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Chapter 14

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY IMPLEMENTATION ON THE VALUE OF CONSTRUCTION FIRMS IN INDONESIA

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ABSTRACT

The purpose of this study is to examine the effect of exogenous variables, namely profitability and company size, on endogenous variables, namely corporate social responsibility and firm value. In the research, Corporate Social Responsibility serves as an intervening variable. The research used the sample of construction companies listed on the Indonesia Stock Exchange. The data period was from 2014-2016. The data used are secondary data obtained from annual financial reports. The analysis used Two-Stage Least Square (Two SLS) regression method. The results of the study proved that Firm Size has a positive effect on Corporate Social Responsibility (CSR) and a negative effect on Firm Value. Profitability does not affect CSR and Firm Value. CSR does not affect Firm Value. The results of other studies proved that CSR does not have an intervening variable relationship between Profitability and Size of Firm Value.

Keywords: firm value, corporate social responsibility, profitability, firm size

INTRODUCTION

A company's goal is to prosper the welfare of shareholders. To measure the level of prosperity of shareholders can be done through the value of the firm. To increase high firm value is the company's long term goal which will be reflected in the market price of its shares

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[1]. Firm value is an important concept for investors because it is a market indicator to assess the company as a whole. Firm value can be defined as market value. If the market value is high, it means that shareholders' prosperity is also high [2].

The construction sector has an important role that influences most sectors of a country's economy and is an important contributor to the country's economic infrastructure development process. Since 2014, the construction sector in Indonesia has experienced a relatively high increase, and this has become one of the top priorities of President Joko Widodo's cabinet. The construction sector ranks third as a drive to economic growth in Indonesia throughout 2016, with a contribution of 0.51 percent after the manufacturing sector and the trade sector. This sector contributed 10.38 percent to Indonesia's GDP in 2015. This figure ranks 4th after the industrial, agricultural, and trade sectors.

Table 1 shows investment in property and construction companies from 2014 - 2016 which continued to experience an increase. So it can be stated that in 2014 it was valued at $1.168 million and in 2016 it became $2.312 million. Increasing investment in the construction sector and sectors that support it, in general, increased company revenue, which means it also increased the value of the firm.

Table 1. Investment in construction

$Million	2014	2015	2016
Investment construction	1,168.43	2,433.58	2,312.53

Source: Insight. CEIC data (2018).

Corporate value data in Indonesia explains that of the 82 construction companies registered during 2014-2015, there were 52 companies or 63% of companies that experienced a decline in firm value. From this data, it can be seen that high investment made does not directly increase the value of the firm. With the decline in the value of the firm, the initial objective of the company, that is to prosper the shareholders, is not achieved.

One way to maximize firm value is through profitability. Profitability measures the ability of a company to generate profits [2]. Company size is also one of the variables considered in determining the value of a company. The larger the size of the company, the greater the assets owned by the company, and more funds are needed by companies to maintain their operational activities [3].

Durkin [4] stated that Corporate Social Responsibility (CSR) is also able to strengthen the image of a company and become one of the considerations that investors pay attention to in choosing an investment location. Because CSR considers that the company provides a good image to the community if the company is not just pursuing profit alone but also paying attention to the environment and society.

Companies are no longer faced with responsibilities that are grounded in a single bottom line, such as the value of the firm or corporate value which is reflected in its financial condition only. But corporate responsibility must be based on triple bottom lines: financial, social, and environmental aspects [5]. The importance of CSR has been regulated in Law No. 40 in 2007 concerning Limited Liability Companies. Thus, CSR is an obligation that must be carried out by a company, it's not a voluntary activity.

The purpose of this study is to examine the effect of profitability and company size on corporate social responsibility, and how these three variables affect firm value. The novelty of this study is the CSR variable as an intervening variable. The regression used is Two SLS (Stage Least Square). Unity Analysis is a construction company in Indonesia. The difference between this research and the previous researches is the addition of company size as a variable.

A THEORETICAL FRAMEWORK AND HYPOTHESIS

The final goal that must be achieved by a company should not be to maximize profits, but rather to maximize the prosperity of shareholders [6]. Harmony [7] explains the value of wealth can be seen through the development of the stock market price (common stock). There are several types of stock values:

a. Nominal value (par value): the value of liability assigned to each share.
b. Paid shares (additional paid-in capital or over par value): the difference paid in nominal value.
c. Paid in the capital: the total amount paid by shareholders to be exchanged for ordinary or preferred shares.
d. Retained earnings: earnings that are not distributed to shareholders, but to be reinvested in the company.
e. Book value: shows net assets owned by shareholders owning one share.
f. Market value: the price determined by the market at a particular time.
g. Intrinsic value or fundamental value: the actual value of a stock.

The concept of corporate social responsibility, known as stakeholder theory, is a collection of policies and practices relating to stakeholders, values, compliance with legal requirements, community and environmental awards, and the commitment of the business to contribute. Stakeholder theory starts with the assumption that values are explicitly and undeniably part of business activities. Stakeholder theory says that companies are not entities that only operate for their interests only but must also provide benefits to their stakeholders. Thus, the existence of a company is strongly influenced by the support given by stakeholders to the company [8].

Stakeholder theory suggests that the welfare created by companies is not limited only to the interests of shareholders, but also the interests of stakeholders, all parties who have a relationship or claim against the company [9]. Stakeholders can control or have the ability to influence the use of economic resources used by the company. Therefore, stakeholder power is determined by the size of the power possessed by stakeholders over the resources. The power can be in the form of the ability to limit the use of limited economic resources (capital and labor), access to influential media, the ability to regulate companies, or the ability to influence consumption of goods and services produced by the company [10]. Therefore, when stakeholders control economic resources that are important to the company, then the company will react in ways that satisfy stakeholder desires [11].

Brigham [12] mentioned that a signal is an action taken by a company to give instructions to investors about how management views the company's prospects. Implementation of CSR can be considered a signal in the form of information about what has been done by management to realize the wishes of the owner. Rokhlinasari [13] stated that a report on CSR activities aims to provide information as a signal to stakeholders that the company has carried out social responsibility and care for the environment.

According to Keown et al. [1], the value of a company is the market value of the debt securities and corporate equity in circulation. Firm value is an investor's perception of a company that is always associated with stock prices. High stock prices increase the value of the firm also. The high firm value will be followed by high shareholder prosperity.

Several factors affect the value of the firm, namely: funding decisions, dividend policies, investment decisions, capital structure, company growth, and company size. Some of these factors have a relationship and influence on the firm value that is not consistent [14].

Firm value can be measured by several proxies, such as price-earnings ratio (PER), market-to-book ratio, Tobin's Q, price flow ratio, and market-to-sales ratio. The measurement of firm value in this study uses Tobin's Q. If Tobin's Q is above one, this shows that the investment in assets generates profits that provide a higher value than investment expenditure. This will stimulate new investment. If Tobin's Q is below one, investing in assets is not attractive [15].

Brigham [12] Profitability is the result of a series of policies and decisions made by a company. It also stated that profitability can be used as an indicator in evaluating company performance, but it is also an element in creating firm value in the future so that profitability becomes an important consideration for investors in their investment decisions. Weston and Copeland [16] and Horne [17] stated that profitability can be measured by the proxy of ROE (Return on Equity). The ratio is an important measure or indicator for shareholder value creation, meaning that the higher the ROE ratio, the higher value of the firm. This is certainly an attraction for investors to invest their capital in the company.

According to [18], the effect of profitability measured using ROE does not affect firm value. This is because the company maintains profits rather than distributes them, thereby affecting the stock price and value of the firm. According to [19], profit has a varied effect on the value of the firm if it is measured by Tobin's Q. Sucuahi and Cambarihan [15] proved that the company's profitability can increase the value of the firm as measured by Tobin's Q.

Hypothesis 1: Profitability Has a Positive Effect on Value of the Firm in the Company

Sundiata [20] explained that company size is a total reflection of the assets owned by a company. Large-scale companies tend to attract investors because they will affect the company's value later, so it is stated that the size of a company directly affects the value of the firm.

The large size of a company reflects that the company is experiencing good growth and thereby increasing the value of a company. Increasing firm value can be indicated by the total assets of the company that has increased and is greater than the amount of company debt.

Research by [21] proved that when the company's profitability increases, the return to shareholders will also increase in the form of increasing share prices and dividend distribution [22]. Asyik [23]examined that if a company has larger assets, the company will be more flexible in utilizing assets for corporate purposes. With the flexibility of management in managing, assets will increase the value of the firm. Chung et al. [24] proved that CSR and Company Size affect the value of the firm.

Hypothesis 2: Firm Size Has a Positive Effect on Firm Value

Corporate Social Responsibility is a part of communicating the social and environmental impacts of the organization's economic activities on specific groups of interest as well as on society as a whole. CSR is an ongoing commitment by the company to act ethically and contribute to the economic development of the local community or society at large, along with improving the living standards of its workers and their entire families by paying attention to the social environment of their operations and interactions with stakeholders, which exceeds organizational responsibility in the legal field. Corporate Social Responsibility is also a social investment for the company to the community to help improve or renew the company's internal resources and capabilities. From the external side of the company, investment in corporate social responsibility will enhance the company's reputation. There are three principles of social responsibility, namely (1) Sustainability, which is related to how companies in carrying out their activities take into account the sustainability of resources in the future. Sustainability shows partisanship and efforts in how society utilizes resources as to keep them available for future generations, (2) Accountability, which is the company's efforts to be open and responsible for the activities that have been carried out, and (3) Transparency, which is an important principle for external parties. These principles play a significant role in reducing information asymmetry, misunderstanding, especially information and accountability for various environmental impacts.

Dogan et al. [25] stated that profitability has a significant positive effect on CSR disclosure. This is related to agency theory with the premise that greater profits will make companies express corporate social responsibility more intensively. With large profits, companies tend to carry out corporate social responsibility and intensely disclose information on the implementation of responsibility both in economic, social, and environmental aspects to the public. Besides, with high profitability, the company can finance CSR, such as providing education and health assistance to the surrounding community. Bardic et al. [26] revealed that caring for the community (society) requires management to make the company profitable.

Stated that based on the theory of legitimacy, one of the arguments in the relationship between profitability and the level of disclosure of social responsibility is that when a company has a high level of profit, the company management considers it unnecessary to report things that can interfere with information about the company's financial success. Conversely, when the level of profitability is low, they hope that report users will read good news on company performance, for example in the social sphere when investors read corporate social responsibility disclosure reports, it is expected that they will continue to invest in the company. Moreover, it can be stated that profitability has a negative relationship with the disclosure of corporate social responsibility.

Hypothesis 3: Profitability has a positive effect on CSR in Construction Companies Listed on the Indonesia Stock Exchange

Stated that the effect of company size on CSR disclosure is reflected in the theory of legitimacy which explains that companies need to adapt to the environment in which the company is located, so the company needs to do more activities that have a greater positive impact on society. Large companies tend to maintain their company's image, so getting exposure to CSR activities carried out will be far easier. Researches by [27] and [21] concluded that company size variables have a positive influence on the disclosure of corporate social responsibility.

Hypothesis 4: Company Size Has a Positive Effect on CSR

Research by [28] stated that consumers and investors emphasize the importance of implementing CSR. Motivating many companies to be involved in implementing CSR can reduce conflicts between companies and stakeholders. This will trigger an increase in profits, financial performance, and firm value. High GCG and CSR implementation will increase investor confidence and have an impact on the company's long-term performance.

Bardic et al. [26] concluded that the relationship between CSR and corporate value shows a positive and significant relationship, but CSR has a negative relationship with profitability. It also concluded that CSR has a positive effect on firm value in an uncompetitive market. This is due to companies using CSR as an effort to reduce costs that can arise due to environmental damage where the company is located. It is also used to increase value in the eyes of the public, the company's image and reputation. CSR has a positive relationship with ROE, Profit Margin, and work productivity of the company.

Hypothesis 5: Corporate Social Responsibility Has a Positive Effect on Firm Value

Profitability is a factor that gives freedom and flexibility to management to be able to disclose social responsibility to shareholders. So it is stated that the higher the level of corporate profitability, the greater the disclosure of social information. CSR information that is revealed more transparent by will provide a positive value from the investor's side. This information can describe a good business prospect in the future so that it will be captured by investors as a positive signal which has an impact on increasing share prices and the value of the firm [29].

This is consistent with research by that the role of CSR can mediate the effect of profitability on firm value with the most reported social responsibility disclosure theme being the employees or human resources. This is similar to what companies do in America, the UK, and Australia.

Hypothesis 6: Corporate Social Responsibility Moderates the Relationship between Profitability and Corporate Value

Large companies tend to do more activities that have a direct impact on the environment in which the company is located. The company will maintain the company's image to gain the trust of shareholders and stakeholders. The disclosure of CSR can help companies show a positive image of the company to the environment. Theoretically, large companies will not be free from pressure, so that corporate social responsibility becomes more extensive. By doing CSR, the company can reduce potential costs that can arise in the future.

Research by Asyik [23] examined tax aggressiveness, company size, and foreign ownership of CSR disclosures. This research stated that large companies can have a great influence on the surrounding environment, which causes companies to pay more attention to CSR disclosures and social programs that are carried out. By running CSR the company can increase profitability, where the sustainability of the company is guaranteed.

Hypothesis 7: Corporate Social Responsibility moderates the relationship between Company Size and Firm Value in Construction Companies Listed on the Indonesia Stock Exchange

This study is to determine the magnitude of the influence caused by the effect of Profitability and Company Size with Disclosure of Corporate Social Responsibility as a Mediating Variable on Firm value in Construction Companies and Supporters Listed on the Indonesia Stock Exchange in 2014 - 2016. The dependent variable is the variable influenced by other variables, which is the Firm value (FV). The independent variable is the variable that influences other variables, namely Profitability (PR), Company Size (SIZE), and Corporate Social Responsibility Disclosure (CSR). The variables in this study can be formulated through a framework of thought (Figure 1).

METHODS

Subjects and objects are construction companies listed on the Indonesia Stock Exchange in 2014-2016. The object consists of exogenous variables, profitability and company size, and endogenous variables, namely Corporate Social Responsibility and Firm Value. Firm value also functions as an intervening variable. This research is descriptive quantitative using a causal model. The data used are secondary data and panel data.

Data were obtained from the company's annual report and financial statements in the period 2014-2016. The determination of data samples used a purposive sampling method. The applicable sample criteria are:

5. Construction companies and their supporters were listed on the Indonesia Stock Exchange from December 31, 2014, until December 31, 2016.
6. Provide complete audited financial statements from 2014-2016 financial statements in Rupiah.

Based on these criteria, the research object obtained amounted to 68 companies selected as samples from a total of 99 construction companies listed on the Indonesia Stock Exchange (Figure 1).

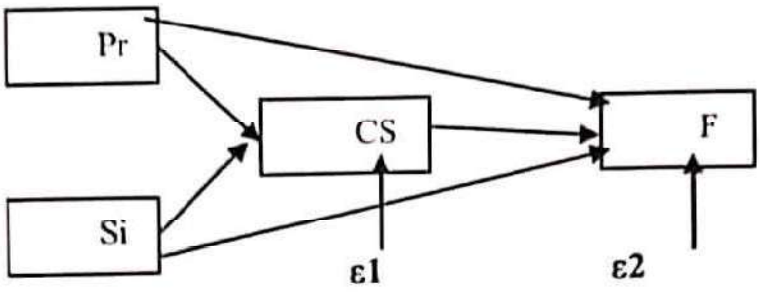

Figure 1. Theoretical framework.

Definition of Variable Operations

7. Firm value

   The value of the firm in this study was measured using the formula of Tobin's Q.

$$\text{Tobin's} = \frac{\text{Market value of equety+debt}}{\text{Total Assets}} \quad (1)$$

8. Profitability

   Profitability is the company's ability to generate profits. This study is used a Retained on Earnings (ROE) proxy with the formula:

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Total equity}} \quad (2)$$

9. Company Size

   Company size is measured using the natural log of total assets [20].

10. Corporate Social Responsibility

Based on the GRI (Global Reporting Index) CSR standard consists of 6 disclosures, they are:

Table 2. Corporate social responsibility disclosure items

INDICATORS OF ECONOMIC PERFORMANCE	
EC1	Acquisition and distribution of direct economic value which includes income, operational costs, employee compensation, donations, and other community investments, retained earnings, and payments to funders or the government
EC2	Financial implications and other risks due to climate change and opportunities for organizational activities.
EC3	Coverage of organizational obligations for defined benefit programs.
EC 4	Significant financial assistance received from the government
EC5	Range of the ratio of standard minimum wage compared to the local minimum wage in the main operating area.
EC6	Policies, practices, and proportion of expenditure for local suppliers in the main operating area.
EC7	Procedure for recruiting local employees and the proportion of senior management recruited locally and employed in the main operational area
EC8	Development and impact of infrastructure investment and services provided to the public commercially, in-kind, or pro bono.
EC9	Understanding and explaining significant indirect economic impacts, including the extent of their impact

INDICATORS OF ENVIRONMENTAL PERFORMANCE:	
EN1	Material Use; Detailed by weight or volume.
EN2	Percentage of Recycled Material Use.
EN3	Direct Energy Use from Primary Energy Resources.
EN4	Indirect Energy Consumption based on Primary Sources.
EN5	Energy Savings through Conservation and Increased Efficiency.
EN6	Initiatives to obtain energy-efficient or renewable energy-based products and services, and the reduction of energy requirements as a result of these initiatives.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.
EN8	Total water withdrawal per source.
EN9	Water sources that have a significant effect due to taking water.
EN10	Percentage and total volume of recycled water reuse.
EN11	Location and Size of Land that is owned, leased, managed by a reporting organization that is located within or that is adjacent to a protected area or areas that have high biodiversity value outside the protected area.
EN12	A description of the significant impacts resulting from the activities, products, and services of the reporting organization on biodiversity in protected areas and areas of high-value biodiversity outside protected areas
EN13	Habitat Protection and Restoration
EN14	Future strategies, actions, and plans for managing impacts on biodiversity.
EN15	Total species based on the level of extinction risk included in the IUCN Red List Species and included in the national conservation register with habitats in areas affected by operations.
EN16	Total direct and indirect greenhouse gas emissions in detail based on weight.
EN17	Other indirect greenhouse gas emissions by weight.
EN18	Initiatives to reduce greenhouse gas emissions and their achievements.
EN19	Emissions of chemicals that damage the ozone layer (ozone-depleting substances) in detail by weight.
EN20	Other significant air emissions that are detailed by type and weight.
EN21	Amount of water discharged according to quality and purpose.
EN22	Amount of weight of waste according to type and method of disposal.
EN23	Significant number and volume of spills.
EN24	Weight of waste transported, imported, exported, or treated that is considered dangerous according to the Annexes to the Basel I, II, III, and VIII Conventions, and the percentage of waste transported internationally.
EN25	Identity size, protection status and value Biodiversity of water bodies and related habitats that are significantly affected by the reporting organization's water disposal and runoff.
EN26	Initiatives to reduce the environmental impact of products and services to the extent of the reduction impact.
EN27	Percentage of products sold and packaging materials that are drawn according to category.
EN28	Monetary Value of Significant fines and total monetary sanctions for violations of environmental laws and regulations.
EN29	Significant environmental impacts due to the removal of products and other goods and materials used for company operations, and labor migrants.
EN30	Total expenditure on environmental protection and investment by type.
INDICATORS OF LABOR PERFORMANCE:	
LA1	Total labor force by type of work, employment contract, and the region.
LA2	Number and level of employee turnover by age group, gender, and the region.
LA3	Benefits provided to full-time employees (full time) that are not provided to temporary employees (part-time) according to their main activities.
LA4	Percentage of employees protected by the collective bargaining agreement.
LA5	Minimum notice period for changes in important activities, including whether they are explained in the collective agreement.
LA6	Percentage of the workforce officially represented on the Health and Safety committee between management and workers who help monitor and advise on occupational safety and health programs.
LA7	Rates of physical accidents and illness due to occupation, days lost and absenteeism, and the number of deaths due to work by region.
LA8	Educational programs, training, counseling/guidance, prevention, local risk control to help employees, family members and community members, regarding serious/ dangerous diseases.
LA9	Health and safety issues included in official agreements with the union
LA10	Average hours of training per year per employee by employee category/ group.
LA11	Programs for managing skills and lifelong learning that support continuity of employees' work and assist them in managing their career endings.
LA12	Percentage of employees who receive regular performance reviews and career development.

Table 2. (Continued)

INDICATORS OF LABOR PERFORMANCE:	
LA13	Composition of the governing body/ authority and employee details for each category/ group according to gender, age group, minority group membership, and other diversity indicators.
LA14	Comparison ratio of the basic salary of men to women according to groups/ categories of employees.
INDICATORS OF HUMAN RIGHTS PERFORMANCE INDICATORS:	
HR1	Percentage and number of significant investment agreements that contain human rights clauses or have undergone screening/filtration processes related to human rights aspects.
HR2	Percentage of significant suppliers and contractors who have undergone screening/ filtration process on human right aspects.
HR3	Amount of training time for employees in terms of policies and procedures related to aspects of human rights relevant to organizational activities, including the percentage of employees who have undergone training.
HR4	Total cases of discrimination that occurred and actions taken/ carried out
HR5	Identified association and assembly activities can pose significant risks and actions taken to support these rights.
HR6	Activities identified that have a significant risk of child labor cases occurring, and steps are taken to support efforts to eliminate child labor.
HR7	Activities identified that have significant risks that can lead to cases of forced or compulsory labor, and steps that have been taken to support efforts to eliminate forced or compulsory labor.
HR8	Percentage of security guard personnel trained in organizational policies and procedures related to human right aspects that are relevant to the organization's activities.
HR9	The number of cases of violations related to indigenous rights and steps is taken.
INDICATORS OF SOCIAL PERFORMANCE:	
SO1	Nature, scope, and effectiveness of each program and practice have undertaken to assess and manage the impact of operations on society, both at the time of starting, at the time of operation and at the time of terminating.
SO2	Percentage and number of business units at risk of corruption.
SO3	Percentage of employees trained in anti-corruption policies and procedures.
SO4	Actions are taken in dealing with incidents of corruption.
SO5	The position of public policy and participation in the process of lobbying and making public policy.
SO6	Value of financial and in-kind contributions to political parties, politicians, and related institutions based on the country in which the company operates.
SO7	The number of legal actions against violations of anti-competitive, antitrust, and monopolistic practices and sanctions.
SO8	The monetary value of significant fines and the amount of non-monetary sanctions for violations of laws and regulations committed.
INDICATORS OF PRODUCT PERFORMANCE:	
PR1	The life cycle stage in which the impact of health and safety-related products and services is assessed for improvement, and the percentage of important product and service categories that must follow the procedure.
PR2	Total non-compliance with regulations and ethics regarding the health and safety impact of one product and service during the life cycle.
PR3	Kind of product and service information required by the procedure and significant percentage of products and services associated with the required information.
PR4	Total non-compliance with regulations and voluntary codes regarding product and service information and labeling per product.
PR5	Practices related to customer satisfaction including survey results that measure customer satisfaction.
PR6	Programs for compliance with laws, standards, and those related to marketing communications.
PR7	Total non-compliance with regulations and voluntary codes regarding marketing communications (advertising, promotion, and sponsorship).
PR8	Total complaints based on violations of the customer's privacy and loss of customer data.
PR9	Monetary value of non-compliance fines for laws and regulations regarding the procurement and use of products and services.

Source: www.globalreporting.org.

Disclosure index measurement used was recommended by Statement of Financial Accounting Standards and Decree of Capital Market and Financial Institution Supervisory Agency No. Kep-06/PM/2000 which stated that disclosure index scores are as follows:

a. The score for each disclosure is dichotomous. Disclosed items are given a value of 1 and not disclosed ones are given a value of 0.
b. Scores obtained by each company are added to get a total score.
c. Measurement of each company's disclosure index is done by dividing the total score of each company by the expected total score.

The CSRDI calculation formula is as follows:

$$\text{TCSRDIi} = \frac{\sum Xyi}{Ni} \quad (3)$$

TCSRDIj = Area Index of corporate social and environmental responsibility disclosure
$\sum Xi$ = number of items disclosed by the company,
1 = if an item is disclosed, 0: if an item is not disclosed.
Y = Expected item disclosed
ni = number of items for this company 79

Panel Data Regression

The regression analysis used was panel data regression analysis. After the regression model is selected, the data is done with Two-Stage Least Square (2-SLS). The research method with multiple regression equations can be formulated as follows:

$$\text{(i)}\quad CSR = \alpha + \beta_1 . PR + \beta_2 . Size + \varepsilon \quad (4)$$

$$\text{(ii)}\quad FV = \alpha + \beta_3 . PR + \beta_4 . Size + \beta_5 . CSR\ \varepsilon \quad (5)$$

where

α	Constants
$\beta 1$	5 Regression coefficient
PR	Profitability
Size	Company Size
CSR	CSR Disclosure
FV	Firm Value
ε	Error term

Hypothesis testing of the multiple regression coefficients includes the statistical hypothesis test, the model test, and the coefficient of determination.

Statistical Analysis

The classical assumption test result proved that the research equation is free from Multicollinearity and Heteroscedasticity problems. So, it can be concluded that the model meets the classical assumption requirements. The result of the selection analysis of the regression model through Chow and Hausman test, the Fixed Effect regression model was chosen. The results of statistical analysis are as follows:

Equation Model 1:

$CSR = 0.614613 - 0.010059PR + 0.015410\,Size$

t stat -1.057 4.1738***

R Square = 0.9791

Equation Model 2:

$FV = 6{,}379987 + 0{,}189369PR - 0{,}541461Size - 0.350113CSR$

t Stat 0.351 -2.45**-0.79

R Square = 0.8139

In the equation 1 model, the statistical test results are obtained. The test results prove that Profitability has no effect on CSR, and Company Size has a significant positive effect on CSR. The statistical test result of the Equation 2 model proved that profitability and CSR have no effect on firm value, and firm size has a significant negative effect on firm value.

Other findings from the statistical test result proved that CSR is open and serves as an intervening variable relationship between profitability and firm value, because profitability does not affect CSR, and CSR does not affect firm value. Furthermore, the position of CSR is not as an intervening variable relationship between Company Size and Firm values because CSR does not affect Firm value. For the test model, the two model equations are considered to be fit, because the value of F is smaller than 1%.

DISCUSSION

The Effect of Profitability on Firm Value

In construction companies, the value of the firm is not influenced by profitability. The profitability of a large company will not necessarily increase the value of the firm because the company retains its profits rather than sharing them, thus affecting the value of the firm.

Effect of Company Size on Firm Value

Companies that have high company size tend to attract potential investors to invest their capital in the company so that it can increase the value of the firm. The increase in Sales and Total Assets that are owned will make the company more flexible in managing assets for the benefit of the company.

The Effect of Profitability on Corporate Social Responsibility Disclosure

Based on the theory of legitimacy where there is a relationship between profitability and the level of Corporate Social Responsibility disclosure when a company has a high level of profit, the company (management) considers it unnecessary to report things that can interfere with information about the company's financial success. Conversely, when profitability levels are low, they expect that report users will read good news on company performance, for example in the social sphere when investors read the company's Corporate Social Responsibility disclosure report, it is expected that they will continue to invest in the company.

The Effect of Company Size on Corporate Social Responsibility Disclosure

Based on the theory of legitimacy which explains that companies need to adapt to the environment in which the company is located, so companies need to do more activities that have a greater positive impact on society. Large companies tend to be able to maintain the company's image, so exposing their CSR activities will be far easier. With the ease of information provided by the company, the trust of shareholders and stakeholders to the company will increase.

Effect of Corporate Social Responsibility Disclosure on Firm Value

The relationship between the application of CSR and firm value is neutral or does not have a significant relationship. In developing countries like Indonesia, no significant effect is found between CSR and financial performance. This can be seen from the response of customers who consider price more than the environmental awareness of a product-producing company. This is because investors are only oriented to short-term profits, while CSR is oriented more to long-term performance.

Disclosure of Corporate Social Responsibility can mediate the relationship between the influence of Profitability and Firm value. This is because companies tend to retain existing profits, and do not spend large funds for CSR activities and investors are only interested in short-term profits while CSR is more oriented towards the company's long-term goals. This is consistent with research [29], which stated that disclosure of Corporate Social Responsibility can mediate the effect of profitability on firm value and is contrary to this research.

Disclosure of Corporate Social Responsibility can mediate the relationship of the influence of Company Size and Firm value. The theory of legitimacy explains that companies need to adapt to the environment in which the company is located, so companies need to do more activities that have a greater positive impact on society. How ever, companies will tend to maintain the company's image, so to get exposure to CSR activities that have been carried out will be much easier, but CSR activities have more long-term impacts while investors are more interested in profits or short-term profits.

CONCLUSION

Based on the research problem, the theory built, and the result of the analysis, the results of this study conclude several things, i.e., company size influences CSR and firm value. There is another relationship between variables proving that it has no influencing relationship. CSR does not play a role as an intervening relationship variable between profitability and firm size on firm value.

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