significant effect on firm value. According to Mudjijah et al (2018), this is due to the lack of disclosure of *corporate social responsibility* carried out by the automotive companies that were sampled in this study so that it has no effect on company value and there is no standardization for the application of *corporate social responsibility* by the Indonesian government.

B. Capital Structure has an effect on Firm Value

The H2 test results indicate that the capital structure has a positive and insignificant effect on firm value. The results of regression analysis for the effect of capital structure on firm value show a probability of $0.151 > 0.050$. This value indicates that the capital structure has no effect on firm value.

According to the *trade off theory*, in terms of optimal use of debt to increase value, this research may not be optimal. This possibility can be due to the fact that the company has not maximized the benefits of the *tax shield* from increasing debt so that the use of debt has not reached an optimal point. The regression coefficient that shows a positive number indicates that the use of debt is still useful and can increase firm value. The results of descriptive statistics show that the average DER value of the sample companies is 0.8166, which indicates that the use of debt is less than the equity held. The increase in the use of debt by the sample companies in the study period was only 10 companies from the total sample companies obtained. The amount of the company's equity value which is relatively bigger than debt makes the DER value lower and makes the ability of manufacturing companies to fulfill their obligations beyond doubt. Such a capital structure makes investors no longer worried about the company being unable to fulfill its obligations, so that DER is considered less influential in investment decisions. It can be concluded that the capital structure has no effect on investment decisions so that it does not meet the stock price which is the basis for calculating company value.

The results of this study are consistent with the results of research by Fajriana and Priantinah (2016), Oktrima (2017), Puspitasari (2018), Irawan and Kusuma (2019) and Oktaviani et al (2019) which show that capital structure does not have a significant effect on firm value. capital of companies that use more debt, there will be a decrease in share prices so that it will reduce the value of the company (Safitri, 2015).

The results of this study are not in line with the results of research by Manoppo and Arie (2016), Pratiwi et al (2016) Mudjijah et al (2019), and Oktaviani et al (2019) which show that capital structure variables have an influence on firm value. Manoppo and Arie (2016) state that increasing debt (DER) will increase company value as long as the company is able to balance the benefits and costs arising from debt is not a problem. Thus, a high DER but followed by good management can increase company value.

C. Profitability Strengthens the influence of Corporate Social Responsibility Disclosure on Company Value.

The regression coefficient value for the effect of profitability in moderating the

relationship between *corporate social responsibility* and firm value shows a positive direction and profitability in moderating the relationship between disclosure of *corporate social responsibility* and firm value shows a probability of $0.000 < 0.050$ so it can be concluded that profitability strengthens the effect of disclosing *corporate social responsibility*. to company value.

The results of this study are in accordance with the signal theory (*signaling theory*), appropriate disclosure of *corporate social responsibility* and according to *stakeholder expectations* can be used as a signal in the form of good *news* given by management to the public that the company has good prospects in the future and ensures the creation of *sustainability development*, *corporate activities*. *Social responsibility* carried out by the company can provide positive values and improve the company's image.

The results of this study are in line with the results of research by Bawafi and Prasetyo (2017) that the profitability variable as a moderating variable can affect the relationship between *corporate social responsibility*. In other words, profitability can strengthen the influence of *corporate social responsibility* on firm value when company profitability is high and vice versa, profitability can reduce firm value when company profitability is low. The impact of profitability in the relationship between *corporate social responsibility* and company value is due, among other things, to the number of manufacturing companies in 2015-2019 that have implemented a *corporate social responsibility* program and this has proven to be able to improve and the results of research show that whatever level of *corporate social responsibility* the company can affect the relationship between *corporate social responsibility* and company value. The results of this study are also supported by Fasya (2019), obtaining the conclusion that *corporate social responsibility* has a positive and significant effect on the value of manufacturing companies and the profitability obtained or produced by the company is also one of the factors that can strengthen the effect of *corporate social responsibility* disclosure on firm value.

D. Profitability strengthens the influence of Capital Structure on Firm Value

The regression coefficient value for the effect of profitability in moderating the relationship between capital structure and firm value shows a positive and significant direction towards firm value, a probability of $0.009 < 0.050$, so it can be concluded that profitability is able to moderate the relationship between capital structure and firm value.

The results of this hypothesis are also different from the results of the second hypothesis research which shows that there is no significant influence between capital structure on firm value. This may be due to the fact that the company has been able to proportionate debt and equity to create company value by being strengthened by the profitability resulting from the performance of the management and attracting potential investors to buy company shares so that there is an influence on the company value.

The results of this study are in line with Yando (2018) and Sari et al (2019) which state that profitability can strengthen the effect of capital structure on firm value. Yando (2018) states that companies that have high profitability, the smaller the level of use of their debt, because of the availability of retained earnings so that they can reduce debt levels.

E. Firm Size as a Control Variable has an effect on Firm Value .

The regression coefficient of the firm size variable as a control variable shows that there is an influence on firm value which is positive, so the more the company size value increases, the greater the firm value . The function of company size included in the regression equation model is to increase the value of the relationship between the independent variable and the dependent variable when testing the simultaneous hypothesis test (F test) and correlation (R Square). The results of regression analysis for the effect of company size as a control variable on firm value show a probability of $0.001 < 0.050$. This value indicates that firm size as a control variable affects firm value .

The results of this study are in accordance with signal theory, that high company size causes higher firm value. This is because large companies tend to have more stable conditions. This condition causes the company's share price to rise in the capital market. Investors have high expectations of large companies, investors' expectations in the form of dividends from the company.

Kumar *et.al*, (2001) stated that the greater the size of the company, the value of the company will also increase because large companies are able to achieve economies of scale, so that the company has the advantage of reducing production costs that occur when companies produce in large quantities using the same resources. . This result means that an increase in firm size increases firm value (profit). These results provide evidence that the size of the manufacturing company affects the profits generated by the company. The increase in the number of assets owned by the company shows the increasing size of the company, so that companies with a large size and *going public* have greater access to capital market sources to finance their investment in order to increase their profits.

The results of this study are in line with the findings of Irawan and Kusuma (2019) which state that company size is an important investment consideration for investors in buying shares. For investors, company size is used as a benchmark that the company is performing well. The results of this study were confirmed by Indriyani (2017) and Nurmindia et al (2017). They argue that firm size can increase firm value. A unidirectional relationship between company size occurs because large companies that have been listed in Indonesia benefit more from their operating activities, so that an increase in company size can increase the company's profitability .

F. Age Company as Variable Control effect on the Company Value .

The regression coefficient of the company age variable as a control variable shows that there is an influence on firm value which is positive, this explains that the longer a company has been established will cause an increase in firm value . The age function of the company is included in the regression equation model is to increase the value of the relationship between the independent variable and the dependent variable when testing the F test and R Square hypothesis. The results of regression analysis for the effect of company age as a control variable on firm value show a probability of $0.003 < 0.050$. This value indicates that company age as a control variable has an effect on firm value .

The results of this study in line with the jurisprudence (2017) which indicates that the age of the firm have an influence positively and significant against the value of the company . These results reflect that the

longer the company's life, the more the company is in its daily operational activities. The longer the company's life, the more experienced the company is in running its business, so that the company's value will be higher. A company that has been established for a long time will be more stable when compared to a company that has just been established. The age of this company is the age since the establishment of the company until the company is still capable of running its operations. Companies that are older have more experience so they will better know the needs of their constituents for information about the company.

The results of this study are not in line with the research of Halim and Christiawan (2017) showing that company age has no effect on firm value. Although the age of the company shows the experience that the company has, the longer a company is established, the company is no longer inclined to risky investments, but tends to maintain existing ones. The longer the life of the company and the company's experience, it has a mixed performance, there are very good and some were not. This shows that the longer the company does not guarantee that the company will have a better performance.

VI. CONCLUSION

Based on the results of hypothesis testing and a discussion of the effect of implementing *corporate social responsibility* and capital structure on firm value moderated by profitability, the following conclusions can be drawn.

The variable of *corporate social responsibility* disclosure shows the effect on firm value with a positive flow so that the increasing the value of *corporate social responsibility* disclosure, the greater the firm value. Has it this indicates that the disclosure of *corporate social responsibility* to contribute to firm value.

The test results show that the capital structure has no effect on firm value. This is because the value of the company's equity, which is relatively greater than debt, makes the DER value lower. These results indicate that the capital structure does not contribute to firm value.

Profitability moderates the relationship between *corporate social responsibility* and firm value. These results indicate that profitability is able to moderate the

relationship between *corporate social responsibility* and firm value.

Profitability is successful in moderating the relationship between capital structure and firm value. These results indicate that profitability is able to moderate the relationship between capital structure and firm value. Initial testing shows that capital structure has no effect on firm value, but after profitability has succeeded in influencing the relationship between capital structure and firm value.

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