Transekonomika: Akuntansi, Bisnis dan Keuangan
https://transpublika.co.id/ojs/index.php/Transekonomika
Online ISSN 2809-6851 | Print ISSN 2809-7866

https://doi.org/10.55047/transekonomika.v5i2.860

Original Article

The Effect of Financial Performance and Corporate Social Responsibility on Firm Value with Firm Size as a Control Variable

Olivia Mariska Umboh[1*], Harti Budi Yanti[2]

[1,2]Universitas Trisakti, Jakarta, Indonesia
Email: [1)] mariska.olivia09@gmail.com, [2)] hartibudi@trisakti.com

Received : 26 December - 2024
Accepted : 01 February - 2025
Published online : 04 February - 2025

Abstract

The main objective of this research is to explore how financial performance and corporate social responsibility influence the value of companies in the consumer goods industry in Indonesia, using firm size as a factor to consider. The study will concentrate on companies listed on the Indonesia Stock Exchange from 2021 to 2023. The research will gather data from previous studies and select samples based on specific criteria. A total of 285 samples will be analysed in this study. The data will be analysed using panel data regression analysis, which is suitable for examining how the variables interact with each other over the designated time period. The results of this research indicate that companies with higher profitability, as measured by Return on Assets (ROA), tend to have a greater firm value. Conversely, there was no notable impact on firm value from Corporate Social Responsibility (CSR), implying that consumers and investors may not rate CSR initiatives highly when evaluating company worth. Furthermore, the variable of firm size was shown to have a significant influence on firm value, with larger companies usually having a higher firm value.

Keywords: Profitability, Corporate Social Responsibility, Firm Value, Firm Size.

1. Introduction

Competition in today's globalised business environment is growing fiercer. As engines of economic progress, companies need to effectively manage their resources. The primary objective of any company is to enhance its value. This value is determined by the willingness of investors to put their money into the company. A high company value can lead to improved well-being and success for shareholders. The value of a company holds significant importance as it mirrors the company's performance. A high company value indicates shareholder welfare and can attract investors looking to invest their funds in the company (Rahmi & Danantho, 2022). Firms that can withstand challenges and thrive will be highly valued, prompting investors to eagerly commit their funds (Haholongan, 2016).

The company's share price is a reflection of its total value. Investor confidence can be enhanced by a high company valuation. By December 2023, data from the Indonesian Central Securities Depository (KSEI) showed that 12.16 million people were engaged in the stock market. This figure showed an increase of 140,375 people or 1.17% from the previous month. In comparison to December 2022, the number of Indonesian capital market participants saw a significant rise of 18.01% in December 2023. In Indonesia, the number of capital market investors has steadily increased over the last two years (Annur, 2024).

The value of a company can be significantly influenced by its financial performance. This entails the company's capacity to make profits through its sales, assets, and capital, which is vital for investors assessing its future prospects. Return on Asset (ROA) is a crucial indicator of profitability that shows how well the company is leveraging its assets to generate profits within a given timeframe. A strong ROA is viewed positively as it demonstrates efficient asset management by the company, and this data is usually provided in financial statements and annual reports for investors to consider when making investment choices (Lastanti & Salim, 2019). Research conducted by Prihayu and Fitria, (2023) found that profitability (ROA) has a positive effect on firm value (Tobin's Q). In contrast to research conducted by Rafid et al. (2019) found that the variable of ROA has a considerable adverse impact on the value of a company. The findings of this research suggest that a rise in the ROA figure of a company will lead to a decline in its overall value. .

In addition to profitability, the disclosure of corporate social responsibility can impact the company's overall worth, influencing investment decisions. Corporate social responsibility (CSR) involves a company committing to enhancing the societal and environmental welfare of the areas in which it conducts business. It is impossible to divorce a company from its social responsibilities, as the company's presence not only impacts the economy but also society and the environment. This is the background of the emergence of corporate social responsibility which encourages many companies to start paying attention to aspects that affect the value of the company comprehensively, both financial and non-financial aspect (Astuti et al., 2019). By implementing corporate social responsibility, the company can create a good image so that it creates a positive judgement from each stakeholder (Lastanti & Salim, 2019). Research conducted by Angraini and Murtanto (2023) discovered that the element of corporate social responsibility plays a vital role in determining the value of a company. Similarly, research conducted by Darsono (2023) shows that the firm's commitment to social responsibility enhances its overall value.

Additionally, while CSR has been studied extensively, its influence on firm value remains debated. Some studies, like Angraini and Murtanto (2023), suggest a significant positive relationship, while others show mixed results. This research will contribute to the literature by analyzing the effect of CSR disclosure on firm value in the Indonesian market, offering insight into whether CSR initiatives play a critical role in enhancing firm value in the consumer goods sector.

Another novel aspect of this study is the inclusion of firm size as a control variable. While firm size is often acknowledged in related research, this study intends to assess its specific role in influencing firm value, particularly in emerging markets like Indonesia, where firms of varying sizes are exposed to different challenges and opportunities. By addressing these gaps, this research aims to provide a comprehensive understanding of the factors influencing firm value, with a focus on profitability, CSR, and firm size, specifically within the context of Indonesia's consumer goods industry.

The results of this research shed light on the influence of Financial Performance, assessed by Return on Asset (ROA), and Corporate Social Responsibility on Firm Value, whilst also considering Firm Size as a control variable. By basing the study on previous studies, the purpose was to investigate the correlation between Financial Performance and Corporate Social Responsibility as distinct factors, with Company Value as the dependent variable and Company Size as a regulating factor.

2. Literature Review

2.1. Agency Theory

Agency theory serves as the foundation for corporate business practices that have been implemented. At its core, the theory posits that there exists a collaborative arrangement between the party granting permission (the principal, typically the investor) and the party entrusted with authority (the agent, usually the manager) through a contractual agreement (Sianipar & Mulyani, 2019). In accordance with agency theory, managers are required to provide good financial performance as accountability to the principal. Managers must focus on achieving the company's financial targets and operational efficiency.

2.2. Signaling Theory

According to signal theory, companies feel a compulsion to share financial details with external stakeholders. This urge arises from the imbalance of information between the company and potential investors, with the company having more knowledge about its own operations and future possibilities than those on the outside (investors, creditors) (Harsono, 2019). In accordance with signal theory, information that must be disclosed by companies is information about corporate social responsibility or CSR contained in annual reports and sustainability reports. The company's commitment to social and environmental responsibility can improve the company's reputation and value.

2.3. Stakeholder Theory

The concept of Stakeholder theory originated from the work of R. Edward Freeman back in 1984, which means that stakeholders are stakeholders in a group or individual who influence each other to achieve the goals of an organisation (Prihayu & Fitria, 2023). In accordance with stakeholder theory, CSR disclosure is a form of management commitment to social and environmental welfare, which in turn can contribute to the long-term success of the company.

2.4. Legitimation Theory

According to legitimacy theory, organisations strive to align their actions with the values and standards of the communities they operate in. Corporate norms change over time and organisations need to keep up. The process of gaining legitimacy is related to the social contract between the company and various parties in society (Angraini & Murtanto, 2023). In accordance with legitimacy theory, CSR disclosure helps companies achieve and maintain legitimacy, which can improve their image, reputation, and public support. Actions that conform to social norms and expectations are not only important from an ethical perspective, but also strategic for achieving long-term business success.

2.5. Profitability

Profitability refers to a company's capacity to earn profits from sales, assets, and share capital over a certain time frame. Profitability ratios indicate how effectively a company utilizes its assets to generate profits and enhance shareholder value (Aminah, 2021). When this ratio is higher than normal, most companies will fight for it because the business is doing well and generating profits, sales and cash flow (Angraini & Murtanto, 2023).

2.6. Corporate Social Responsibility

Through the adoption of corporate social responsibility practices, the company has the potential to enhance its reputation and earn favourable evaluations from all stakeholders. The company's commitment to social responsibility is publicly documented in its annual report, which can significantly boost its worth as investors increasingly favour companies that prioritise social and environmental considerations in addition to profitability (Lastanti & Salim, 2019). The concept of TBL, known as Triple-P or People, Planet and Profit/Prosperity, was first introduced by Elkington with the goal of integrating not just the financial gains of a company, but also its environmental and social footprint. According to the Triple Bottom Line (TBL) approach, a company's achievements should be evaluated based not only on its financial gains, but also on its contributions to society and the environment.

2.7. Company value

Shareholders strive for a high company value as it reflects their prosperity. The valuation ratio, based on the share price, indicates the public's perception of the company's worth and their willingness to invest in it above its book value. According to Pohan et al. (2019) the value of a company is determined by how investors perceive it, which is closely tied to its stock price. Companies' values are shaped by stock market trends and are heavily impacted by the available investment opportunities. When a company invests in its growth, it sends a positive message to managers, leading to an increase in the stock price as a reflection of the company's value. A strong stock price translates to a high company value.

2.8. Company Size

Company size refers to the scale of a company in comparison to various criteria. The size of a company can affect its value, with larger companies potentially having an easier time obtaining funding internally and externally (Santoso & Junaeni, 2022).

There are three main categories based on the size of a company: large, medium, and small firms. Larger companies are more likely to secure funding as they possess significant assets, making them attractive to investors and creditors (Loekito & Setiawati, 2021). Companies that are already large will find it easier to get access to funding or loans from outside so that the opportunity to win the competition is greater (Patmarina & Febriana, 2021).

2.9. Research Hypothesis

2.9.1. The Effect of Profitability (ROA) on Firm Value

Profitability refers to a company's capacity to generate earnings or gains within a specific timeframe, making it a key indicator of performance and potential profit prospects for the company (Maulinda & Hermi, 2022). Research results by Prihayu and Fitria (2023) suggests that the company's profitability (measured by ROA) contributes to an increase in its overall value.

H_1: Profitability has a positive effect on firm value.

2.9.2. The Effect of Corporate Social Responsibility on Firm Value

The impact of corporate social responsibility (CSR) on a company's worth is significant. Investors may take into account a company's CSR activities when deciding to invest, as it provides insight into the company's social initiatives. By publicly sharing their CSR efforts, companies allow stakeholders to assess their commitment to social responsibility and in turn, reward or penalise them accordingly. Research by Darsono (2023) shows that corporate social responsibility (CSR) has a positive effect on firm value.

H2: Corporate Social Responsibility has a positive effect on firm value.

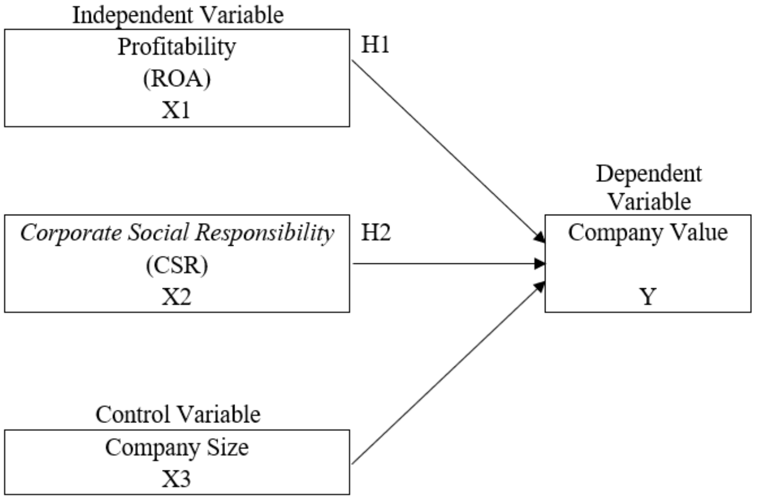

Figure 1. Research Framework

3. Methods

3.1. Research Design

The primary goal of this study is to explore the impact of financial performance and corporate social responsibility on a company's worth, with consideration given to the company's size as a key factor. Data is collected from the annual and sustainability reports of consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2023. The sample is selected using purposive sampling, following specific criteria.

1. Consumer goods sector companies listed on the Indonesia Stock Exchange during the 2021-2023 period.
2. Companies in the consumer goods industry that regularly release yearly and sustainability reports from 2021 to 2023 and are profitable.
3. Have complete data related to the variables used in the study.

3.1.1. Independent Variable

The independent variable (X) is a factor that can either positively or negatively impact the outcome of the dependent variable. This research utilises a range of independent variables including:

A. Profitability

Profitability is a metric that assesses a company's capacity to generate earnings within a specific timeframe. Return on Assets (ROA) is the key indicator used to evaluate profitability, and it is derived from a specific formula:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

B. Corporate Social Responsibility

Corporate social responsibility can be measured by the Global Reporting Initiative (GRI), which is a network that promotes sustainable reporting frameworks (Loekito & Setiawati, 2021). The calculation of CSR is done using dummy variables, namely:

Score 0: If the company does not disclose the item on the questionnaire.

Score 1: If the company discloses the item on the questionnaire.

$$\text{CSRDi} = \frac{\text{Item Disclosure Index}}{\text{Total Disclosure}}$$

3.1.2. Dependent Variable

The dependent variable (Y) in this study is:

A. Company Value

The value of a company refers to the worth of its stocks that are available for trading on the stock market. One method of determining a company's value is through Tobin's Q, which can be computed using a specific mathematical equation.

$$Q = \frac{(MVE + DEBT)}{TA}$$

3.1.3. Control Variable

A. Company Size

The size of a company can be determined by taking the natural logarithm of the total assets it holds. To calculate the size of a company, use the following formula:

$$\text{Firm Size} = \text{Log Total Assets}$$

3.2. Data Analysis Method

The research utilised the panel data regression analysis method for data analysis. This analytical approach involves examining data structured in panels. Eviews 9 software was utilised for data processing. The likelihood of the independent variable influencing the dependent variable, and vice versa, was tested through hypothesis testing by comparing probability values less than 0.05.

4. Results and Discussion

4.1. Research Result

Prior to choosing the suitable regression model for this research, both the Chow and Hausman examinations were carried out to assess the shared impact, stable impact, and inconsistent impact models. Upon thorough examination, it was determined that the optimal regression model for utilization in this investigation is the stable impact model. This research has notably cleared the tests for multicollinearity and heteroscedasticity. The outcomes of the panel data regression study are outlined as below:

Table 1. Fixed Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.15491	5.733940	7.700624	0.0000
ROA	0.090791	0.009241	9.824.641	0.0000
CSR	0.002954	0.009226	0.320184	0.7492
SIZE	-3.466394	0.458256	-7.564316	0.0000

Source: Data processed (2024)

The analysis conducted using panel data regression demonstrates that the constant value of 44.15491 is positive, indicating that when all variables are at 0, the firm value will be 44.15491. An increase of one unit in ROA results in a 0.090791 rise in company value, while a rise of one unit in CSR leads to a 0.002954 increase in company value. Conversely, an increase of one unit in company size causes a decrease of 3.466394 in company value, as indicated by the coefficient of -3.466394.

Table 2. T test results

Variable	t-Statistic	Prob.
C	7.700624	0.0000
ROA	9.824641	0.0000
CSR	0.320184	0.7492
SIZE	-7.564316	0.0000

Source: Data processed (2024)

The t test results revealed that profitability (ROA) is strongly linked to firm value, with a likelihood of 0.0000 <0.05. Conversely, there was no notable correlation between corporate social responsibility (CSR) and firm value, with a likelihood of 0.7492> 0.05. Additionally, the size of the company was found to have a significant influence on firm value, with a likelihood of 0.0000 <0.05.

Table 3. F Test Results

R-squared	0.916462	Mean dependent var	1.732523
Adjusted R-squared	0.873129	S.D. dependent var	1.575852
S.E. of regression	0.561302	Akaike info criterion	1.949224
Sum squared resid	58.91624	Schwarz criterion	3.205168
Log likelihood	-179.7644	Hannan-Quinn criter.	2.452701
F-Statistic	21.14942	Durbin-Watson stat	2.364627
Prob (F-Statistic)	0.000000		

Source: Data processed (2024)

Based on the results of the F test, where the probability (F-Statistic) was found to be 0.000000 <0.05, it can be deduced that the collective effect of ROA, CSR, and company size factors has an impact on the value of the company.

Table 4. Determination Coefficient Test Results

R-squared	0.916462
Adjusted R-squared	0.873129

Source: Data processed (2024)

According to the data presented in the table, the Adjusted R-squared value is 0.8731, implying that the ROA and CSR variables account for 87.31% of the variations in firm value. The remaining 12.69% can be attributed to factors not considered in this study.

4.2. Discussion

4.2.1. The Effect of Profitability (ROA) on Firm Value

Based on the results of the t test, it is evident that the profitability of consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2023 significantly influences their valuation. This implies that a higher ROA implies greater efficiency for the company, thus enhancing investor trust in its profit-making capabilities. A strong profitability suggests that the company is performing well and has promising growth opportunities ahead.

The results of this study are in line with research conducted by Prihayu and Fitria (2023) which states that profitability (ROA) has a positive effect on firm value.

4.2.2. The Effect of Corporate Social Responsibility on Firm Value

The results of the t test suggest that there is no significant influence of corporate social responsibility on the market value of publicly traded consumer goods companies on the Indonesia Stock Exchange from 2021 to 2023. It seems that revealing CSR activities does not have a crucial impact on investment decisions. The act of disclosing CSR activities can be quite expensive, potentially leading to a decrease in overall company earnings. These research outcomes parallel the conclusions drawn by Lastanti and Salim (2019), who also assert that the disclosure of corporate social responsibility does not have a significant impact on the value of a business. In contrast to research by Darsono (2023) which highlighting the advantageous impact of corporate social responsibility on the value of a business.

4.2.3. Control Variables

The impact of the independent variable on the dependent variable was evaluated through an analysis of the company size control variable using t test results. The results of the t test suggest that the size of a company significantly affects its value. It can therefore be concluded that the size of a company is a key factor in determining the value of consumer goods firms listed on the Indonesia Stock Exchange from 2021 to 2023. The findings of this research is similar with Loekito and Setiawati (2021) which uncover that company size affects firm value.

5. Conclusion

The study concludes that the level of profitability (ROA) is a key factor in influencing a company's worth, while corporate social responsibility (CSR) does not seem to have a major effect on the value of the firm. The company size factor, acting as a control variable, also has a notable influence on firm value. It is important to note that this study has its limitations, as it only focuses on one aspect of financial performance, leaving out other factors such as liquidity and solvency which also affect firm value. It is recommended for future research to broaden the scope by exploring different industries and extending the research duration to include a wider range of companies for analysis.

6. References

Aminah, L. S. (2021). The Effect of Current Ratio, Net Profit Margin, and Return on Assets on Stock Return (Study on Food and Beverages Companies Listed on the Indonesia Stock Exchange 2015-2017 Period). *MARGINAL : Journal of Management, Accounting, General Finance And International Economic Issues*, *1*(1), 1–9. https://doi.org/https://doi.org/10.55047/marginal.v1i1.8

Annur, C. M. (2024). *Jumlah Investor Pasar Modal Indonesia Terus Bertambah hingga Akhir 2023*. Databoks.

Astuti, H. H., Oktavianus, R. A., & Augustine, Y. (2019). Pengaruh Pengungkapan Corporate Social Responsibility Dan Kinerja Terhadap Nilai Perusahaan Dengan Tipe Industri Sebagai Variabel Moderasi. *Jurnal Magister Akuntansi Trisakti*, *5*(2), 185–202. https://doi.org/10.25105/jmat.v5i2.5074

Bella Angraini, B. A., & Murtanto. (2023). Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderasi. *Jurnal Ekonomi Trisakti*, *3*(1), 1823–1830. https://doi.org/10.25105/jet.v3i1.16424

Darsono, M. R. B. S. (2023). Pengaruh Kinerja Keuangan, Kesempatan Investasi, dan Corporate Social Responsibility terhadap Nilai Perusahaan. *Diponegoro Journal of Accounting*, *12*(4), 1–12.

Haholongan, R. (2016). Kinerja lingkungan dan kinerja ekonomi perusahaan manufaktur go public. *Jurnal Ekonomi Dan Bisnis*, *19*(3), 413.

HARSONO, A. (2019). Faktor-Faktor Yang Mempengaruhi Nilai Perusahaan Non Keuangan Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Bisnis Dan Akuntansi*, *20*(2), 117–126. https://doi.org/10.34208/jba.v20i2.416

Lastanti, H. S., & Salim, N. (2019). Pengaruh Pengungkapan Corporate Social Responsibility, Good Corporate Governance, Dan Kinerja Keuangan Terhadap Nilai Perusahaan. *Jurnal Akuntansi Trisakti*, *5*(1), 27–40. https://doi.org/10.25105/jat.v5i1.4841

Loekito, V., & Setiawati, L. W. (2021). Analisis Pengaruh Corporate Social Responsibility (Csr) Terhadap Nilai Perusahaan Dengan Variabel Kontrol Likuiditas, Leverage, Ukuran Perusahaan, Dan Profitabilitas Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2017 – 2019. *BALANCE: Jurnal Akuntansi, Auditing Dan Keuangan*, *18*(1), 1–26. https://doi.org/10.25170/balance.v18i1

Maulinda, W., & Hermi. (2022). Pengaruh Profitabilitas, Likuiditas, Dan Leverage Terhadap Nilai Perusahaan Dengan Corprate Social Responsibility Sebagai Variabel Pemoderasi. *Jurnal Ekonomi Trisakti*, *2*(2), 1923–1932. https://doi.org/10.25105/jet.v2i2.14885

Patmarina, H., & Febriana, V. (2021). Pengaruh Good Corporate Governance Dan Ukuran Perusahaan Terhadap Kinerja Perusahaan Pt.Hm Sampoerna Tbk Periode 2008-2017. *Angewandte Chemie International Edition, 6(11), 951–952.*, *26*.

Pohan, H. tohir, Noor, I. N., & Bhakti, Y. F. (2019). Pengaruh Profitabilitas Dan Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. *Jurnal Akuntansi Trisakti*, *5*(1), 41–52. https://doi.org/10.25105/jat.v5i1.4850

Prihayu, W. S., & Fitria, A. (2023). Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan Dengan Corporate Social Responsibility Sebagai Pemoderasi Astri Fitria Sekolah Tinggi Ilmu Ekonomi Indonesia (Stiesia) Surabaya. *Jurnal Ilmu Dan Riset Akuntansi*, *12*(5), 1–21.

Rafid, A. G., Pohan, H. T., & Noor, I. N. (2017). Pengaruh kinerja keuangan terhadap nilai perusahaan dengan pengungkapan corporate social responsibility sebagai variabel pemoderasi. *Jurnal Akuntansi Trisakti*, *4*(2), 245–258.

Rahmi, N. U., & Danantho, V. (2022). Pengaruh corporate social responsibility, capital expenditure, keputusan investasi dan leverage terhadap nilai perusahaan pada perusahaan sektor consumer goods yang terdaftar di Bursa Efek Indonesia tahun 2016-2019. *Owner*, *6*(4), 4210–4218. https://doi.org/10.33395/owner.v6i4.1175

Santoso, B. A., & Junaeni, I. (2022). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Likuiditas, dan Pertumbuhan Perusahaan Terhadap Nilai Perusahaan. *Owner*, *6*(2), 1597–1609. https://doi.org/10.33395/owner.v6i2.795

Sianipar, M. A., & Mulyani, S. D. (2019). Peran Investment Opportunity Set Sebagai Pemoderasi Pengaruh Kinerja Keuangan, Goodcorporate Governance Dan Corporate Social Responsibility Terhadap Nilai Perusahaan. *Jurnal Akuntansi Trisakti*, *4*(2), 85–100. https://doi.org/10.25105/jat.v4i2.4842