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The Effect of Profitability, Firm Size, CSR Disclosure, Leverage, On Firm Value

(Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2018-2021)

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Abstract: The study aims to determine the effect of profitability, firm size, disclosure of csr, and leverage on corporate value. This research is a quantitative research ussing multiple linear regresion analysis with the help of SPSS software. The population in this study manufacturing companies listed on the Indonesia Stock Exchange (BEI) 2018-2020. Selection of sample research using purposive sampling and known the number of samples used as many as 204 manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The ressults showed that: (1) profitability variables affect to firm value; (2) firm size variables affect to firm value; (3) CSR disclosure variables have no effect on company value; and (4) leverage variables have no effect on company value.

Keywords: Profitability, Firm Size, CSR Disclosure, Leverage, Firm Value

I. INTRODUCTION

Competition in the increasingly fierce business world makes manufacturing companies increase the value of the company, besides that companies are always trying to achieve better conditions in running and continuing their business. A company is basically founded with the aim of maximizing the welfare of the owners. The company must also have a purpose. These goals can be shared both in the near and long term . In the near term, the company aims to maximize current profits, while in the long term it aims to increase the value of the company itself. The value of the company shows how high the level of success of a company is, so that it can be a picture of investors to invest. A high company value will make the market or investors believe and believe in the company's current and future performance. With the better the value of the company, the company will be seen as more valuable by potential investors (Gultom et al., 2013) .

One indicator that is often seen by investors and is the main ratio is the profitability ratio. Profitability is an indicator that can be used to assess a company, shows the effectiveness of a company, and shows how the company's management manages the resources it has (Hestinoviana *et al.* , 2013). The size of the profitability generated by the company can also affect the value of the company, by showing the profits that have been generated by the company, profitability will be seen as a measure of company performance. ROA is used to measure the effectiveness of the company in generating profits by utilizing its assets. This ratio is the most important ratio among the existing profitability ratios (Robert, 1997 in Chasanah & Adhi, 2017) .

According to (Rachmawati & Purwanti, 2017) , companies that have small-scale values tend to be less profitable compared to large companies. This is because small companies only have limited supporting factors to produce goods. Large companies will find it easier to get the trust of creditors. Companies that are easy to get funding will attract investors to invest.

One form of corporate responsibility is *Corporate Social Responsibility* (CSR). Awareness of the importance of CSR practices has become a global *trend* , along with the increasing public concern for the company's environment. Therefore, companies are required to include CSR disclosures in their annual reports as a form of long-term strategy.

Leverage is used to measure the *financial leverage* of the company where the greater the *leverage* , the more capital structure financed by loans, so that the company's dependence on creditors increases. The higher the *leverage* , the lower the confidence of investors who invest in stocks. High debt can reduce tax spending, so it can increase the value of the company.

II. Headings

Stakeholder Theory

Go on the life of the company depends on the support of *stakeholders* who influence or could influenced by activity company. Company no only responsible for the owners but also have responsibilities to condition environment and social responsibility (Rustiani & Priyadi, 2011)

Signaling Theory

Theory signaling is theory which explain signal information which needed investors for consider and determine decision invest on company. Theory signaling explain how companies provide signals to users of financial and non-financial statements finance. This signal is information about what has been done management to realize the owner's wishes, i.e. maximizing profit. One of the information is about CSR activities that carried out by the company, which is disclosed in the company's annual report. Companies disclose CSR in the hope of increasing the value company (Rustiarini, 2010 in Sari, 2013).

Legitimacy Theory

(Reverte (2009) and Sari (2009 and 2013) suggest that the theory of legitimacy is the notion of a company's social contract with society. (Rahmazaniti, 2014) revealed that when profits increase the company will do more of their responsibilities to society. So that will get a good response from the community because companies with the profitability tall considered could finance activity social. (Reverte & Sari , 2009)

Firm Value (Y)

Firm value summarizes investors' collective assessments of how well a company is doing, both in terms of current and projected future performance. The value of the company can be seen through the company's stock price. If the stock price increases, the value of the company will also increase, and vice versa. Maximizing the value of the company is very important for the company because: means maximizing the prosperity of shareholders which is an important thing that must be achieved by the company's management (Brigham and Daves, 2010) .

Profitability (X1)

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital (Sartono, 2000 in Dewi, 2008) . Thus, long-term investors will be very interested in this profitability analysis. Profitability shows the company's ability to generate profits from the assets used. Profitability analysis provides supporting evidence regarding the company's ability to earn profits and the effectiveness of the company's management (Smith and Skousen 1992).

Firm Size (X2)

Firm size is one of the variables used in determining the value of a company (Pratama & Wiksuana, 2016) states that company size is the total of assets owned by a company. The benchmarks that show the size of the company include total sales, average sales levels and total assets. Basically the size of the company is divided into three categories, namely large companies (*large firms*), medium companies (*medium size*) and small companies (*small firms*). The larger the size of the company, the greater the assets owned by the company and the funds obtained by the company, both internal and external to maintain its operational activities, are more and more easily obtained. The larger the size of the company can influence management decisions in deciding the funding to be used by the company so that funding decisions can increase the value of the company (Pritama & Wiksuana, 2016) .

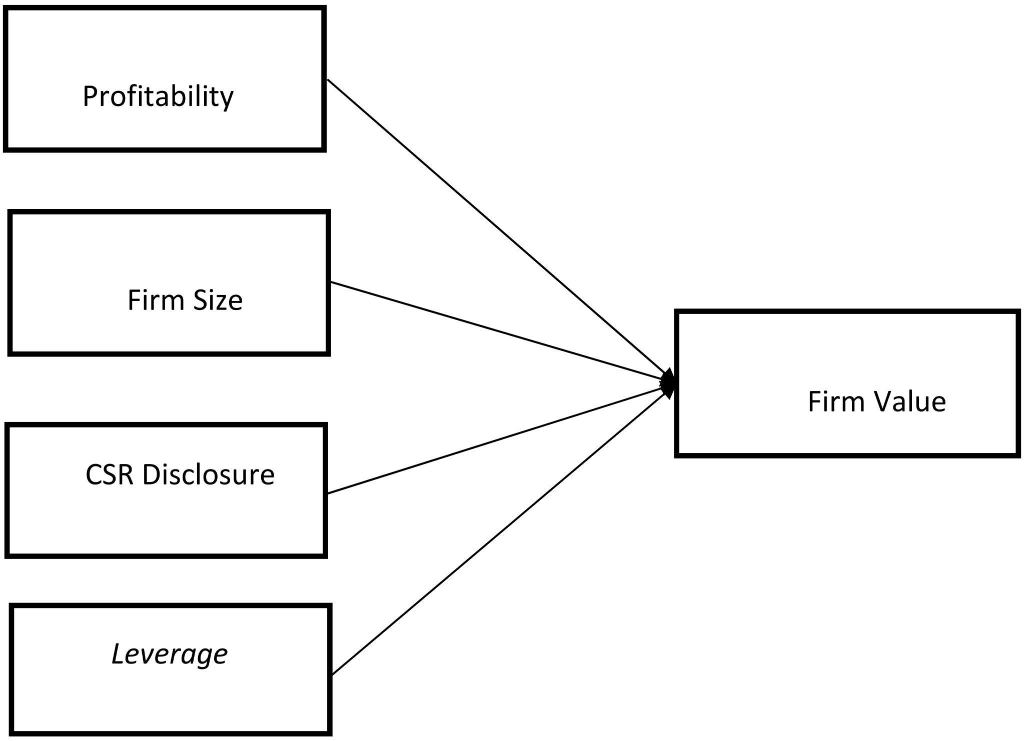
CSR Disclosure (X3)

Corporate Social Responsibility is an ongoing commitment by the business community to act ethically and contribute to the economic development of the local community or society at large, along with improving the standard of living of its workers and their entire families. (Roselly, nd 2016) explained that CSR disclosure aims to reduce information asymmetry and provide information to investors on what the company has done to the environment, society and employees .

***Leverage* (X4)**

Leverage is a measure of the amount of assets financed by debts originating from creditors, not from shareholders or investors. Clayman et al., (2012) stated that debt financing involves risk because debt legally requires companies to pay interest and pay off principal obligations as promised. Torok and Cordon (2002) reveal that the greater the proportion of debt to equity, the greater the overall business risk . However , the higher the *Debt to Equity Ratio (DER)* , the higher the business of a company.

Research Framework



III. Indentations and Equations

Types of Research

The type of research used in this research is quantitative research. Quantitative research methods are used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative/statistical, with the aim of testing research related to the variables studied.

Data Source

The source of data in this study is secondary data obtained from Indonesia Stock Exchange (IDX) website www.idx.co.id.

Population and Sample

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX). Based on data from the Indonesia Stock Exchange (IDX), there are 160 manufacturing companies listed on the IDX. However, from 160 companies there were 93 companies that did not meet the criteria so that only 67 companies were continued for the data analysis process. The observation period in this study was for 4 consecutive years. So the total research sample is 268 research samples but outlier 3 so final total is 265 sample.

Data collection technique

The sample collection technique used purposive sampling , namely the sample was selected according to certain criteria. The criteria for the sample set are follows : Company manufacture which registered on BEI period 2018-202 1 , company manufacture which registered in BEI as well as provide annual financial statements for three consecutive years, namely from year 2018-202 1 , manufacturing companies that publish financial reports with unit rupiah in year 2018-202 1 , manufacturing companies that did not suffer losses during the period 2018-202 1 , company manufacturing which publish data by complete on year 2018-202 1 related with variable score company, profitability, size company, disclosure csr, leverage. Thing thismeant for completeness of data.

Data analysis method

The data analysis method in this research is using multiple linear regression analysis method. To test the effect of profitability, firm size, csr disclosure, and leverage on firm value partially and simultaneously the F-test is used. Before testing the hypothesis on multiple linear regression, the classical assumption test was first tested. This classical assumption test is intended to ensure that the model obtained really meets the basic assumptions in the regression analysis which was carried out by data normality test, multicollinearity test, autocorrelation test and heteroscedasticity test with the help of SPSS version 21 program. The following equations are used in linear regression analysis research multiple :

$NP = \alpha + {}_1 PROF\beta 1 + {}_2 UP\ \beta 2 + 3PCSR\ \beta 3 + {}_4 LEV\ \beta 4 + e$

Information:

NP = Score Company

α = Constant

β1 - β4 = Regression coefficient of each independent variable

PROF = Profitability

UP = Size Company

PCSR = Disclosure CSR

LEV = Leverage

e = *error*

IV. Figures and Tables

IV.1 Research Results and Discussion

IV.1.1 Descriptive statistical analysis

Table 1. Descriptive Statistics

Keterangan	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	265	,0 0	, 49	, 0822	, 07518
Firm Size	2 65	25.95	33.54	28,8243	1, 60354
Disclosure CSR	2 65	, 01	, 86	, 4758	, 16841
Leverage	2 65	,00	5.47	,7 740	, 73566
Score Company	2 65	,08	14.29	2.1293	2.18796
Valid N (list wise)	2 65				

Source: Results Analysis Data, 2022

Results :

Variable dependent score company (PBV) have score a minimum of 0.08 and a maximum value of 14.29 and an average (*mean*) of 2.1293 with a standard deviation of 2.18796 . Where the mean value is lower than the standard deviation value, this means that the distribution of firm value data is heterogeneous because have standard more deviation high compared score the average.

Data from the independent variable profitability (ROA) obtained the value of a minimum of 0.00 and a maximum value of 0.49 with an average value of the mean is 0.0822 and the standard deviation is 0.07518 . Judging from the value average which more big from score standard deviation, so data this shows that the distribution of the data is quite good and the data is normal.

Data from the independent variable company size obtained the value of a minimum of 25.95 and a maximum value of 0.49 . Average size value company 28,8243 and standard deviation as big as 1,60354 .

Data from variable independent disclosure Not quite enough Answer Social (CSR) obtained a minimum value of 0.1 and a maximum value of of 0.86. The average value of CSR Disclosure is 0.4758 and the standard deviation of 0.16841 . These results can be interpreted that the commitment of manufacturing companies in terms of CSR have an average of 47.58 % from whole activity company. Score maximum as big as 0.86 state meaning that company which most tall give its contribution of 86% in terms of CSR. Judging from the average value is greater than the standard deviation value, then these data indicate that deployment data pretty good and the data is normal.

Data from the independent variable Leverage obtained the minimum value of 0.00 and a maximum value of 5.47 . The average leverage value is 0.7 740 and standard deviation of 0.73566 . The average leverage value is 7 7 ,4 0 % can be interpreted that companies listed on the IDX for the period 2018-202 1 has the ability to complete all obligations amounting to 70.4% of the company's equity or every 0.704 rupiah of liabilities entity guaranteed one rupiah of company equity.

IV.1.2 Classic Assumption Test Results

IV.1.2.1 Normality test

The results of the normality test using the Central Limit Theorem (CLT) method. The results of the normality test in this study indicate that the number of observations (N) is 265 samples, so it can be interpreted that the number of samples 265 is greater than 30 samples. This shows that the data can be said to be normally distributed.

IV.1.2.2 Multicollinearity Test

T a b l e 2 . Multicoll
nearity Test

Variable	*Tolerance*	VIF	Information
Profitability	, 951	1, 051	Not occur Multicollinearity
Firm Size	,9 80	1, 020	Not occur Multicollinearity
Disclosure CSR	,99 1	1.00 9	Not occur Multicollinearity
Leverage	, 960	1, 041	Not occur Multicollinearity

Source: Results Analysis Data, 2022,

Based on table 2 above, it can be said that there is no multicollinearity, because VIF <10, Profitability(X1) is1.051, Firm Size (X2) is1.020, CSR Disclosure (X3) is1.009, and Leverage (X4)is1.041. So it can be concluded that the data in this study does not occur multicollinearity because the VIF is less than 10 so it can be stated that the model does not experience multicollinearity.

IV.1.2.3 Heteroscedasticity Test

Table 3. Heteroscedasticity Test*Spearman's rho*

Variabel	Sig.	Information
Profitability	0, 243	Not Occur Heteroscedasticity
Firm Size	0.542 _	Not Occur Heteroscedasticity
Disclosure CSR	0.340 _	Not Occur Heteroscedasticity
Leverage	0.576 _	Not Occur Heteroscedasticity

Source: Results Analysis Data, 2022

Based on on table 3 with use test *Spearman's rho* state that score significance all variable independent exceed level confidence that is 0.05 (5%). So that could concluded model regression no symptoms heteroscedasticity.

IV.1.2.4 Autocorrelation Test

Table 4. Test Run
Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,559a	,312	,302	1,82809	1,957

Based on table 4 , the DU value from the table is 1.8094 . Condition passed the Durbin-Watson test i.e. DU < DW < (4-DU). Then the result is obtained 1, 8094 < 1,957 < 2.1096 . So that could concluded that data no caught symptom autocorrelation.

IV. 2 Hypothesis Test

IV.2.1 Multiple Linear Regression

Table 5. Multiple Linear Regression

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	- 6,950	2.072		- 3,355	0.0 01
	Profitability	14,790	1.534	, 508	9.639	,00 0
	Firm Size	, 262	,0 71	, 192	3,694	,0 00
	Measurement CSR	- , 024	, 671	- , 002	-,035	, 972
	Leverage	, 426	, 156	, 143	2,730	, 007

Source: Results Analysis Data, 2022,

Based on formula regression which has determined, so model regression obtained are as follows:

NP = - 6,950 + 14,790 PROF + 0, 262 UP – 0.024 PCSR $_{+0.426}$ LEV _ _ + e

From regression equation on could interpreted as following:

- *Constant* of - 6 , 950, meaning that the value of the company will be - 6,950 if each variable independent in study that is profitability, size company, disclosure CSR and *leverage* have score zero.
- Variable profitability have score coefficient regression of 14,790 . If a one percent increase in the profitability variable with a variable value of independent other permanent, so score company will increased by 14,790 .
- Firm size variable has regression coefficient value 0, 262 . If raise one percent variable size company with score variableindependent other permanent, so score company will increase 0, 262 .
- CSR disclosure variable has a regression coefficient value of -0.024 . This means that if every one percent increase in the disclosure variable CSR with score variable independent other permanent, so score company will increase by - 0.024 .
- Variable *leverage* have score coefficient regression as big as 0, 426 . It means if score Leverage go on so Score Company also experienceincrease. Conversely, if the *leverage value* decreases, the firm value also decrease.

I V . 2 . 2 Test Coefficient detrminant

Table 6. Test the coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.5 59 [a]	0, 312	0.3 02	1,82809 _

Source: Results Analysis Data, 2022

based on table 6 above, it shows the value of the coefficient of determination with adjusted R2 of 0.302. This means that 30,2% is influenced by the variables of leverage, profitability and firm size. While the remaining 69,8% is influenced by other variables.

IV.2.3 F . Test

Table 7.F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	394,920	4	98,730	29.543	,000 b
	Residual	868,894	260	3,342		
	Total	1263,814	2 64			

Source: Results Analysis Data, 2022

Based on table 7 above, the results of the F test have a significance level of 0.000, which is less than 0.05, this indicates that leverage, profitability and firm size simultaneously have a significant effect on firm value.

I V . 2 . 4 t test _

Table 8. t test

Variable	**T count**	**Sig**	**Information**
Profitability	9.639	0.000	H1 accepted _
Firm Size	3,694	0.000	H2 accepted _
Disclosure CSR	-,035	0, 972	H 3 rejected
Leverage	2,730	0.007 _	H 4 accepted _

Source: Results Analysis Data, 202 2

Based on table on, is known that variable profitability and the size of the company that affects the value of the company. This matter proven with score sig from profitability 0.000 < 0.05 and score sig from company size 0.000

< 0.05. While the CSR disclosure variable no take effect to score company. Thing this proven significant value greater than 0.05.

I V . 3 Discussion of Analysis Results

1. Influence of Profitability on Company Value

Results analysis data show that variable profitability has a Sig value. smaller than the level of significance that has been set is 0.000 < 0.05. This shows that the hypothesis accepted, where the profitability variable has an effect on the variablescore company.

2. The Effect of Firm Size on Firm Value

The results of the data analysis show that the firm size variable has a value of Sig. smaller than the level of significance that has been set is 0.000 < 0.05. This shows that the hypothesis received, where variable size company take effect to scorecompany.

3. Influence Disclosure CSR to Score Company

Results analysis show that variable disclosure not quite enough social responsibility has a value of Sig. greater than the level of significance that has been set is 0, 972 > 0.05. This shows that hypothesis rejected, where variable disclosure not quite enough answer socialno effect on variables the value of the company.

4. Influence Leverage to Score Company

Results analysis data show that variable leverage has a Sig value. smaller than the level of significance that has been set that is 0.007 < 0.05. This shows that the hypothesis accept, _ where variable leverage take effect to score company.

V. CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter, the following conclusions can be drawn:

1. Profitability has an effect on Firm Value, this shows that Leverage is a determining factor for Firm Value.
2. Firm size has an effect on firm value, this shows that firm size is a determining factor for firm value.
3. CSR Disclosure has no effect on firm value, this proves that profitability is not a determining factor for firm value.
4. Leverage has an effect on firm value, this shows that firm size is a determining factor for firm value.

Limitations

Study this have limitations which could made ingredient consideration for researcher next To use get results studywhich more good. As for limitations in this research as following:

1. Study this conducted with use period observation which relatively short, that is three period During year 2018-202 1 .
2. The results of the analysis on the regression coefficient of determination show that variable independent on study this only capable explain the dependent variable is 3 0.2 % while the remaining 6 9.8 % is explained variable lin which no used in research this.

Suggestion

Based on the conclusions and limitations in this study, the researcher can provide suggestions for further researchers, as for suggestions that can be given that is :

1. Researcher next expected could add period timestudy, for better research results.

2. Researcher next expected could add factors other which could have influence to score company which not yet used in this research.

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