THE EFFECT OF COMPANY VALUE, PROFITABILITY AND LIQUIDITY ON CSR DISCLOSURE

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ABSTRACT
The objective of this research is to examine the impact of enterprise value, profitability, and liquidity of the entities on the disclosure of corporate social responsibility. Quota sampling method was chosen to determine sample data. Sample for this research is entities that have SRI-KEHATI index on Indonesia Stock Exchange with financial report years 2019-2021. This paper uses linear regression for hypothesis testing. The results are independent variable (enterprise value, profitability, and liquidity) positively effect to dependent variable (CSR Disclosure). This implies that companies with higher enterprise values, profitability, and liquidity are more inclined to disclose information about their corporate social responsibility efforts.
Keywords: CSR Disclosure, Profitability, Enterprise Value, Liquidity, SRI-KEHATI index

PROEM

CSR is an activity carried out by an entity to show the entity's responsibility towards the social environment. The theory that forms the basis of CSR activities is the theory of legitimacy which aims to increase public trust in entities (Fitri & Munandar, 2018). Disclosure of CSR in the form of a sustainability report is a form of communication between the entity and stakeholders. The point is that stakeholders can assess, compare, and evaluate the performance of an entity (Fajri, et al., 2021).

The study used the literature review method and reviewed the sustainable development goals (Sustainable Development Goals) in the East Nusa Tenggara area, obtained the result that to support economic growth in NTT, development in the tourism sector is needed which is supported by infrastructure procurement, and synergizes with the community, thus creating a system which helps people to get decent jobs, so that it has an impact on increasing the regional economy (Ramadhan, et al., 2022). Subsequent research studying CSR disclosure in four developing countries, namely Indonesia, Malaysia, India and Pakistan, provides an illustration that although the four countries have different disclosure concepts, they provide the same results, namely CSR disclosure has a positive impact on company performance (Natalina, 2022).

Research conducted on entities with the LQ45 index in 2013-2014, tested the effect of governance and profitability on firm value by disclosing CSR as an intervening variable, yielding results that profitability affects firm value through CSR disclosure (Kamaliah, 2020). Research conducted by Korniasari & Adi (2021), using a sample of 33 consumer goods manufacturing companies for the 2018-2020 period shows that entity growth and public ownership have a negative impact on CSR disclosure, while leverage and company size have a positive impact on CSR disclosure. Another study using samples from seven food and beverage production companies from a population of 13 companies, gave profitability results and had a positive impact on CSR disclosure, but for company size it had no impact (liana, 2020)

There is an assumption that governance within an entity can affect the fulfillment of the entity's social responsibility. For this reason, according to the previous author's suggestion, the researcher tried to use other independent variables, namely firm value, liquidity, and profitability, in measuring the effect on CSR disclosure. Multiple linear regression is the analytical method applied in this research, taking samples using quota sampling. Does liquidity, profitability, and firm value have a positive impact on CSR disclosure.

Ideally, the higher the level of profitability, company value, and liquidity of an entity, the higher the opportunity for the entity to carry out CSR activities. Then do these variables have a positive influence on CSR disclosure? This is what motivated this research to be conducted, namely to prove whether the variables of company value, liquidity, and profitability, of SRI-KEHATI indexed entities on the IDX have a positive impact on the fulfilment of these entities' social responsibility disclosures.

THEORETIC

Company Value

Company value represents the worth or intrinsic value of a business entity, reflecting its financial health, assets, liabilities, and future cash flows (Jensen, 2019).

Several theories and methodologies contribute to the understanding of company value, including:

Discounted Cash Flow (DCF) Theory

DCF theory asserts that the value of a company is determined by the present value of its future cash flows (Sutjipto, et al., 2020). This method involves forecasting future cash flows and discounting them back to their present value using an appropriate discount rate. The underlying assumption is that the company's value is primarily driven by its ability to generate cash over time.

Earnings and Earnings Growth Theory

According to this theory, a company's value is closely related to its current and expected earnings. Investors often assess a company's value based on its price-to-earnings (P/E) ratio and its potential for earnings growth (Endri, et al., 2020). Companies with higher earnings and growth prospects are typically valued more highly.

Profitability

Profitability in the context of business and finance is underpinned by several foundational theories and principles. Profitability measures a company's ability to generate earnings or profits relative to its costs and investments.

Profit Margin Theory

Profitability is often assessed through the concept of profit margins. Profit margin theory emphasizes the relationship between a company's total revenue and its net profit (Nariswari & Nugraha, 2020). It posits that a higher profit margin, which is calculated as net profit divided by total revenue, indicates greater profitability. Companies strive to increase their profit margins by controlling costs and improving pricing strategies.

Return on Investment (ROI) Theory

ROI theory evaluates profitability in relation to the capital invested in a business. It measures how effectively a company generates profits from its invested capital (Choiriyah, et al., 2020). The ROI formula divides net profit by the total capital employed, encompassing both equity and debt. A higher ROI suggests better profitability and efficient capital utilization.

Sustainable Profitability

Modern theories of profitability increasingly focus on sustainability (Choiriyah, et al., 2020). They argue that long-term profitability depends on ethical business practices, environmental responsibility, and social consciousness. A positive public image and stakeholder trust can contribute to sustainable profitability.

CSR Disclosure

Corporate Social Responsibility Disclosure is rooted in several foundational theories and principles related to corporate social responsibility and sustainability reporting. CSR Disclosure refers to the practice of companies sharing information about their social, environmental, and ethical initiatives and performance.

Legitimacy Theory

Legitimacy theory asserts that companies must maintain a social contract with society to be considered legitimate and socially responsible (Martens & Bui, 2023). By disclosing their CSR activities and impacts, companies seek to legitimize their operations and demonstrate their commitment to ethical and responsible behavior.

Accountability Theory

CSR Disclosure is closely linked to accountability theory, which argues that companies have a moral and ethical obligation to be accountable for their actions and their impacts on society and the environment (Benlemlih & Bitar, 2018). Disclosure of CSR initiatives allows stakeholders to hold companies accountable for their social and environmental performance.

METHOD

Relations between Variables

Company Value of Disclosure of CSR, (Firmansyah, et al., 2021), revealed that the general public believes that CSR disclosure in the annual reports presented by entities can reflect a good picture, and increase market confidence in these entities, so entity managers are advised to pay attention to carrying out corporate social activities and disclosures in order to increase the value of the entity. (Wahyuningsih & Mahdar, 2018) supports the results which illustrate that the larger the company, the more it will attract the interest of the general public, this matter can motivate managers to be careful in determining policies. The policies taken by managers must be in favor of the general public, so as not to cause social problems in the future, therefore the company's value will have a positive impact on CSR disclosure.

Efforts to increase the value of the company are very likely to be influenced by expenditures aimed at investment, which can increase the growth and value of the company in the future. One of the expenses that can support this is the fulfillment of social responsibility in order to increase the impression of the general public. Based on the above conclusions that form the basis of the following hypothesis:

H1: Company Value has a positive impact on CSR Disclosure

Profitability on Disclosure of CSR, (Platonova, et al., 2018) explains the results of his research that profitability has an influence on disclosure of social responsibility, although it is not significant. Research conducted on manufacturing companies gave the same results, namely profitability which was calculated using the Earning Per Share (EPS) ratio had an influence on CSR. EPS is an indicator of shareholders to assess the performance of an entity, an increase in EPS encourages entity managers to expand CSR disclosures in order to attract investors to make or increase investment (Aviana, 2019).

The greater the level of profitability of an entity opens greater opportunities for CSR activities, as well as disclosure of the entity's social activities. This conclusion underlies the following hypothesis:

H2: Profitability has a positive impact on CSR Disclosure

Liquidity Regarding CSR Disclosure, high liquidity shows the ability of an entity to fulfill its current debt using current assets owned by the entity. This is evidenced in the results of research conducted on manufacturing companies, which partially have a significant positive influence on CSR disclosure (Marulitua, 2021)

The more liquid an entity is, the opportunity for that entity to implement CSR and its disclosure will be higher. The above conclusion underlies the following hypothesis:

H3: Liquidity has a positive impact on CSR Disclosure.

In collecting data, the author uses the quota sampling method and the objects being researched are entities with the SRI-KEHATI index on the IDX and their financial reports for 2019-2021. The element studied from the object of this research is CSR disclosure.

There are two variables in this study, the dependent variable in the form of CSR disclosure, and the independent variable in the form of firm value, profitability and liquidity. The analytical tool used in this research is regression analysis with its use in measuring the correlation between two or more variables, namely the relationship between the dependent variable and the independent variable, and also to show the direction of the relationship between variables (Ghozali, 2018). And before analysing the regression results, the regression model must first fulfill the classical assumption test, by presenting: **Y=α+β1(EV)+β2(ROE)+β3(QR)+e**

RESULT

Descriptive Statistical Analysis

Descriptive statistical analysis is usually used to describe the data for each variable used. Includes amount of data, max, min, average, and standard deviation (Ghozali, 2018). In this study, firm value, liquidity, and profitability are the independent variables, as well as CSR disclosure for the dependent variable.

Based on data processing results, the data samples (N) that were processed were from companies with the SRI-KEHATI index of 25 companies. For three years, namely 2019 to 2021, so that the total sample data is 75 data.

The results of the minimum value for each variable are as follows, the company value variable (EV) is 25.79, namely Semen Indonesia (Persero) Tbk in 2020. The Profitability Variable (ROE) is 0.08, namely Wijaya Karya (Persero) Tbk in 2019. The Liquidity Variable (Quick Ratio) is 0.01, namely Kalbe Farma Tbk in 2019. And the CSR Disclosure variable (CSRDI) is 0.25, namely Pembangunan Jaya Ancol Tbk in 2019.

The maximum value for each variable is the company value variable (EV). The maximum value is 32.20, namely Indofood Sukses Makmur Tbk in 2021. The Profitability Variable (ROE) shows that the maximum value is 4.94, namely Central Bank Asia Tbk in 2021. The Liquidity Variable (Quick Ratio) has a maximum value of 0.92, namely Bumi Serpong Damai Tbk in 2021. Meanwhile, the CSR Disclosure variable (CSRDI) has a maximum value of 0.94, namely BCA in 2020 and 2021.

Classical Assumption Analysis

The results of the normality test show the Asymp value. Sig 0.200 is greater than 0.05. Then it can be concluded that it meets the normal assumption. In addition, Multicollinearity test, by analyzing the relationship between independent variables on tolerance values and inflation factor values of variance in collinearity statistics. the numbers used to describe multicollinearity are VIF > 10 or tolerance values < 0.1. It can be seen from the results above, all independent variables have a tolerance value greater than 0.10, VIF is less than 10. The conclusion is that there is no multicollinearity between the independent variables.

The heteroscedasticity test is useful so that you can get an idea of whether the variance is not the same from one observation residual to another (Ghozali, 2018). If the regression yields a significance of $t > 0.05$ ($\alpha = 5\%$), it means that there is no heteroscedasticity.

The results of the heteroscedasticity test illustrate that there is a PBV significance value of 0.297 where 0.297 > 0.05. There is a ROE value of 0.903 (0.903 > 0.05). There is a significant QR value of 0.068 where 0.068> 0.05. The conclusion means that there is no heteroscedasticity in this regression.

The autocorrelation test is used to prove whether in a linear regression model there is a correlation between the confounding errors in period t and the interfering errors in the previous period, if there is a correlation, it means there is a problem with autocorrelation. One way to test autocorrelation is to use Durbin-Watson. The provisions in this test are, (du<DW<(4-du)) means that there is no autocorrelation.

The value of the DW is 1.828 and will also be compared with the value of the DW table. Based on the DW table obtained with a significance value of 0.05 with an independent number of three (k = 3) and it is known that the number of samples is 75 (n), the value of the DW table is 1.6932. Decision making if du < d < 4-du, the condition is that the DW value is in the middle between the numbers du and also 4-du = 1.6932 < 1.828 < 2.3068. So, the conclusion is that there is no positive or negative autocorrelation.

Test the feasibility of the model, the coefficient of determination, in order to find out what percentage has the impact of the independent variable on the tested dependent variable as below which is determined by the value of R Square, and shows the following results:

Based on the results of data processing, it shows a contribution value of 0.539 or 53.9%, indicating that the independent variables PBV (X1), ROE (X2) and QR (X3) on CSRD (Y) affect as much as 53.9%. The difference of 46.1% is influenced by other variables outside the independent variables included in the model.

Simultaneous regression coefficients, the point is to know whether the independent variables have a simultaneous effect on the dependent variable. The results obtained by the F value of 18.575 (significance F = 0.000) results are smaller than the significant 0.05 in conclusion, the estimated linear regression can be used to describe the impact of firm value, profitability and liquidity on CSR disclosure. It can be explained that all independent variables have an impact on the dependent variable together. Partial test, used in partially proving the independent variable to the dependent variable.

Regression equation (CSRIJ = $\beta 0 + \beta 1$ PBV + $\beta 2$ ROE + $\beta 3$ QR + e), CSRIJ = 0.490 + 0.038 PBV + 0.010 ROE + 0.008 QR + e. From the table above, the results of the test can be drawn as follows: (1) Constant a = 0.490 means that if the PBV, ROE, QR index is 0, then CSRD will show a value of 0.490. (2) The regression coefficient of firm value (PBV) of 0.038 shows a positive sign, illustrating that firm value has a positive impact on CSRD, meaning that if the firm value variable increases, then CSRD will increase by 0.038. (3) The profitability regression coefficient (ROE) of 0.010 shows a positive result. This explains that the value of profitability (ROE) proxied by ROE has a positive impact on CSRD, meaning that if the ROE variable increases, CSRD will also increase by 0.010. (4) The liquidity regression coefficient (QR) of 0.008 shows a positive sign, this shows that liquidity (QR) proxied by QR has a positive effect on CSRD, meaning that if the QR variable increases, then CSRD will increase by 0.008.

Testing the hypothesis, testing the regression coefficient test shows the significance value of the firm's value is 0.038 (sig < 0.05). This explains that company value has an impact on CSR disclosure, so that H1 is accepted.

The results of the t test also show a significant value of profitability (ROE) which is 0.010 (sig < 0.05). This illustrates that profitability (ROE) has an impact on CSR disclosure, so that H2 is accepted.

The results of the t test also illustrate the significance value of liquidity (QR) 0.008 (sig < 0.05). Shows that liquidity (QR) has an impact on CSR disclosure, so H3 is accepted.

Discussion of results, based on the results of hypothesis testing where hypothesis one (H1) is accepted, namely company value has a positive impact on CSR disclosure, it means that firm value has a positive influence on CSR disclosure. Research Firmansyah et al., (2021), for Food and Beverage companies, the results show that in addition to product quality, the implementation of CSR can increase positive market reactions, which have an impact on increasing company value. The results of this study support that the higher the company's value, the higher the need for an entity to show its company's impact to the public. This means that the higher the entity will also make disclosures in accordance with applicable standards.

Hypothesis two (H2) Profitability has a positive impact on CSR Disclosure, from the results of data processing it shows that the H2 hypothesis test is accepted. Means that profitability also shows a positive impact on CSR disclosure. In line with the results of research conducted on manufacturing companies, which provide profitability results have an influence on CSR disclosure. Companies that can invest more in social activities are companies that have fairly strong financial performance (Wahyuningsih & Mahdar, 2018). CSR is a cost for the entity, if an entity has a low profit level then CSR activities will become an obstacle for the entity. Conversely, if the entity has a high level of profitability, the opportunity for the entity to implement CSR will be even higher.

The results of hypothesis testing on hypothesis three (H3) are accepted, this shows that liquidity has a positive impact on CSR disclosure. This is in line with the results of research tested on manufacturing companies listed on the IDX for 2015-2019, which gave the result that liquidity has an influence on CSR disclosure. The higher the level of liquidity of an entity, the wider the opportunity for the entity to carry out and disclose social activities (Marulitua, 2021). It can be concluded that an entity can be said to be liquid if it has current assets that are greater than its liabilities, which means that liquidity is a picture of the ability to spend and fulfill the current obligations of an entity. The higher the level of liquidity of an entity, the ability and opportunity for the entity to fulfill its social responsibilities will also be higher.

Limitations

The test carried out in this study was to compare independent variable data (PBV, ROE, and quick ratio) with dependent variable data (CSRDI) in the same year for 2019 - 2021. The author has limited data to carry out tests by comparing independent variable data with data dependent variable the following year. This is because the time of this research was conducted in mid-2022 to early 2023, where the 2022 report from the sample entities had not yet been released.

The sample that the authors chose in this study were entities with the SRI-Kehati index on the IDX, where the fields or industrial sectors of the entities studied were quite varied. So that another limitation in this study is that the results of this study are less segmented.

CONCLUSION

Research conducted on 25 SRI-KEHATI indexed entities on the IDX for the 2019-2021 report, aims to examine how corporate value, profitability and liquidity influence CSR disclosure. This research with a data sample of 75 gives the results of hypotheses one, two, and three are accepted.

The results showed that the independent variables represented by firm value, profitability and liquidity had a positive effect on the dependent variable, namely CSR disclosure. It can be concluded that firm value has a positive influence on CSR disclosure, profitability has a positive impact on CSR disclosure, and liquidity has a positive effect on CSR disclosure.

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