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The Influence Of Corporate Social Responsibility, Profitability, Capital Structure On Company Value

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ABSTRACT

This study aims to determine the effect of Corporate Social Responsibility, Profitability, and Capital Structure on Company Value in the current Covid 19 pandemic era. The problem sttement in this study are as follows: 1) Does Corporate Social Responsibility (CSR) have a positive effect on Pharmaceutical Companies Value registered on IDX for the period 2017-2021, 2. Does profotability has positife influence to Pharmaceutical Companies value registered on BEI on periode 2017-2021, 3) Does Capital Structure have a positive effect on Pharmaceutical Companies Value registered on IDX for the period 2017-2021, 4) Does Corporate Social Responsibility (CSR), Profitability, and Capital Structure have a positive effect on Company Value in Pharmaceutical companies registered on IDX for the period 2017-2021.This research uses descriptive quantitative research. The population and sample in this study are pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2017-2021. The data used is secondary data on annual financial reports on the Indonesia Stock Exchange. This study uses data analysis techniques such as multiple regression analysis and SPSS as a tool to process and test data. The results of this study indicate that partially CSR has no significant effect, ROE has a significant effect and DER has no significant effect on firm value. Meanwhile, simultaneously CSR, ROE, and DER have a significant effect on firm value.

Keywords : Corporate Social Responsibility (CSR), Return on Equity (ROE), Debt to Equity Ratio (DER), Tobin's Q.

INTRODUCTION

The global ecological crisis caused by environmental damage due to the greedy exploitation of natural resources and the environment is getting worse and worrying. The crisis has caused various environmental disasters that are very detrimental and threaten human survival (Andreas Lako, 2018). In this current era, environmental damage due to the waste produced by the company is the main attraction for the Government and the Company to make environmental improvements in droves. One of the efforts made is implementing Corporate Social Responsibility (CSR) or a social responsibility which is evidence that the government and companies contribute to the empowerment of the environment and the surrounding community (Nindi Ike Cahyani, 2018). Company theory states that the main goal of company is to maximize the value of the company (Dominick Salvator, 2005). The positive contribution that can be made is by developing the disclosure of Corporate Social Responsibility (CSR). The results of research by Susilo, Chandrarin, & Triatmanto (2019) stated that Corporate Social Responsibility had a significant effect on firm value, while Pristianingrum's research (2017) stated that Corporate Social Responsibility had no effect on firm value.

Other factors that can affect firm value include funding decisions, dividend policy, investment decisions, capital structure, company growth, profitability and company size (Riska dkk., 2021). According to John A Pearce (2014) profitability is net result of a number of policies and decisions chosen by an organization management. The higher or the magnitude of the company's profitability indicates that the company is working well so that it can increase the company value. The results of Ayu and Suarjaya's research (2017) stated that profitability has a significant positive effect on firm value, while the results of research by Apriada and Suardika (2016) stated that profitability has a negative effect on firm value.

One of the most important investment considerations is the capital structure. Capital structure theory explains that the company's funding policies related to debt and equity are used to maximize firm value (Husnan, S., and E. Pudjiastuti, 2004). Bringham and Houston (2006) explained that the capital structure was very important for the company because it would affect the amount of risk borne by shareholders and the expected rate of return or profit rate. The research results by Ignatius Leonardus Lubis, Bonar M Sinaga and Hendro Sasongko (2017) stated that capital structure was negatively and insignificantly related to firm value. Meanwhile, the research results by Ta'dir Eko Prasetia, Parengkuan Tommy and Ivone S. Saerang (2014) stated that capital structure has a positive and insignificant effect on firm value.

Based on the description above, the researcher is interested in conducting research with the title "The Influence of Corporate Social Responsibility, Profitability and Capital Structure on Firm Value (empirical study on Pharmaceutical Companies registered on the IDX for the period of 2017-2021)". Due to the current COVID-19 pandemic, pharmaceutical companies have become companies that have an important role for the community. Pharmaceutical company as a provider of medicines and vitamins for public health needs. So the researchers chose pharmaceutical company as the object to find out how to implement Corporate Social Responsibility, how is the profitability, and how is the capital structure of pharmaceutical company and its influence on pharmaceutical company value during the current covid 19 pandemic.

LITERATURE STUDY

Stakeholder theory

Stakeholder theory is based on the assumption that businesses can only be considered successful when they deliver value to the majority of their stakeholders**.** It goes hand-in-hand with CSR (Corporate Social Responsibility) and, therefore, sustainability as well. That means that profit alone cannot be considered the only measure of business success, and value creation is not just about money. One of the first and most influential books that explore this approach is Strategic Management: A Stakeholder Approach by R. Edward Freeman. A very interesting read for all business leaders that see various stakeholder interests as crucial factors for success. Stakeholder theory is widely applicable and can be used in many key fields such as project management, strategic management, and business ethics. (Tom Wright, on Aug 8, 2022)

Company Value

Bringham (2018:19) in Dwi Ermayanti Susilo (2018) explains that company value is the perception of prospective investors on the company's level of success in relation to the management of its resources as seen in company's stock price. Various policies can be carried out by management in an effort to increase the company value, which can be seen in stock price.

Corporate Social Responsibility

“CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. ‘Ethically or responsible’ means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation.” (Kraus, 2012)

Profitability

Profitability is the ability of a business to get profits related to total assets, own equity, and sales, in this case can be used by long-term investors for profitability analysis (Saputra, 2013). Profitability ratios are the result of the ability of company management to measure the size of the profits obtained by a company (Satriawan & Arifin, 2016). Return on Assets is one tool to measure the level of profitability as seen from its ability to manage its assets (Umam, 2013). Bank profitability is the ability of banks to generate profits by using the assets they have. Profitability in the banking business reflects the level of business efficiency This return on equity ratio can be used as an illustration of the rate of return on invested capital or it can be said as the ability to generate profits from the equity owned. This ratio can also be used as a basis for fund owners in providing loans or financing to companies or individuals as well as investor considerations in investment plans. The higher return on equity shows that the company is getting better because in carrying out operations the company has enough capital (Satriawan & Arifin, 2016).

Capital Structure

According to Anila Cekrez (2013: 126) capital structure refers to the firm's mixture of debt and equity. Firms may raise funds from external sources or plow back profits rather than distribute them to shareholders. In reality, capital structure may be more The Modigliani-Miller theorem in 1958 forms the basis of further studies on capital structure. The theorem states that, in a perfect market, how a firm is financed is irrelevant to its value. For this reason their theorem is called "The Irrelevance Theorem". But in the real world capital structure is relevant, that is, a company's value is affected by the capital structure it employs.

Hypothesis

H1: Corporate Social Responsibility has a positive effect on firm value.
H2 : Profitability (ROE) has a positive effect on firm value.
H3 : Capital Structure (DER) has a positive effect on firm value.
H4: Corporate Social Responsibility, Profitability and Capital Structure have a positive effect on firm value.

METHOD

This research uses descriptive quantitative research. The population and sample in this study are pharmaceutical companies listedregistered on the Indonesia Stock Exchange for the period 2016-2020. The data used is secondary data on annual financial reports on the Indonesia Stock Exchange. This study uses data analysis techniques such as multiple regression analysis and SPSS as a tool to process and test data. The sampling in this study using purposive sampling method with the following criteria: 1) Pharmaceutical companies registered on the Indonesia Stock Exchange (IDX) during the period 2017-2021. 2) Pharmaceutical companies that publish financial reports and annual reports consistently and completely in 2017-2021. 3) Pharmaceutical companies publish Corporate Social Responsibility (CSR) disclosures in annual financial statements. 4) Have complete data regarding the variables in the study. As a result, there were 7 pharmaceutical companies that were sampled in this study.

Operational Definitions & Measurement Scales

Corporate Social Responsibility (X1)

CSR measurement in this study was carried out using another measurement method, namely GRI G4. This method issued by the Global Reporting Initiative (GRI). The variables in the GRI G4 method of measurement consist of: a) economic category, b) environmental category, c) social category. The CSRDI (Corporate Social Responsibility Discloure Index) measurement instrument is carried out using a dichotomous approach. Each CSR item in the study was given a value of 1 if it was disclosed, and a value of 0 if it was not disclosed. Then the scores for each item are summed to get the overall score for each company. The CSRDI calculation formula is as follows:

$$CSDRI = \frac{\sum X}{N}$$

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Explanations

CSRDI = *Corporate Social Responsibility Disclosure Index*
$\sum X$ = Jumlah item yang diungkapkan oleh perusahaan
N = Jumlah item pengungkapan CSR
CSRDI = Corporate Social Responsibility Disclosure Index
X = Number of items disclosed by the company
N = Number of CSR disclosure items

Profitability (X2)

In this study, profitability is measured by using Return on Equity (ROE) or own capital profitability, which is a ratio to measure net income after tax with own capital. This ratio shows the efficiency of the use of own capital. The higher this ratio, the better. This means that the position of the owner of the company is getting stronger, and vice versa. This ratio is a measure of profitability from the perspective of shareholders and is the tool most often used by investors in making investment decisions. Shareholders make investments to get a return on their money, and this ratio shows how well they have done so from an accounting perspective (Brigham & Houston, 2006). Return On Equity (ROE) is formulated:

$$ROE = \frac{Net\ Profit\ After\ Tax}{Capital}\ x\ 100\%$$

Capital Structure (X3)

In this study, capital structure is measured using the Debt to Equity Ratio (DER), a ratio that shows a comparison of the use of funding obtained through debt with funding through own capital (Halim, 2015: 216). The formula for calculating the Debt to Equity Ratio (DER) is as follows:

$$DER = \frac{Total\ Debt}{Shareholders\ equity}$$

Company Value (Y)

In this study, firm value was measured using the Tobin's Q method developed by James Tobin. Tobin's Q is calculated by comparing the ratio of the market value of the company's stock to the book value of the company's equity (Weston & Copeland, 2001). The Q ratio is superior to the market value to book value ratio because it focuses on what the company is worth today relative to how much it would cost to replace it today. The formula for Tobin's Q is as follows:

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Explanation:

Q = firm value
EMV = market value of equity
EBV = book value of total assets
D = book value of total debt

Data Collection And Data Analysis Techniques

Collecting data in this study using the documentation method which is a data collection technique that is not directly addressed to the research subject. This method is carried out by recording or collecting data related to the variables contained in pharmaceutical companies registered on the Indonesia Stock Exchange. The data collected from internet in www.idx.co.id and www.sahamok.com from previous researchers. Analysis of the data used is Multiple linear regressions is intended to determine the linear relationship between several independent variables commonly called X1, X2, X3, and so on with the dependent variable called Y.

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RESULTS AND DISCUSSION

RESULT

Descriptive statistic test

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSR	35	.15	.48	.2606	.09762
ROE	35	-8.79	28.99	10.5654	8.81695
DER	35	.08	4.23	1.3317	1.31372
TOBINS	35	.90	14.62	3.5034	3.48444
Valid N (listwise)	35				

Source: SPSS data processing results, 2022

Normality Test

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		35
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	3.01088153
Most Extreme Differences	Absolute	.159
	Positive	.159
	Negative	-.072
Kolmogorov-Smirnov Z		.944
Asymp. Sig. (2-tailed)		.335

Source: SPSS data processing results, 2022

Based on the SPSS processing above, it can be seen that the significance level is greater than 0.05, namely 0.335 > 0.05. So it can be concluded that the data is normally distributed.

Autocorrelation Test

Table 3. Summary Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.503[a]	.253	.181	3.15321	1.265

Source: SPSS data processing results, 2022

Based on the results of SPSS processing, the D-W value is 1.265. The dl value is 1.283 and the du value is 1.652 seen from the Durbin Watson table with n = 30 and k = 3, so 0 < 1.265 < 1.283. From these data it can be concluded that there is no autocorrelation.

Multicollinearity Test

Table 4. Multicollinearity test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.160	2.276		3.145	.004		
	CSR	1.480	6.339	.041	.233	.817	.764	1.309
	ROE	-.248	.077	-.628	-3.220	.003	.633	1.581
	DER	-1.065	.542	-.401	-1.966	.058	.578	1.731

Source: SPSS data processing results, 2022

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Based on the test results, it can be seen that the VIF value of the CSR variable is 1.309; ROE of 1,581; and DER of 1.731 where each has a VIF value < 10. The tolerance value of the CSR variable is 0.764; ROE of 0.633; and DER of 0.578, each of which has a tolerance value of > 0.10. So it can be concluded that in the regression model there is no multicollinearity.

Multiple Regression Analysis

Table 5. Multiple Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7.160	2.276		3.145	.004		
	CSR	1.480	6.339	.041	.233	.817	.764	1.309
	ROE	-.248	.077	-.628	-3.220	.003	.633	1.581
	DER	-1.065	.542	-.401	-1.966	.058	.578	1.731

Source: SPSS data processing results, 2022

Coefficient of Determination

Table 6. Coefficient of Determination test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.503[a]	.253	.181	3.15321	1.265

Source: SPSS data processing results, 2022

Based on the results of the above processing, the R value of 0.503 indicates that the variables CSR, ROE, and DER have a close correlation. Meanwhile, *Adjusted R Square* has a value of 0.181, which means that the variance of the independent variables, namely CSR, ROE, and DER, is able to explain the firm value of 18.1%. While 81.9% is explained by other variables not examined in this study.

F Test

Table 7. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	104.580	3	34.860	3.506	.027[b]
	Residual	308.224	31	9.943		
	Total	412.804	34			

Source: SPSS data processing results, 2022

Based on the test results above, the calculated F is 3.506 with a significance of 0.027 which means Ha is accepted and Ho is rejected because the calculated F (3.506) is greater than F table (2.90) or sig 0.027 <0.05. So that the independent variables (CSR, ROE, and DER) simultaneously have a significant effect on firm value.

DISCUSSION

Simultaneous test results (F test) show that CSR, ROE, and DER have an effect on firm value (Tobin's Q) which is seen from the significance value (0.027 < 0.05). The results of the partial test (t test) show that the independent variable, namely, CSR has a positive but not significant effect, while ROE and DER have a negative effect on firm value. The following is an explanation of each independent variable relationship with the dependent variable partially.

The Corporate Social Responsibility (CSR) variable measured by the CSR Disclosure Index (CSDRI) in the first hypothesis (H1) that the CSR variable has no positive effect on Firm Value (Tobin's q) in Pharmaceutical Companies registered on the Indonesia Stock Exchange (IDX) for the period 2017- 2021. This can be seen from the beta coefficient on the CSR variable (X1) of 1.480

with a t-count value of 0.233. This is based on Corporate Social Responsibility (CSR) data in the annual report and the company's sustainability reporting report used as a sample that has a small disclosure ratio. The small disclosure ratio is one of the causes of the absence of a significant influence between Corporate Social Responsibility (CSR) and Company Value. So it can be concluded that the disclosure of Corporate Social Responsibility (CSR) has not been able to increase the value of the company. So that it can cause investors not to be interested in investing in the company. This is not in line with research conducted by Dwi Ermayanti, et al (2019) which states that Corporate Social Responsibility has a positive effect on firm value. But on the other hand the results of this study are supported by the results of research conducted by Suci Ramona (2017) which states that CSR has no effect on firm value.

The profitability variable measured using Return On Equity (ROE) in hypothesis 2 (H2) is rejected because the ROE variable partially has a negative effect on Firm Value (Tobin's q) in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2017-2021 period. This can be seen from the beta coefficient on the ROE (X2) variable of -0.248 with a t-count value of -3.220. The results show that there are some companies that have suffered losses for several years, so the data states that profitability has not been able to increase the value of the company. It can cause investors not to be interested in investing in the company. This is not in line with research conducted by Dea Putri & Suarjaya (2017) which states that profitability has a positive and significant effect on firm value. But on the other hand the results of this study are supported by the research results conducted by Kadek Apriada & Made Sadha Suardika (2016) which states that profitability has a negative effect on firm value.

The Capital Structure variable measured by the Debt to Equity Ratio (DER) in hypothesis 3 (H3) is rejected because the DER variable partially does not have a negative effect on Firm Value (Tobin's q) in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2017-2021 period. This can be seen from the beta coefficient on the DER (X3) variable of -1.065 with a t-count value of -1.966. The results show that most companies use debt as a source of corporate funding rather than equity so that it affects the decline in firm value. So it can be concluded that the capital structure of pharmaceutical companies has not been able to increase the company value. So that it can cause investors not to be interested in investing in the company. This is not in line with research conducted by Ta'dir et al (2014) which states that capital structure does not have a negative effect on firm value. But on the other hand the results of this study are supported by the research results conducted by Kadek Apriada & Made Sadha Suardika (2016) which states that Capital Structure has no negative and insignificant effect on firm value.

CONCLUSION

This study aims to examine the effect of CSR, ROE, and DER on company value in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2017-2021 period. Based on the results of the research above, the following conclusions can be drawn: Simultaneously, the independent variables, that are CSR, Profitability (ROE), and Capital Structure (DER) have significant effect on company value in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2017-2021 period. Partially, Corporate Social Responsibility does not have a positive effect on company value. It shows that CSR has not been able to influence in terms of increasing company value in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2016-2020 period. Partially, profitability as described by ROE has a negative effect on firm value. It shows that ROE has not been able to increase company value in pharmaceutical companies regidtered on the Indonesia Stock Exchange for the 2017-2021 period. Partially, Capital Structure does not have a negative effect on firm value. It shows that the Capital Structure has not been able to influence the increase in company value in pharmaceutical companies registered on the Indonesia Stock Exchange for the 2016-2020 period.

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