The Effect of Profitability, Liquidity, and Company Size on Firm Value Through Corporate Social Responsibility in LQ45 Companies Listed on the Indonesia Stock Exchange

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Abstract—The aims of this research is to analyze the effect of firm size, Liquidity, and Profitability on firm value through corporate social responsibility. This type of research is quantitative causality research, namely research that examines the causal relationship of each variable. The research population is 45 LQ45 companies listed on the Indonesia Stock Exchange for 2016 to 2020. The data collection method uses the documented method, namely financial report data obtained from the Indonesia Stock Exchange and data obtained online via https://www.idx.co.id. The analysis technique uses the help of Structural Equation Modeling – Partial Least Squares (SEM-PLS) using the WarpPLS 7.0 program. The study results conclude that Profitability has no significant effect on Corporate Social Responsibility. Liquidity and Company Size has a significant effect on Corporate Social Responsibility. Profitability has a significant effect on firm value. Liquidity and firm size have no significant effect on firm value. Corporate Social Responsibility has no significant effect on firm value.

Keywords—Profitability, Liquidity, Firm Size, Corporate Social Responsibility, Firm Value.

I. BACKGROUND

The company's value is a crucial component because the increase in the value of shares will increase the company's value, which indicates an increase in company performance (Christiawan & Tarigan, 2007). Firm value is a crucial notion for investors since it is a metric that the market uses to evaluate the company as a whole (Nurlela & Islahuddin, 2008). The phenomenon related to firm value is in the LQ45 group of companies such as PT. Astra International Tbk, PT. Ciputra Development Tbk, PT. Matahari Department Store Tbk, and PT. Indofood Sukses Makmur Tbk experienced a decline in the company's value. The decline in company value experienced by seven from 2016 to 2020.

Several aspects that influence the fluctuation of firm value are Corporate Social Responsibility (CSR), Firm Size, Liquidity, and Profitability. Research on the impact of CSR, Firm Size, Liquidity, and Profitability on firm value has been carried out, including by Rofika (2016), proving that CSR has a significant effect on firm value. However, Sofiamira & Haryono (2017); Khasanah & Sucipto (2020) state that CSR has an insignificant effect toward firm value. Research by Suhadak et al. (2019); Oktaryani et al. (2017) where financial performance has a positive and significant relationship to firm value. However, Fatoni & Sulhan (2020) prove that financial performance in terms of Profitability has an insignificant impact on firm value.

In this study, researchers took research samples at LQ45 index companies because this company is an exciting company to study. Companies listed in the LQ45 index share high Liquidity, which is chosen based on a number of parameters. The LQ 45 index is one of the stock index indicators available on the IDX (Indonesia Stock Exchange) that may be used to evaluate stock trading performance. Many investors are interested in the shares in the company. This is because the LQ 45 stock has a high trading frequency and a high capitalization, so that the stock's growth financial and prospects condition are exemplary. In other words, profit growth and company value are also quite good.

II. RESEARCH PURPOSES

Given the circumstances and problem formulation as previously stated, this aims of this study are: (1) Analyzing the effect of Profitability on CSR; (2) Analyzing the influence of Liquidity that has a significant effect on CSR; (3) Analyzing the effect of company size on CSR; (4) Analyzing the effect of Profitability on firm value; (5) Analyzing the Effect of Liquidity on firm value; (6) Analyzing the effect of firm size on firm value; (7) Analyzing the effect of CSR on firm value; (8) Analyzing whether CSR mediates the effect of Profitability on firm value; (9) Analyze whether CSR mediates the Effect of Liquidity on firm value; (10) Analyze whether CSR mediates the effect of firm size on firm value in LQ45 Companies listed on the IDX.

III. LITERATURE REVIEW

Firm Value

According to Fahmi (2016:82), firm value is the ratio of market value, namely the ratio that describes the conditions that occur in the market. This ratio can explain the company's management regarding the conditions of implementation that will be carried out and their impact in the future.
Profitability

According to Rohmadini et al. (2018), Profitability refers to a company’s skill to make earnings or profits over a set period of time. Companies with high profits have good financial performance and vice versa. The higher the company's level of Profitability, the better the company is in generating profits (Sartono, 2016:122).

Liquidity

The Liquidity Ratio is a ratio that is used to determine a company's skill to finance and pay obligations or debts when they are due (Kasmir, 2017:145).

Company Size

According to Raveldy (2017), A scale that can be used to determine the size of a corporation is known as size. Several factors can affect the size of a company, such as total assets, total sales, and the number of employees.

Corporate Social Responsibility

CSR refers to a company’s ongoing commitment to run ethically and contribute to development to better the lives of its people, their households, and the local society and community at large (Hadi, 2011).

IV. RESEARCH METHODOLOGY

Research design

The quantitative research method was applied in this study. This type of research is causality research, namely research that examines the causal relationship of each variable.

Population and Sample

The population in this study was 45 LQ45 companies listed on the IDX for 2016 to 2020. In this research, the sampling method used a purposive sampling technique, with the criteria:
1. LQ45 companies were listed on the Indonesia Stock Exchange during the 2016-2020 period.
2. LQ45 companies publish complete financial reports for the 2016-2020 period in succession.
3. LQ45 company publishes its financial statements in rupiah.
4. Companies listed in the LQ45 calculation other than banking companies.

The number of companies used in this study was 28 companies observed from 2016 to 2020. The observation period was four years, so the number of observations in this study was 140.

Research Procedures and Data Collection

Secondary data is the source of data used in this study. The data collection method used in this study is the documented method. The data or documents in this study are financial report data obtained from the IDX and data obtained online via https://www.idx.co.id.

Data analysis technique

The analytical technique used in this study uses the help of Structural Equation Modeling – Partial Least Squares (SEM-PLS) using the WarpPLS 7.0 program.

V. DATA ANALYSIS RESULTS

Hypothesis Test

Based on the results of hypothesis testing shown in table 1 above, the following results were obtained:

a. Profitability has no significant effect on CSR because the P-Value value is 0.188, which means it is more significant than 0.05
b. Liquidity has a significant effect on CSR because the P-Value value is 0.006, which means it is smaller than 0.05.
c. Company size significantly affects CSR because the P-Value value is 0.003, which means it is smaller than 0.05.
d. Profitability significantly affects firm value because the P-Value value is <0.001, which means it is smaller than 0.05.
e. Liquidity has no significant effect on firm value because the P-Value value is 0.334, which means it is more significant than 0.05.
f. Company size has no significant effect on firm value because the P-Value value is 0.457, which means it is more significant than 0.05.
g. CSR has no significant effect on firm value because the P-Value value is 0.279, which means it is more significant than 0.05.
h. CSR does not mediate the effect of Profitability on firm value because the P-Value value is 0.476, which means it is more significant than 0.05.
i. CSR does not mediate the effect of Liquidity on firm value because the P-Value value is 0.434, which means it is more significant than 0.05.
j. CSR does not mediate the effect of company size on firm value because the P-Value value is 0.426, which means it is more significant than 0.05

Structural Model Testing (Inner Model)

<table>
<thead>
<tr>
<th>TABLE 2: R-Square Value</th>
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</thead>
<tbody>
<tr>
<td>Profitability (Profit)</td>
</tr>
<tr>
<td>Liquidy (CR)</td>
</tr>
<tr>
<td>0.086</td>
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<tr>
<td>Corporate Social Responsibilit (CSR)</td>
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<tr>
<td>0.759</td>
</tr>
</tbody>
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The independent variables Profitability (Profit), Liquidity (CR), and Company Size (Size), which affect the Corporate Social Responsibility (CSR) variable in the structural model, have an R-square value of 0.086, which indicates that the model is "weak." In contrast, Profitability (Profit), Liquidity (CR), Company Size (Size), and Corporate Social Responsibility (CSR) which affect the Firm Value (Y) variable in the structural model, has an R2 value of 0.759, which indicates that the model is "Good."

VI. CONCLUSION

1. Profitability has no significant effect on CSR. It means that the first hypothesis, according to which "Profitability has a significant effect on CSR," is not proven.
2. Liquidity has a significant effect on CSR. It means that the third hypothesis, according to which "Liquidity has a significant effect on CSR," is proven.
3. Company size has a significant effect on CSR. It means that the fifth hypothesis, according to which "company size has a significant effect on CSR," is proven.
4. Profitability has a significant effect on firm value. The second hypothesis that states "Profitability has a significant effect on firm value" is proven.
5. Liquidity has no significant effect on firm value. The fourth hypothesis that states "Liquidity has a significant effect on firm value" is not proven.
6. Company size has no significant effect on firm value. The sixth hypothesis that states "company size has a significant effect on firm value" is not proven.
7. CSR has no significant effect on firm value. It means that the seventh hypothesis, according to which "CSR has a significant effect on firm value," is not proven.
8. CSR does not play a role in mediating the effect to firm value from Profitability. It means that the eighth hypothesis, which states that "CSR mediates the effect of Profitability on firm value," is not proven.
9. CSR does not play a role in mediating the effect to firm value from Liquidity. It means that the ninth hypothesis, which states that "CSR mediates the Effect of Liquidity on firm value," is not proven.
10. CSR does not play a role in mediating the effect to firm value from company size. The tenth hypothesis states that "CSR mediates the effect of company size on firm value" is not proven.

REFERENCES


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International Journal of Scientific Engineering and Science
ISSN (Online): 2456-7361