



## The Role Of In Disclosing Firm Value

Aprih Santoso<sup>a,\*</sup>, Sri Yuni Widowariti<sup>b</sup>

<sup>a,b</sup> Fakultas Ekonomi Universitas Semarang, Jl. Soekarno Hatta Ttlogosari Semarang, Indonesia

\*[aprihsantoso@usm.ac.id](mailto:aprihsantoso@usm.ac.id)

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### ABSTRACT

*This study aims to analyze: (1) the role of CSR in partially moderating the effect of GCG and profitability on firm value. (2) the partial influence of GCG and profitability on firm value. This population is all manufacturing companies on the Indonesia Stock Exchange for the period 2015-2021. The sampling technique in this study used purposive sampling with the criteria of manufacturing companies listed on the IDX for 2015-2021, with the number of shares owned by the company's management totaling more than 1% of all outstanding shares. Thus, 21 companies were obtained. The data was processed by multiple regression analysis using the help of the IBM SPSS Statistic 25. In addition, there is a CSR variable to determine the effect of moderation on the relationship between the independent variable and the dependent variable, using the absolute difference value equation model. To see the type of moderation, two equation models are used, so that the regression model equation becomes: The results showed that GCG and profitability had a positive and significant effect on firm value. The results of testing the moderating variable showed that CSR moderated the effect of GCG and profitability on firm value*

**Keywords:** CSR; GCG; profitability; firm value.

### ABSTRAK

Penelitian ini bertujuan untuk menganalisis: (1) Peran CSR dalam memoderasi secara parsial pengaruh GCG dan profitabilitas terhadap nilai perusahaan. (2) pengaruh parsial GCG dan profitabilitas terhadap nilai perusahaan. Populasi ini adalah seluruh perusahaan manufaktur yang ada di Bursa Efek Indonesia periode 2015-2021. Teknik pengambilan sampel dalam penelitian ini menggunakan purposive sampling dengan kriteria perusahaan manufaktur yang terdaftar di BEI periode 2015-2021, dengan jumlah saham yang dimiliki oleh manajemen perusahaan berjumlah lebih dari 1% dari seluruh saham yang beredar. Sehingga diperoleh 21 perusahaan. Data diolah dengan analisis regresi berganda menggunakan bantuan IBM SPSS Statistic 25. Selain itu, terdapat variabel CSR untuk mengetahui pengaruh moderasi terhadap hubungan antara variabel bebas dan variabel terikat, dengan menggunakan persamaan nilai selisih mutlak model. Untuk melihat jenis moderasinya digunakan dua model persamaan, sehingga persamaan model regresinya menjadi: Hasil penelitian menunjukkan bahwa GCG dan profitabilitas berpengaruh positif dan signifikan terhadap nilai perusahaan. Hasil pengujian variabel pemoderasi menunjukkan bahwa CSR memoderasi pengaruh GCG dan profitabilitas terhadap nilai perusahaan.

**Kata Kunci:** CSR; GCG; profitabilitas; nilai perusahaan

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## INRODUCTION

The firm value is very important because the goal of the company is to increase the firm value which will have an impact on increasing the prosperity of the owners of capital (Nafisah et al, 2018). The value of the company is a reflection of every financial management action and decision that affects the stock market price. Firm value is an investor's perception of the company, which is often associated with stock prices (Sadalia et al, 2017). Many factors affect firm value, including: GCG (Ferial et al. 2016; Inastri, 2017) and profitability (Sabrin et al. 2016; Thaib & Dewantoro, 2017; Nafisah et al, 2018).

Good corporate governance practices will control a company to run operations in accordance with the firm vision and mission (Purnamawati et al., 2017). GCG is also believed to be able to increase investor and market confidence through improving market segments, financial reporting and disclosure of company performance. Disclosure of the company's performance contained in the annual report will reflect the level of accountability, responsibility, and transparency of the entity to investors and other shareholders so as to encourage an increase in company value. GCG practices have the potential to convince the market that the company is fundamentally strong and can withstand all risks, both macro and micro economics. Previous research has been conducted to test whether there is an influence between CSR and GCG on firm value. Jamali et al. (2017) in the non-profit hospital sub-sector in Lebanon found that the best practices of corporate governance were more in line with corporate social responsibility so that the value of the company increased. However, from various studies that show a positive influence of CSR on the relationship between GCG and firm value, there are also studies that show that CSR on the relationship between GCG and firm value has no effect at all. Amanti (2015) with results showing that CSR disclosure

does not have a significant effect on firm value, it is also said that CSR disclosure does not moderate the relationship between GCG and firm value.

The positive signal shown by the company through a high level of profitability will increase the firm value. Marchyta & Astuti research results (2015); Nafisah et al, (2018) show that profitability has a positive and significant effect on firm value. Meanwhile, the results of this study are contrary to Thaib & Dewantoro (2017) which has a negative and non-significant effect between profitability and firm value, this shows that increasing profitability is not attractive to investors so it cannot increase firm value. This shows the increase in profitability is not attractive to investors so that it cannot increase the firm value.

Taking into account the various previous studies that have different results, it is considered that CSR as a component of good corporate governance will be expected to be able to overcome agency problems in the company. For this reason, CSR is suspected to be a control over company value considering that it can strengthen or weaken the effect of GCG and profitability ratios on company value. In addition, CSR is used as a moderating variable because it is based on stakeholder theory which states that companies must disclose social responsibility to stakeholders (Wijaya, 2015). The market also gives a positive response to CSR disclosures made by companies.

Study aims to analyze: (1) the role of CSR in partially moderating the effect of GCG and profitability on the value of manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2021. (2) the partial effect of GCG and profitability on the value of manufacturing companies listed on the Indonesian Stock Exchange. Indonesia Stock Exchange for the period 2015–2021.

Companies that implement good corporate governance practices will provide quality financial reports to investors,

thereby increasing the credibility of the financial statements. Increasing the credibility of financial statements will increase investor confidence, causing an increase in stock prices. The increase in share prices can be expected as a result of the existence of good governance practices in the entity. The perception that arises is that the better the practice of corporate governance, the higher the value of the company. Although it does not have an instant effect, good governance practices as long as the entity operates will affect the value of the company. Research conducted by Ferial et al. (2016); Inastri (2017) succeeded in proving that GCG has a significant positive effect on firm value through the results of his research. Ferial et al. (2016); Inastri (2017) shows that the implementation of GCG principles can increase company value due to an increase in the credibility of financial reporting. H1: GCG has an effect on firm value

Profitability shows the company's ability to generate profits by utilizing its total assets. The positive signal shown by the company through a high level of profitability will increase the value of the company. This is in line with the results of the research by Putra & Wiagustini (2013) which states that profitability has a positive effect on firm value. Sabrin et al, (2016) stated that the higher the profitability of the company, indicating the rate of return on investment will be greater than the investment costs **incurred** so that it has a positive effect in increasing the value of the company. Sucuahi & Cambarihan (2016) strengthen the above opinion by showing the results of research which states that profitability has a positive effect on firm value. Companies with large levels of profit indicate that operationally the company shows good results. Companies that work well in earning profits can increase the value of the company. Marchyta & Astuti (2015); Nafisah et al, (2018) shows a positive effect of profitability on firm value. Profitability is the company's ability to

generate profits by utilizing its total assets. High profitability can give a positive signal to potential investors so as to increase the firm value. H2: Profitability has an effect on firm value.

CSR disclosure is a form of corporate social responsibility. CSR disclosure itself is a form of entity responsibility related to all forms of entity responsibility. Through CSR disclosure, shareholders can evaluate and control the company's performance, so that shareholders believe that the company will run its business with a full sense of responsibility and not arbitrarily so that it shows that the company operates to achieve the goals and interests of shareholders. Companies will be encouraged to implement CSR practices and disclosures because they obtain several benefits (Soedaryono & Riduifana, 2014). Retno & Priantinah (2012) argue that GCG and CSR expression have a positive impact on firm value. Jamali et al. (2017) in the health sub-sector, namely non-profit hospitals in Lebanon, found that the best practices of corporate governance were more in line and more aligned with corporate social responsibility so as to increase the firm value. Tamara & Budiasih (2020); Sutarna & Lisa (2018) in banking sector companies that follow the CGPI ranking and are listed on the Indonesia Stock Exchange in 2013-2017 the results of their research also show that the disclosure of social responsibility as a moderating variable can strengthen the influence of GCG on firm value. H3: CSR moderates the effect of GCG on firm value.

Preston (1978) in Augustine (2014) states that the higher the level of profitability of a company, the greater the disclosure of social information by the company. An increase in the value of a company does not always come from a high level of profitability. In addition, if the company cares about the environment, it is considered to pay more attention to the company's performance in the future so that it will be considered positively by investors. A positive corporate image will make the

company more valuable and more promising in providing a stable rate of return so that it can attract investors and increase the value of the company (Pramana & Mustanda, 2016). Companies with a high level of profitability tend to try to increase CSR to convince investors that the company does not only pay attention to the short-term impact (profit) but also the long-term goal of increasing the value of the company. The role of the CSR relationship in moderating profitability to firm value is shown through the research results of Wijaya (2015), Pramana & Mustanda (2016); Emezy & Nwaneri (2015) which shows that profitability has a positive effect on firm value and CSR disclosure is able to strengthen the relationship between profitability and firm value. Based on this description, the hypothesis to be proposed is: H4: CSR moderates the effect of profitability on firm value

## RESEARCH METHODS

This population is all manufacturing companies on the Indonesia Stock Exchange for the period 2015-2021. The sampling technique in this study used purposive sampling with the criteria of manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2021, with the number of shares owned by the company's management totaling more than 1% of all outstanding shares. Thus, 21 companies were obtained. The data was processed by multiple regression analysis using the help of the IBM SPSS Statistic 25 application

Data collection is based on secondary data documentation techniques by recording the data collected derived from the financial statements of companies listed on the Indonesia Stock Exchange through the IDX website at the address [www.idx.co.id](http://www.idx.co.id). The data used are financial statements for the three-year period of the study, namely 2015 - 2021.

This study examines the effect of GCG, profitability on firm value. In addition, there is a CSR variable to determine the effect of moderation on the relationship between the independent variable and the dependent variable, using the absolute difference value equation model. To see the type of moderation, two equation models are used, so that the regression model equation becomes:

Equation 1:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Equation 2:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 (ABSX_1 * Z) + \beta_5 (ABSX_2 * Z) + e$$

Information:

X1	= GCG
X2	= Profitability
Moderation Z	= CSR
Y	= Firm Value
$\alpha$	= constant variable
e	= Standard error

X1, X2 and Z values, the second equation is the standardized score (Zscore).

(ABSX1\*Z) is the interaction value measured by the difference between the absolute values of X1 and Z.

(ABSX2\*Z) is the interaction value measured by the difference between the absolute values of X2 and Z.

## Data analysis

### First Equation

Table 1. Partial Regression First Equation

Model		Unstandardized Coefficients			Sig.
		B	Std. Error	t	
1	(Constant)	1.005	.203	4.948	.000
	GCG	.527	.083	6.364	.000
	Profit	.316	.175	2.805	.007

Source: Secondary data processed, 2022

## Second Equation

Table 2. Calculation of Partial Regression Second Equation

Model	Unstandardized Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	.115	.136	.843	.402
Zscore(GCG)	.467	.071	6,630	.000
Zscore(Profit)	.176	.087	2,024	.047
Zscore(CSR)	.068	.067	1.023	.310
ABSGCG*CSR	.087	.076	2,147	.002
ABSPROFIT*CSR	.070	.092	3,760	.001

Source: Secondary data processed, 2022

## DISCUSSION

### The Effect of GCG on Firm Value

Based on the partial test calculation of the first equation, the value of t-count =  $6.364 > t\text{-table} = 1.98010$ , and a significance value of  $0.000 < 0.05$ , the value of 1 unstandardized coefficients of 0.527 regression coefficient is positive, then H1 is accepted, meaning that GCG has a positive effect and significant to the value of the company, if GCG increases then the value of the company will also increase in value. The first hypothesis, H1 which states that GCG has an effect on firm value, is proven to be accepted. Assuming the absence of other variables, the GCG regression coefficient of 0.527 indicates that each increase in the value of GCG by 1,000 will increase the value of the company by 0.527. The results of the study indicate that during the period of GCG's observation of the value of the company, it is used as a reference for making decisions for investors to invest their capital. The results of this study are in line with agency theory where the application of GCG in overcoming agency problems and reducing agency costs is acceptable because investors believe that they will be given benefits or benefits by managers and also company management through the entity's compliance with various applicable rules and regulations. The results of this study are in line with Ferial et al. (2016); Inastri (2017) which

shows that Good Corporate Governance has a positive and significant influence on firm value. However, contrary to Amanti (2015) which shows that CSR disclosure does not have a significant effect on firm value,

### The Effect of Profitability on Firm Value

Based on the partial test calculation of the first equation, the value of t-count =  $2.805 > t\text{-table} = 1.98010$ , and a significance value of  $0.007 < 0.05$ , the value of 1 unstandardized coefficients is 0.316, the regression coefficient is positive, then H2 is accepted, meaning that profitability has a positive effect and significant to the value of the company, if profitability increases then the value of the company will also increase in value. The first hypothesis, H2 which states that profitability has a positive effect on firm value, is proven to be accepted. Assuming the absence of other variables, the profitability regression coefficient of 0.316 indicates that each increase in the profitability value of 1,000 will increase the value of the company by 0.316. High profitability indicates that the performance of management in managing the company has been in the expected condition. The higher the profit earned, the greater the return that will be received so as to achieve the prosperity of the owners of capital. Investors will respond positively to the signal so that it can increase the value of the company. The results of this study

support the research results of Marchyta & Astuti (2015); Nafisah et al, (2018) which shows that profitability has a positive and significant effect on firm value. Meanwhile, the results of this study are contrary to Thaib & Dewantoro (2017); Meivinia (2018) gets a negative and non-significant effect between profitability and firm value, this shows that increasing profitability is not attractive to investors so it cannot increase firm value.

### **CSR Moderates the Effect of GCG on Firm Value**

Based on the partial test calculation of the first equation, the value of  $t\text{-count} = 2.174 > t\text{-table} = 1.98027$ , and a significance value of  $0.002 < 0.05$ , the value of 1 unstandardized coefficients is 0.087 the regression coefficient is positive, then H3 is accepted, so that CSR is able to moderate the effect of GCG on firm value. The results of this study are able to support the concept of Corporate Social Responsibility and stakeholder theory which reveals that if a company uses CSR that is widely disclosed, it will tend to have a higher company value when compared to companies that do not disclose CSR. The results of this study indicate that the manufacturing company under study communicates corporate governance appropriately so that interested parties capture a signal of interest in CSR disclosure to increase firm value. CSR is one of the GCG practices, entities that carry out good corporate governance should carry out CSR activities because both aim to optimize the value of the company (Hadyarti & Mahsin, 2020). The sample companies tested develop policies related to the implementation of CSR so that the value of GCG practices can add value to the company. A high value in the CGPI rating also guarantees that investors will respond positively to CSR disclosure in conducting investment assessments, many parties are pro with the products produced by the company considering that the sample company is a manufacturing company also assumes that if there is an interaction

between GCG and CSR disclosure on company value and the results of this study are supported by Tamara & Budiasih (2020); Utama & Lisa (2018). CSR is a company's long-term strategy in an effort to maintain business continuity, the benefits of CSR itself are not obtained directly or in the short term. The hypothesis of CSR as moderation is not supported in the results of this study, it is strongly suspected that it is caused by facts on the ground regarding CSR as an obligation of each entity, so that pharmaceutical entities must have disclosed CSR properly following the provisions of the legislation without the need to be monitored by investors.

### **CSR Moderates the Effect of Profitability on Firm Value**

Based on the partial test calculation of the second equation, the value of  $t\text{-count} = 3.760 > t\text{-table} = 1.98027$ , and a significance value of  $0.001 < 0.05$ , the value of 1 unstandardized coefficients is 0.070 the regression coefficient is positive, then H4 is accepted, so that CSR is able to moderate the effect profitability to firm value. CSR is a moderating variable in the interaction between profitability and firm value, so H5 is proven to be accepted. The results of this study support Gherghina & Vibtila (2016) which states that companies must pay attention to economic, social and environmental dimensions in order to increase company value in a sustainable manner. Preston (1978) in Augustine (2014) states that the higher the level of profitability of a company, the greater the disclosure of social information by the company. An increase in the value of a company does not always come from a high level of profitability. This incident is due to the fact that people today tend to choose companies that are responsible and care about the surrounding environment because by supporting these companies, the community indirectly participates in maintaining the surrounding environment (Susanti & Santoso, 2011). Companies with a high level of profitability tend to try to

increase CSR to convince investors that the company does not only pay attention to the short-term impact (profit) but also the long-term goal of increasing company value (Loose & Remaud, 2013). The results of this study support Wijaya (2015), Pramana & Mustanda (2016); Emezy (2015) which shows that profitability has a positive effect on firm value and CSR is a moderating factor in the relationship between profitability and firm value.

## CONCLUSION

GCG and profitability partially have a positive and significant impact on firm value. This means that if GCG and profitability increase, it will have an impact on increasing firm value. CSR is proven to moderate the effect of GCG and profitability on firm value. This means that the influence of GCG and profitability on firm value is significantly strengthened by the interaction of CSR variables so that CSR is a moderating variable in the interaction between GCG and profitability on the firm value.

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