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### INFLUENCE OF PROFITABILITY AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON FIRM VALUE

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**Keywords: profitability, corporate social responsibility, firm value**

#### ABSTRACT

This study is to determine the effect of the level of profitability and Corporate Social Responsibility disclosure on firm value. The object of research used in this study is the level of profitability, Corporate Social Responsibility Disclosure, and firm value. The subjects in this study were LQ45 companies listed on the Indonesia Stock Exchange (IDX). This research method is a verification method with a quantitative approach. This study uses secondary data with a sample of 18 LQ45 companies listed on the Indonesia Stock Exchange for an observation period of 2018-2019 or 36 observations. Testing the hypothesis in this study using multiple regression analysis methods. The results showed that the level of profitability had a significant effect and positive direction, Corporate Social Responsibility disclosure had a positive and significant effect on firm value.

**Keywords: profitability, corporate social responsibility, firm value**

#### INTRODUCTION

The company's main goal is to maximize profits for the short term and optimize firm value and provide incentives for stakeholders for long-term goals (Pramana & Mustanda, 2016). High firm value is the desire of the owners of the company because with high value shows the prosperity of shareholders is also high. The wealth of shareholders and companies is represented by the market price of shares which is a reflection of investment, financing, and asset management decisions (Nurrahman et al., 2018).

One of the phenomena related to firm value that occurs at PT. Semen Indonesia (Persero) Tbk., Its revenue decreased by 22.3% with the share price decreased from

Rp. 6,575 dropped to Rp. 6,125 in 2020. That was due to the swelling of higher interest costs, launching financial reports, last year SMGR's financial burden jumped 234.2% to Rp. 3.2 trillion. Because of rising debt for the acquisition of Indonesian Build Solutions. While net income rose 31.5% to Rp. 40.4 trillion, this is supported by the increase in selling prices and sales volume of cement due to the consolidation with the Indonesian Build Solution (SMCB).

There are several factors that affect the value of the company such as company size, capital structure, and profitability. In this research, profitability is considered able to influence the value of the company to see the company's ability to operate efficiently (Pramana & Mustanda, 2016). The higher this ratio, the better the productivity of assets in obtaining net profits (Nurrahman et al., 2018).

In addition to current profitability, investors view Corporate Social Responsibility (CSR) as a material consideration in investing (Hardika, 2018). CSR is considered a form of corporate social concern for the surrounding environment, paying attention to the social needs of the community which has a positive impact on the company's good name in a sustainable manner (Mufidah, 2018).

At present the company carries out Corporate Social Responsibility is an obligation to account for the activities of the company. Implied in the Limited Liability Company Law No. 40 of 2007 article 74 contains provisions concerning "the Company which carries out its business activities in the fields and/or relating to natural resources to carry out social and environmental responsibility. Disclosure of CSR widely causes companies to have a good image in the eyes of investors, meaning that shares are more desirable and of high value, thus encouraging increased firm value (Tunggal & Fachrurrozie, 2014).

## **LITERATURE REVIEW**

Argues that profitability has an impact on the value of the company, the higher the level of profitability of a company, means better the management performance, the attractiveness of the company increases so that investor interest is high to buy shares from the company (Beureukat, 2018; Munawaroh & Priyadi, 2014). The same thing was stated that profitability is the ability of a company to create profits in a certain period. The ability of a company to generate profits will be able to attract investors to invest, in other words, profitability is one financial part that affects the value of the company (Nurrahman et al., 2018).

H1: Profitability affects firm value

Corporate Social Responsibility is a form of corporate responsibility to improve social and environmental problems that occur due to the company's operational activities so that the company can grow sustainably (Handriyani & Andayani, 2013; Ramona, 2017). Corporate Social Responsibility disclosure is important because it measures the concern of the community around the company environment and is a consideration of investors to make an assessment and become the basis for investing. Corporate Social Responsibility disclosure is good, done, the value of the company is good for investors, and an interest in investing (Kusmadilaga, 2010).

H2: Disclosure of Corporate Social Responsibility affects Firm value.

The company expects returns that are comparable to the funds used. The return can be compared with alternative uses of these funds. As a measure of effectiveness, the higher the returns, the more effective the company (Abd’rachim, 2008; Wahyuningsih & Widowati, 2016). In addition, the disclosure of corporate social responsibility which is the company's commitment to building a better quality of life together with the parties involved, especially the surrounding community and the social environment in which the company is located, is carried out integrated with its business activities in a sustainable manner. This will attract investors to invest their funds in the company, thereby increasing the value of the company (Saridewi et al., 2016)

H3: Profitability and corporate social responsibility disclosure affect firm value

**RESEARCH METHOD**

This research method uses verification, used to test the truth in a field to test hypotheses (Sekaran, 2013). The population is the LQ 45 company, sampling using purposive sampling so that there are 18 companies and two years of observation so that there are 36 which are then used as research samples. This research was processed using multiple regression analysis.

**RESULT AND DISCUSSION**

**Result**

Coefficient Determination of Multiple Linear Regression

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515 <sup>a</sup>	.216	.231	.0063239

Source: Secondary data processed using SPSS 25.0

The coefficient of determination ( $R^2$ ) is 0.216 or 21.6%. The effect of the level of profitability and CSR disclosure contributed 21.6% to the LQ45 companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2019 observation period. While the remaining 78.4% is influenced by other variables outside the research model.

Simultaneous Test Results (Test f) Multiple regression

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.000	3	.000	6.769	.003 <sup>b</sup>
Residual	.001	33	.000		
Total	.002	36			

Source: Secondary data processed using SPSS 25.0

F value of 6.769 with sig 0.003. Because of  $sig. \leq 0.05$ , it can be concluded that all independent variables consisting of profitability and corporate social responsibility disclosure have a significant effect on the dependent variable, namely firm value.

## Partial Test Results (t-Test) Multiple Regression Analysis

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Unstandardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	,070	,008		6,928	,000
Profitability	,102	,038	,327	2,351	,033
CSR	,086	,010	,376	2,503	,012

Source: Secondary data processed using SPSS 25.0

#### 1. Effect of profitability on firm value

Based on the results of hypothesis testing above, it can be concluded that the level of profitability has a significant effect on firm value with a significance level of  $0.033 \leq 0.05$ . It is said that the level of profitability has a significant effect on the value of the company in LQ 45 companies listed on the Indonesia stock exchange in the 2018-2019 observation period.

#### 2. Effects of corporate social responsibility disclosures on firm value

Based on the results of the hypothesis testing above, it can be concluded that the disclosure of corporate social responsibility has a significant effect on the value of the company with a significance level of  $0.012 \leq 0.05$ . It is said that corporate social responsibility disclosure has a significant effect on the company value variable in LQ 45 companies listed on the Indonesia Stock Exchange in the 2018-2019 period.

## DISCUSSION

### *Effect of Profitability on Firm Value*

The better growth of the company's profitability means the company's prospects in the future are considered better, If the company's ability to generate profits increases, the share price will also increase (Husnan, 2001; Saridewi, 2016; Mufidah, 2018). Companies listed in LQ 45 have increased profitability well, namely increasing the number of sales but need to reduce operating costs and expenses that can reduce revenue. By minimizing the necessity of product research and development, minimizing acquisitions that can lead to increased interest costs in the future.

### *Effects of CSR Disclosures on Firm Value*

The company can maximize the benefits received by stakeholders, there will be satisfaction and appreciation for stakeholders and will increase the value of the company. Companies that implement corporate social responsibility hope will be responded positively by market participants, such as investors and creditors who can later increase the value of the company (Rosiana, 2013; Indah, 2016). companies registered in LQ 45 must prioritize disclosure of corporate social responsibility better and increase company awareness to fulfill their responsibilities and care for the community by way of prospering the community around the company and then processing waste so as not to pollute the environment.

## CONCLUSION

This study provides input to companies that profitability will ultimately increase the value of the company, the greater the profitability, the value of the company will increase. then explains that the disclosure of corporate social responsibility will increase the value of the company, the more complete the disclosure of corporate social responsibility, the value of the company increases. To increase company value, it is necessary to pay attention to the sustainability of profitability and the complete disclosure of corporate social responsibility.

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