



The Influence Of Corporate Social Responsibility On Company Value (Empirical Study On Companies Included In The Idx Sri Kehati Esg Sector Leader Index)

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Abstract

This research aims to analyze the influence of Corporate Social Responsibility on company value on the Indonesian Stock Exchange. The object of this research is companies that are members of the IDX SRI KEHATI ESG Sector Leader index in 2015-2020. The sampling technique is purposive sampling. The data used is secondary data which was analyzed using panel data regression. This research is quantitative research. The analysis tool uses the Classic Assumption Test, Model Test and Hypothesis Test with Eviews 12 software. The research result shows that Corporate Social Responsibility influences company value.

Keyword :

*Corporate Social
Responsibility,
Company Value*

INTRODUCTION

The fundamental purpose of establishing a company is to improve the welfare of the company owner or shareholders. The welfare of shareholders is of course the company's main priority in running its business. (Shakil et al., 2019) said that neo-classical economic theory and most management theories are based on the assumption that profit maximization is the main goal of the company. This perspective is also supported by Friedman in (R. C. Y. Chen & Lee, 2017) who states that the social responsibility of a company is to increase or maximize the wealth of the shareholders.

A successful company is a company that is able to increase shareholder wealth through profits earned. If a company in running its business is unable to increase shareholder wealth, then the company will be stigmatized as a failed company and not worthy for investment. Directly or indirectly, companies are required to have good financial performance; generate profits in various ways even at the expense of the environment and social conditions around the company.

As a profit-oriented entity, generating profits is the company's top priority and is placed above everything else. This certainly gave rise to responses from various parties. A company orientation that only prioritizes profits because of its interests as a profit-oriented entity and does not care about the environmental and social conditions around the company is considered inappropriate.

Business activities that justify any means to obtain large profits and result in environmental damage and social unrest need to be changed and improved. Not a few companies are blamed for various cases of environmental damage that cause natural disasters. The accusations leveled at this company are certainly not without reason. There is a lot of authentic evidence showing environmental damage caused by company business activities. Reporting from (Greenpeace, 2022) www.greenpeace.com, from 2015 to 2019, there were fires on 4.4 million hectares of land throughout Indonesia with 1.3 million hectares of land or around 30 percent of the land burned being oil palm concessions and paper pulp. Meanwhile, at the beginning of 2021 the Ministry of Environment and Forestry filed a lawsuit against 29 companies that caused forest and land fires (CNN, 2023) (www.cnnindonesia.com).

Companies are required not only to be profit-oriented but also to be responsible for environmental and social conditions. Responding to massive demands from various parties, initiatives to be responsible for the environment and social conditions are currently increasing. In 2015, more than 1400 institutions managing \$59 trillion in assets had registered with the United Nations-supported Principles for Responsible Investing or UNPRI (T. Chen et al., 2020).

According to Friedman in (R. C. Y. Chen & Lee, 2017), the social responsibility of a company is to increase or maximize the wealth of its shareholders. The paradigm built by Friedman gave rise to the view that environmental and social problems are the government's business because they receive taxes paid by companies.

After Friedman's corporate responsibility paradigm, a late paradigm developed which views social and environmental issues as an integral part of business activities, so that initiatives were built to place the interests of all stakeholders, not just shareholders, as the company's priority. Simister and Whittle in (Lee et al., 2020) say that many investors encourage companies to carry out social and environmental activities and responsibilities. Elias in (García-Sánchez et al., 2019) revealed that companies are urged by stakeholders to become ethical companies or care about the environmental and social conditions around the company. In (Lee

et al., 2020), Heald emphasized that companies are obliged to organize and implement social policies that are constructive and humanistic apart from being profit-oriented because around one-ninth of the funds invested are part of the social responsibility portfolio (Becchetti et al., 2012). (T. Chen et al., 2020) said that commitment to responsible investment and paying attention to sustainable aspects can raise large amounts of funds because clients of financial asset management companies demand asset management companies to include social responsibility factors in investment portfolios. Freeman in (García-Sánchez et al., 2019) advises companies not only to focus on the goal of maximizing profits but also to accommodate the expectations of various stakeholders. Companies that are adequate to accommodate the expectations of various stakeholders can obtain above average financial performance. To accommodate the expectations of various stakeholders, companies should implement social responsibility; corporate social responsibility (CSR). Companies that implement CSR and publish quality CSR activity reports can gain better access to finance (García-Sánchez et al., 2019) because being involved in various sustainability programs actually indicates a company's good financial capabilities (Franco et al., 2020). There are several competitive advantages that can be obtained by companies that carry out CSR activities, including obtaining better financial performance, easier access to valuable or rare resources, attracting interest and retaining competent employees and gaining social legitimacy from the surrounding community (Oh et al., 2017) because investors, creditors and other stakeholders also consider CSR aspects in the decision-making process (Feng & Wu, 2023). Apart from that, the implementation of CSR in Indonesia is mandated in Law Number 25 of 2007 concerning Capital Investment and Law Number 40 of 2007 concerning Limited Companies.

Good CSR is CSR that is right on target. This means that the CSR implemented by the company has an impact on the social life of the community, preserving the environment and implementing good corporate governance. Apart from that, companies that implement CSR should be companies that do not do business in controversial matters such as gambling, pornography, pesticides, nuclear, weapons, tobacco, alcohol and natural resource mining. Companies that do not do business on controversial matters and publish sustainability reports are included in the IDX SRI KEHATI ESG Sector Leader index. Based on the explanation above, the title of this research is the influence of Corporate Social Responsibility on Company Value (Empirical Study of Companies Included in the 2015-2020 IDX SRI KEHATI ESG Sector Leader Index).

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory is based on the view that business entities operate in an ecosystem consisting of various stakeholders who certainly contribute to business sustainability and the company's ability to create value for all stakeholders (Mahajan et al., 2023). This means that the company must be responsible for all stakeholder groups.

Stakeholder theory emphasizes that a company is not an entity that operates to fulfill its own interests but must provide benefits to its stakeholders because the existence of a company is greatly influenced and depends on the support provided by stakeholders to the company. The stronger the influence of stakeholders, the greater the company's efforts to adapt. The final discourse related to stakeholder theory is corporate social responsibility (Freeman et al., 2010). Corporate social responsibility is an important part of the dialogue and communication that exists

between the company and all stakeholders. Corporate social responsibility allows companies to accommodate all stakeholders. Concrete evidence of corporate social responsibility for all stakeholders is the disclosure of sustainability reports.

Legitimacy Theory

The company's efforts as a business entity to accommodate the interests of all stakeholders aim to obtain legitimacy from all stakeholders in carrying out the company's business activities. If the company does not accommodate the interests of all stakeholders, legitimacy and conflict problems will arise so these problems must be eliminated so as not to cause undesirable impacts (Janang et al., 2020).

Legitimacy is very crucial for a company because environmental and socio-cultural factors in the place where the company does business have a significant influence. It cannot be denied that in communities there are various boundaries that are emphasized through social values and norms and beliefs that must be adhered to along with natural conservation that must be maintained. This requires companies to adapt to the social environmental conditions around the company to gain legitimacy and avoid conflicts with stakeholders to ensure business sustainability.

(Deephouse et al., 2016) define legitimacy as conformity between an organization and a social system in terms of rules, values, norms, understanding. Efforts to gain legitimacy can be achieved by implementing corporate social responsibility. Corporate social responsibility is a concrete form of the company's efforts to accommodate various stakeholders and show that the company operates within the corridors of values, norms and beliefs of society that are highly upheld. Concrete social responsibility is the disclosure of sustainability reports.

Legitimacy theory emphasizes the company's obligation to operate within a framework of norms that are appropriate in the community environment where the company is located, so that the business run by the company is legitimate and does not conflict with the surrounding community.

Corporate Social Responsibility

In an effort to accommodate the interests of various stakeholders and gain legitimacy from stakeholders, companies should implement corporate social responsibility. Corporate Social Responsibility is the commitment of a company or business world to contribute to sustainable economic development by paying attention to corporate social responsibility and emphasizing a balance between attention to economic, social and environmental aspects (Untung, 2009).

According to John Elkington in (Azheri, 2012), Corporate Social Responsibility is a concept that states that organizations, both corporate and non-corporate, are obliged to accommodate the interests of all stakeholders and pay attention to ecological aspects in all their operational activities. This obligation goes beyond the legal obligation to comply with the law.

(Mahrani & Soewarno, 2018) measures CSR implemented by companies through the Global Reporting Initiative (GRI) 4 index which consists of 91 items. This is in line with (Jihadi et al., 2021) who measure CSR with the CSR Disclosure Index (CSRDI) which is guided by the Global Reporting Index (GRI) Indicator. In this research, company involvement in CSR activities is assessed based on the Global Reporting Initiative (GRI) Index 4 which consists of 91 indicators and the 2016 Global Reporting Initiative (GRI) Standard which consists of 89 indicators.

Company Value

Company value is the price of the company if at any time a company is sold (Husna & Satria, 2019). The higher the company value indicates that the company

is increasingly able to create or provide value and prosperity for the company owner. In many literatures such as (Gupta & Krishnamurti, 2021), (Cho & Tsang, 2020), (Noor et al., 2020), company value is measured by the Tobin's Q ratio. This ratio calculates the company's market value divided by the assets owned by the company. The company's market value is calculated based on the company's market capitalization value plus the amount of debt the company has.

In this research, company value is measured by the Tobin's Q ratio. The ideal Tobin's Q value is 1. This means that the market values the company fairly. In other words, the market's perception of the company's value is the same as the company's book value. If Tobin's Q < 1, the company's market value is classified as cheap (undervalued) because it is smaller than the book value. Meanwhile, if Tobin's Q > 1, the company's market value is higher (overvalue) than the company's book value.

The Influence of Corporate Social Responsibility on Company Value

A study conducted by (Loh et al., 2017) in Singapore found that CSR activities had an effect on the value of companies listed on the Singapore Stock Exchange. Apart from that, companies that publish better sustainability reports obtain better company value. The results of the study (Yoon et al., 2018) found that CSR activities influence company value in Korea. In this study, CSR activities are assessed from economic, social and governance disclosure. The CSR activities carried out by the company received positive assessments from investors. In other words, CSR increases company value. The ability of CSR activities to increase company value is weaker for industries that are sensitive to environmental issues. On the other hand, the impact of CSR on company value is stronger for industries that are not sensitive to environmental issues and *chaebol* companies that implement corporate governance reforms.

A study conducted by (Purbawangsa et al., 2020) on companies in Indonesia, China and India, found that CSR had an effect on company value. The reason for choosing Indonesia, China and India is economic strength. According to the IMF's World Economic Outlook, these three countries have had the highest economic growth in Asia in the last five years after the economic crisis that occurred in 2009. The results of this study are in line with the study (Yi et al., 2021) which revealed that CSR influences company value. during the Covid-19 pandemic. This study was conducted on private and state-owned companies in China. The results of this study reveal that CSR activities carried out by companies can be a guarantee for companies to survive in times of crisis and can increase company value. The impact of CSR on the value of private companies is more significant than the value of state-owned companies during the Covid-19 pandemic.

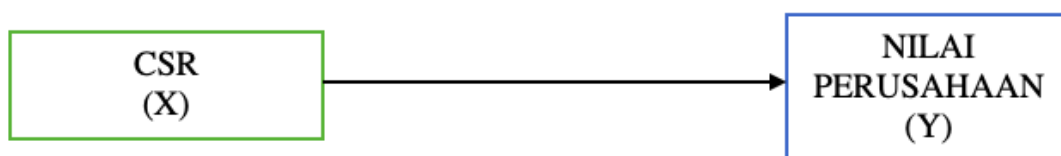
Based on the description above, the hypothesis in this research is:

H1: Corporate Social Responsibility influences company value.

CONCEPTUAL FRAMEWORK

Based on the description above, the research model can be described as follows:

Figure 1. Research Framework



RESEARCH METHOD

The variables in this research consist of independent variables and dependent variables. The independent variable in this research is corporate social responsibility. Meanwhile, the dependent variable is company value. The objects of this research are companies listed on the Indonesia Stock Exchange and included in the ESG Sector Leader IDX SRI KEHATI index for the 2015-2020 period, totaling 48 companies. The data used in this research is secondary data which is accessed via the website www.idx.co.id and the official website of each company. Determination of the research sample was carried out based on certain predetermined criteria (purposive sampling). The operational definition of each variable is as follows:

Table 1. Operational Definition

No	Variabel		
1	Corporate Social Responsibility	CSRI	$\frac{\text{Items Reported}}{\text{Total Item}}$
2	Company Value	Tobin's Q	$\frac{\text{Market Capitalisation} + \text{Liabilities}}{\text{Assets}}$

The regression equation for this research is as follows:

$$\text{Tobin's Q} = \alpha + \beta \text{CSRI} + e$$

Where :

Tobin's Q = Company Value

α = Constant

β = Coefficient of Independent Variable

CSRI = CSR Index

e = Standard Error

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Descriptive Statistic

Variabel	N	Minimum	Maksimum	Mean	Std. Deviasi
CSR	60	0,071	0,915	0,282	0,1459
Tobin's Q	60	0,420	3,110	1,264	0,6407

Source: Secondary Data Processed, 2023

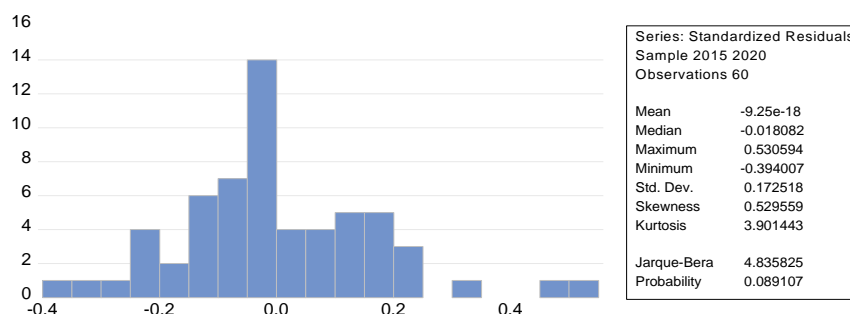
From the results of descriptive statistical analysis in table 1, it can be explained as follows:

- The minimum CSR value is 0.071 which comes from PT Excel Axiata, Tbk in 2016. Meanwhile, the maximum value of CSR disclosure is 0.915 which comes from PT Indocement Tunggul Perkasa in 2015. On average, the CSR items reported by the company are 0.282 and standard deviation of 0.1459. Data regarding CSR itself is proxied through the number of items reported compared to the total number of items that must be disclosed based on the GRI G4 and GRI Standards 2016 standards. The higher the CSR value a company has, the wider the company's CSR activities and disclosures.
- The minimum value of Tobin's Q is 0.42 which comes from PT Astra International in 2020. Meanwhile the maximum value of Tobin's Q is 3.11 which comes from

PT Indocement Tunggal Perkasa in 2015. The average value of Tobin's Q is 1.264 and the standard deviation is 0.6407. The higher the Tobin's Q value means the greater the company value. This means that investors' appreciation of the company is increasing.

Normality Test

Figure 2. Normality Test



Source: Secondary Data Processed, 2023

From the results of statistical tests on the residuals above, it is known that the Jarque-Bera value is 4.835825 with a P-Value of 0.089107 > 0.05. This means that the data in the regression model is normally distributed.

Multicollinearity Test

This research does not require a multicollinearity test because the independent variable in the research only consists of one independent variable.

Heteroscedasticity Test

Figure 3. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.454290	0.462763	-3.142626	0.0028
X	-2.103842	1.558417	-1.349986	0.1832

Source: Secondary Data Processed, 2023

The statistical test results show that the significance value of the independent variable (X) is 0.1832 > 0.05. This shows that there is no heteroscedasticity problem in the regression model.

Autocorrelation Test

Research with panel data form does not require an autocorrelation test, so in this study an autocorrelation test is not needed. This is in accordance with the provisions that hypothesis testing with a fixed effect model does not require an autocorrelation test. The autocorrelation test is needed in research with time series data.

Model Test

Chow Test

Table 3. Chow Test

Effect Test	Statistic	Probability
Cross-Section F	12.191992	0.0000
Cross-Section Chi-Square	70.522276	0.000

Source: Secondary Data Processed, 2023

Based on the Chow test above, it was found that the p value was $0.000 < 0.05$. This shows that the fixed effect model (FEM) is better than the common effect model (CEM), so it requires the Hausmann test to compare the fixed effect model (FEM) and the random effect model (REM).

Hausmann Test

Table 4. Hausmann Test

Test Summary	Chi-Sq. Statistic	Probability
Cross-Section random	29.738912	0.0000

Source: Secondary Data Processed, 2023

Based on the Hausmann test above, it was found that the p value was $0.000 < 0.05$. This shows that the fixed effect model (FEM) is better than the random effect model (REM).

Lagrange Multiplier Test

Table 5. Lagrange Multiplier Test

Test Summary	Test Hypothesis		
Cross-Section random	Cross-section	Time	Both
Breusch-Pagan	0,0000	0,4135	0,0001

Source: Secondary Data Processed, 2023

Based on the Lagrange Multiplier test above, it was found that the p value was $0.0001 < 0.05$. This shows that the random effect model (REM) is better than the common effect model (CEM). The results of the Lagrange Multiplier test are consistent with the Chow test and Hausmann test which confirm that the fixed effect model is the best research model.

Regression Analysis

Table 6. Regression Analysis

Variabel	Coefficient	Std. error	t-Statistic	Prob
C	0.717967	0.082631	8.68880	0.000
CSR	1.939763	0.278272	6.970736	0.000

Source: Secondary Data Processed, 2023

Based on the table, the multiple linear regression equation in this study is as follows:

$$TQ = 0,7179 + 1,939 \text{ CSR}$$

The explanation regarding the linear regression equation above is as follows:

- a. If CSR increases by 1 point assuming other values are constant, then the company value increases by 1.939 points.

T Test

Table 7. T Test

Variabel	Coefficient	Std. error	t-Statistic	Prob
C	0.717967	0.082631	8.68880	0.000
CSR	1.939763	0.278272	6.970736	0.000

Source: Secondary Data Processed, 2023

Based on the T test above, it was found that:

- a. The influence of corporate social responsibility on company value is $0.000 < 0.05$. Thus, H_0 is rejected and H_1 is accepted, which means that corporate social responsibility has a positive and significant effect on company value

Coefficient of Determination Test

Table 8. Coefficient Determination Test

R-Squared	Adjusted R-Squared
0,916950	0,900001

Source: Secondary Data Processed, 2023

Based on the picture and table above, the coefficient of determination for the Adjusted R Square regression model is 0.900001. This shows that the ability of the independent variable, namely CS, to explain the influence on the dependent variable, namely company value, is 90%. Meanwhile, the other 10% of the influence is explained by other variables not used in this research.

Discussion

The Influence of Corporate Social Responsibility on Company Value

The statistical test results show that the corporate social responsibility variable has a significance level of $0.000 < 0.05$, which means corporate social responsibility has an effect on company value.

The results of this research are in line with research (Mishra, 2017) on companies in America. The research reveals that innovative companies with high CSR activities reduce asymmetric information and have much fewer capital constraints so that company valuation increases. As stated by (Li et al., 2020), CSR activities carried out by companies in China have been proven to be able to increase company value. More significant increases in company value occur in companies that innovate followed by implementing CSR based on environmental management. This happens because investors care about environmental conditions and circumstances. So that companies that implement environmentally based CSR receive attention and rewards from investors. The results of previous research by (Bardos et al., 2020) reveal that concrete and visible CSR activities such as community empowerment and environmental improvement have an influence on increasing the value of companies in America. The results of this research are in line with research conducted by (Aydoğmuş et al., 2022) on various companies throughout the world. This research reveals that CSR activities consisting of environmental, social and good governance aspects have an influence on

increasing company value. CSR activities carried out by companies improve company value both short and long term. Thus, the first hypothesis in this study is accepted.

CONCLUSION

This research aims to analyze the influence of Corporate Social Responsibility, Debt to Asset Ratio and Institutional Ownership on Company Value in 2015-2020 with the object of research being companies listed on the Indonesian Stock Exchange and members of the ESG Sector Leader IDX SRI KEHATI with the help of Eviews 12. Based the results of the research and discussion, it can be concluded as follows:

- a. CSR activities carried out by companies have a positive effect on the value of companies listed on the Indonesia Stock Exchange and included in the ESG Sector Leader IDX SRI KEHATI index in 2015-2020

The suggestions that can be given to improve further research are as follows:

- a. Increase the research time span until 2022
- b. Comparing research results before and during the Covid-19 pandemic
- c. Increase the population and research samples from each business sector
- d. Compare the research results of each sector
- e. Increase the range of research locations to Southeast Asia or Asia Pacific

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