The Effect Of Corporate Social Responsibility And Profitability On Company Value (Study On Manufacturing Companies)

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ABSTRACT. The purpose of this study is to analyze the effect of corporate social responsibility and profitability on corporate value (a study on manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2017). The results obtained indicate that CSR does not affect the value of the company, this is evidenced by the value of sig. calculate is greater than 0.05 which is 0.596> 0.05. Then the variable profitability affects the value of the company. This is evidenced by the value of sig. count is smaller than 0.05 which is 0.006 <0.05. CSR and profitability have an influence proportion on company value of 1.8% while the remaining 98.2% (100% - 1.8%) is influenced by other variables not in the linear regression model.

Keyword: MSMEs; CSR, profitability and company value
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INTRODUCTION

Uncertain world conditions such as global warming, increasing poverty, worsening public health and social demands on companies, trigger companies to express their social responsibility to all stakeholders consisting of employees, investors, government, society, consumers and suppliers, as well as the continuity of future generations, therefore there is also an awareness to reduce this negative impact by using a social and environmental responsibility approach or known as Corporate Social Responsibility (CSR). Theoretically, CSR is the core of business ethics, where a company not only has economic and legal obligations to shareholders, but the company also has obligations to other interested parties (stakeholders). All company activities cannot be separated from the fact that a company cannot live, operate, and survive and make a profit without assistance from various parties. CSR shows more of the company's concern for the interests of wider parties (stakeholders) than just the interests of the company itself. CSR itself refers to all relationships that occur between a company and its customers, employees, communities, investors, government, and suppliers as well as its competitors. The company's concern itself can be seen from the company's commitment to be responsible for all impacts of its business activities in the economic, social, and environmental dimensions.

The company not only gets economic benefits, social benefits, but the sustainability of the business can run well and indirectly will prevent detrimental conflicts and improve the quality of the surrounding community (including employees, suppliers, and customers) and the environment that are stakeholders. Examples of forms of responsibility vary, ranging from carrying out activities that can improve community welfare and environmental improvement, providing scholarships for underprivileged children, providing funds for the maintenance of public facilities, donations to villages/community facilities that are social and useful for the community at large, especially the community around which the company operates.

Corporate Social Responsibility is no longer voluntary/a commitment made by the company in being responsible for its company activities, but is mandatory/an obligation for several companies to do or implement it. This is regulated in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies (UU PT), which was ratified on July 20, 2007. Article 74 of the Limited Liability Company Law states: (1) companies that carry out their business activities in the field of and/or related to natural resources are required to implement Social and Environmental Responsibility (TJSL). (2) TJSL is a company obligation that is budgeted and calculated as a company cost, the implementation of which is carried out by paying attention to propriety and fairness. (3) companies that do not carry out the obligations as referred to in paragraph 1 are subject to sanctions in accordance with the provisions of laws and regulations.

The implementation of the PT Law, companies, especially limited liability companies engaged in and/or related to natural resources must carry out their social responsibilities to the community and companies that do not carry out their social responsibilities will be subject to sanctions.

Criminal sanctions regarding CSR violations are also contained in Law Number 23 of 1997 concerning Environmental Management (UUPLH) Article 41 paragraph (1) which states: Anyone who unlawfully intentionally commits an act that results in environmental pollution and/or

destruction, shall be subject to a maximum imprisonment of ten years and a maximum fine of five hundred million rupiah. Furthermore, Article 42 paragraph (1) states: Anyone who due to his negligence commits an act that results in environmental pollution and/or destruction, shall be subject to a maximum imprisonment of three years and a maximum fine of one hundred million rupiah (Sutopoyudo, 2009: 2).

Corporate Social Responsibility is often considered the core of business ethics, meaning that companies not only have economic and legal obligations (meaning to shareholders) but also obligations to other interested parties (stakeholders) whose scope exceeds the above obligations (economic and legal). Corporate Social Responsibility refers to all relationships that occur between a company and all stakeholders, including customers, employees, communities, owners or investors, government, suppliers and even competitors. This understanding is called 3P (Profit, People, Planet), which was put forward by John Eklington or who is famous for the concept of the triple bottom line. This concept recognizes that if a company wants to continue, it needs to pay attention to 3P, namely not only (Profit) that is pursued, but also must provide a positive contribution to society (People) and actively participate in preserving the environment (Planet) (Hadi, 2011). The definition shows that corporate social responsibility is a form of action that is based on ethical considerations of the company that aims to improve the economy, improve the quality of life for employees and their families, and improve the quality of life of the surrounding community and the wider community.

There are many benefits that companies obtain by implementing Corporate Social Responsibility, including: (1) as a social investment that is a source of competitive advantage for the company in the long term, (2) strengthening the profitability and financial performance of the company, (3) increasing accountability and positive appreciation from the investor community, creditors, suppliers and consumers, (4) increasing commitment, work ethic, efficiency and productivity of employees, (5) decreasing vulnerability to social unrest and resistance from the surrounding community because they are noticed and appreciated by the company, (6) increasing reputation, goodwill and value of the company in the long term (Lako, 2011:90).

The implementation of social responsibility, besides having benefits for the company, also has risks, namely: relatively large social cost content, there is a contradiction with the interests of shareholders, and disrupting the company's profitability (Hadi, 2009 in Hadi, 2011: ix). The goodwill, commitment and concern of the business world to set aside funds for CSR activities on an ongoing basis will actually also bring a number of benefits to the business world itself, namely: products are increasingly favored by consumers and companies are in demand by investors, Corporate Social Responsibility can be used as a new marketing tool for companies if it is implemented continuously and the company's image will improve so that consumer loyalty is higher.

Increasing consumer loyalty over a long period of time, the company's sales will improve. Therefore, CSR plays an important role in increasing the value of the company as a result of increasing company sales by carrying out various social activities in the surrounding environment. The main goal of the company is to increase the value of the company by increasing the prosperity of the owners or shareholders. The value of the company can be reflected in its stock price, if the stock value is high, it can be said that the company's value is also good. Therefore, to attract

investor interest, companies need to disclose CSR as a form of information that is useful for investment decisions.

The development of CSR in Indonesia was initially still understood simply as a company's charity to the surrounding community. In line with the passage of time, CSR has become an inevitable demand along with the emergence of community demands on companies such as conflicts between the community and the company. The forms of CSR activities in Indonesia vary and are driven by various motivations such as CSR activities that refer to the law, some are done voluntarily, done because of promotions, depending on corporate intentions. The use of profitability ratios can be done by using comparisons between the various components in the financial statements, especially the balance sheet and income statement. This ratio also provides a measure of the level of effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. The point is that the use of this ratio shows the efficiency of the company.

LITERATURE REVIEW
Company Values

Performance in an organization is an answer to the success or failure of the organization's goals that have been set. According to Mangkunegara (2009: 67), "performance is the result of work in terms of quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him".

Rivai and Basri in Sinambela (2012: 6) state, "performance is the result or level of success of a person or the whole during a certain period in carrying out tasks compared to various possibilities, such as work standards, targets or goals or criteria that have been determined in advance and have been agreed upon together".

Handoko (2008: 135) states "performance appraisal is a process through which organizations evaluate or assess employee performance". Furthermore, according to Wirawan, (2009: 105) states "that performance appraisal is carried out formatively and summatively". Formative performance appraisal is a performance assessment when employees are carrying out their duties. Summative assessment is carried out at the end of the assessment period. In this case, the assessment compares the employee's final performance with performance standards. Employees fill out the performance evaluation instrument as the final result of the performance assessment. The final result is submitted to the assessee and discussed by the assessee in the performance evaluation interview. The company value in this study is defined as market value. The main objective of the company is to increase the company's value by increasing the prosperity of the owners or shareholders. The company's value can provide maximum shareholder prosperity if the company's stock price increases. The higher the stock price, the higher the shareholder prosperity. To achieve the company's value, investors generally hand over its management to professionals. The professionals are positioned as managers or commissioners.

Samuel (2000) explains that enterprise value (EV) or also known as firm value is an important concept for investors, because it is an indicator for the market to assess the company as a whole. Meanwhile, Wahyudi (2005) states that the company's value is the price that prospective buyers are willing to pay if the company is sold (Samuel and Wahyudi in Nurlela & Islahuddin, 2008: 7).

The company's assessment contains elements of projection, insurance, estimates, and judgment. Some basic concepts of valuation are: value is determined for a certain time or period, value must be determined at a fair price, valuation is not influenced by a particular group of buyers. In general, many methods and techniques have been developed in company valuation, including: a) profit approach including the profit level ratio method or price earning ratio, profit projection capitalization method, b) cash flow approach including the cash flow discount method, c) dividend approach including the dividend growth method, d) asset approach including the asset valuation method, e) stock price approach, f) economic value added approach (Suharli in Kusumadilaga, 2010:23). Basically, the goal of financial management is to maximize the value of the company, but behind this goal there is still a conflict between the company owner and the fund provider as a creditor. If the company runs smoothly, the value of the company's shares will increase, while the value of the company's debt in the form of bonds is not affected at all. So it can be concluded that the value of share ownership can be an appropriate index to measure the level of company effectiveness, but the goal of maximizing share prices does not mean that managers should try to seek an increase in share value at the expense of bondholders.

CSR

Conceptually, there are many definitions of corporate social responsibility. The World Business Council for Sustainable Development (WBCSD) Countinuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large, this definition shows that corporate social responsibility is a form of action that departs from ethical considerations of the company that is directed at improving the economy, which is accompanied by improving the quality of life for employees and their families, improving the quality of life of the surrounding community and the wider community (Hadi, 2011: 47-48).

Corporate Social Responsibility is a company's commitment to carry out its obligations based on decisions to take policies and actions by paying attention to stakeholders and the environment where the company carries out its activities based on applicable legal provisions (Wahyudi & Azheri, 2008:36).

From the definition of CSR above, it can be concluded that CSR is a form of corporate social responsibility for the positive and negative impacts that can arise from operational activities that can affect the internal and external communities of the company. Companies do not only prioritize profit in running their business, but also have good relations with stakeholders so that the company can maintain the continuity of its business. This is because a company/limited liability company is not an entity that only operates for its own interests but also has social and environmental responsibilities in the sense that the company must provide benefits to the local community and the environment that must be informed to its stakeholders.

Profitability

Profitability describes the company's fundamental performance in terms of the level of efficiency and effectiveness of the company's operations in obtaining profits. The concept of profitability in financial theory is often used as an indicator of the company's fundamental performance representing management performance.

METHODS

The population in this study took manufacturing companies listed on the IDX in 2013-2017. The sample in this study was manufacturing companies listed on the IDX in 2013-2017. The dependent variable is a variable that is explained or influenced by the independent variable. In this study, the dependent variable is the company value.

The company value is measured using PBV (Price to Book Value Ratio)

PBV=(PRICE PER SHARE)/(BOOK VALUE PER SHARE)

The independent variable is a variable that explains other variables. In this study, one independent variable (X1) is used, namely:

Corporate Social Responsibility

In this study, Corporate Social Responsibility is symbolized by (X). Basically, to calculate CSRI, a dichotomous approach can be used, namely each CSR item in the research instrument is given a value of 0 if not disclosed and a value of 1 if disclosed (Haniffa et al in Sayekti and Wondabio, 2007: 12). Furthermore, the scores of each item will be added up to obtain an overall score for each company, using the following formula:

$$CSRI_j = \frac{\sum Xij}{nj}$$

CSRI j: Corporate Social Responsibility Disclosure Index

Company j

X ij: criteria variable: 1 = if item i is disclosed: 0 = if item i is not disclosed

Nj: number of items for company j,

Thus, 0 CSRI j 1

The data collection method used in this study is Through the documentation method, the financial statements of banks listed on the Indonesia Stock Exchange are obtained. Data analysis was carried out using Regression Analysis using the SPSS program.

RESULT AND DISCUSSION

Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		335
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.52338378
Most Extreme Differences	Absolute	.062
	Positive	.062
	Negative	-.027
Kolmogorov-Smirnov Z		1.210
Asymp. Sig. (2-tailed)		.107

a. Test distribution is Normal.

b. Calculated from data.

Based on the table above, the results of the normality test with *the Kolmogorov Smirnovtest above can be concluded that the value of Kolmogorov Smirnov Z is 1.210* with a significance of 0.107, the significance data shows that it is less than 0.05 which states that the residual value is distributed normally.

Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1,251	,078		16,009	,000		
	CSR	-,041	,077	-,029	-,531	,596	,999	1,001
	Profitabilitas	,010	,004	,150	2,756	,006	,999	1,001

a. Dependent Variable: NilaiPerusahaan

From the data above, it has a *tolerance* of less than 0.5 and a VIF value less than 10. Thus a regression is declared free from multicollinearity. From the table above, it shows that the data above (free variable) has a tolerance value of more than 0.1 and a VIF value of less than 10.

Heterokedasticity Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,524	,047		11,238	,000
	CSR	,036	,046	,042	,776	,438
	Profitabilitas	.001	.002	.034	.614	.540

a. Dependent Variable: ABRESID

Based on the table above, the SPSS output results clearly show that there is no statistically significant independent variable affecting the dependent variable with the ABRECID value. From significantly above the confidence level is 0.05. This shows that the regression model does not have heteroscedasticity symptoms.

Multiple Linear Regression Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1,251	,078		16,009	,000
	CSR	-,041	,077	-,029	-,531	,596
	Profitabilitas	,010	,004	,150	2,756	,006

a. Dependent Variable: NilaiPerusahaan

Company Value = 1.251 – 0.041 CSR + 0.010 Profitability
The equation can be explained as follows:

The value of 0.596 is the CSR variable, which means that the hypothesis is accepted if the significance value < 0.05, the hypothesis is rejected if the significance value > 0.05, it can be seen from the table above, the CSR variable has a significance value of 0.596 which means > 0.05.

The value of 0.006 is the profitability variable which means that the hypothesis is accepted if the significance value < 0.05, and the hypothesis is rejected if the significance value > 0.05. As can be seen from the table above, the profitability variable has a significance value of 0.006 which means < 0.05.

Uji F

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3,039	2	1,519	4,000	,019^a
	Residual	126,095	332	,380		
	Total	129,133	334			

a. Predictors: (Constant), Profitabilitas, CSR
b. Dependent Variable: NilaiPerusahaan

From the results of the F test in this study, the F value was calculated at 6.544 with a significance number (P value) of 0.019. With a significance level of 95% (α =0.05). The significance number (P *value*) is 0.019 < 0.05. On the basis of this comparison, H0 is rejected or means that the

CSR and profitability variables have a significant influence together on the company value variables. From the results of the F test in this study, the F value was calculated at 6.544 with a significance number (P value) of 0.019. With a significance level of 95% (α =0.05). The significance number (P *value*) is 0.019 < 0.05. On the basis of this comparison, H0 is rejected or means that the CSR and profitability variables have a significant influence together on the company value variables.

Uji t

Variable	Test Results		
	T Count	**T Table**	**Result**
CSR	-0.531	1.967	Insignificant
Profitability	2.756	1.967	Signifikan

The CSR variable has a calculated T value of -0.531, while the criterion in the T test is that the calculated T value is greater than the T table (T Count > T Table), while the table T value is 1.967. so on the basis of this comparison, H0 is accepted or means that the CSR variable does not have a significant influence on the company's value variable.

The profitability variable has a calculated T value of 2,756, while the criterion in the T test is that the calculated T value is greater than the T table (T Calculate > T Table), while the table T value is 1,967. so on the basis of this comparison, H0 is rejected or means that the profitability variable has a significant influence on the company value variable.

DISCUSSION

CSR analysis on company value

To determine the level of significance of the correlation coefficient of the influence of the CSR variable value, it is tested using a regression test. Based on the calculation of the regression test, a significance value (P Value) of 0.596 can be produced, which is greater than 0.05 and a regression coefficient value of -0.041. It can be concluded that the higher the CSR, the higher the company value. This is possible because a low CSR value indicates a problem in the company and results in a decrease in the company's value. CSR plays an important role in company value, because both the public and the company see the value of the company from the CSR provided.

Profitability analysis on company value

To determine the level of significance of the correlation coefficient of the influence of the profitability variable, it is tested using a regression test. Based on the calculation of the regression test, a significance value (P Value) of 0.006 can be produced, which is smaller than 0.05 and a regression coefficient value of 0.010. It can be concluded that the higher the profitability, the higher the company value. This is due to the company's good performance because it utilizes its assets to make a profit so that it will increase the company's value. The higher the profitability of a company, the better the value of a company. So increasing the company's profitability is very important to maintain.

CONCLUSION

Based on the results of the research and discussion above, it can be concluded that CSR does not have a significant effect on company value. Profitability has a significant effect on company value.

Based on the conclusions obtained, the suggestions put forward are as follows: Increasing CSR in companies can be done by inputting data into the IDX. Increasing profitability can be done by increasing the value of manufacturing companies.

In this study, CSR and profitability have a proportion of influence on company value of 1.8% while the remaining 98.2% is influenced by other variables that are not in the linear regression model, so further research is still needed

It is hoped that further researchers will not be fixated on the two factors in this study, namely CSR and profitability. However, further researchers are expected to be able to add other factors that.

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