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The Influence of Financial Performance on Company Value with Corporate Social Responsibility as a Moderating Variable in Food and Beverage Companies Listed on the Bursa Efek Indonesia

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Abstract:

The research seeks to examine the implications of financial performance on company value, with Corporate Social Responsibility disclosure acting to be a moderating variable in food and beverage firms stated on the Bursa Efek Indonesia. In this research, eighteen food and beverage firms were used as samples. During a 4-year study period, 14 samples were gathered based on the established criteria, for a total of 56 samples. The information examination techniques utilized in this analysis are Moderated Regression Analysis and Multiple Linear Regression Analysis. The outcomes reveal that the ROA variable positively but insignificantly affects company value, the ROE variable positively and significantly impacts company value, the NPM variable negatively but insignificantly influences company value, and the OPM variable positively and significantly affects company value. Additionally, the CSR variable does not moderate the connection between financial performance (ROA, ROE, NPM, and OPM) and company value.

Keywords: Return on assets, return on equity, net profit margin, operating profit margin, corporate social responsibility, Tobins' Q

1. Introduction

Financial performance is the amount of work the company has completed within the time frame specified in its financial reports. Investors, when investing in the capital market, always need information relating to the company that will be their investment target. Investors need company financial information to make an assessment first and then determine which company shares to buy, sell, and keep.

Fundamentally, the worth of a share depends on the company's financial performance, which is evident in the periodic financial reports issued by the company. Besides that, it can be measured using financial ratios.

The financial ratio used in measuring financial performance is the probability ratio that has a casual relationship with company value. This causality relationship indicates that strong financial performance positively influences company value. The financial metrics utilized include *Return on Assets (ROA)*, *Return on Equity (ROE)*, *Operating Profit Margin (OPM)*, and *Net Profit Margin (NPM)*.

The influence of financial performance on company value will be better if it is moderated by Corporate Social Responsibility (CSR). Corporate social responsibility serves as a moderating variable because companies have an interest not only in shareholders but also in stakeholders based on stakeholder theory. The company's implementation of Corporate Social Responsibility (CSR) can enhance its image. This positive consumer perception can boost stakeholder loyalty to the company's products. Greater transparency in CSR efforts leads to higher consumer loyalty, potentially increasing sales and adding value to the company. However, in practice, financial performance does not always have a positive impact on company worth, as illustrated through the following table:

Variable	Ultra Jaya Milk Industry & Trading Company Tbk (ULTI)			Akasha Wira Internasional Tbk (ADES)		
	2014	2015	2016	2014	2015	2016
Tobin's Q	3.91	3.40	3.30	2.04	1.41	1.27
ROA (%)	9.71	14.78	16.74	5.03	6.14	7.29
ROE (%)	12.51	18.70	20.34	10.00	10.49	14.56
OPM (%)	9.55	15.77	18.97	6.60	8.60	8.82
NPM (%)	7.23	11.91	15.15	4.90	5.36	6.30

Table 1: List of Food and Beverages Company Values and Financial Performance from 2014 to 2016

Source: www.idx.co.id

Table 1 illustrates that although the financial performance of Ultra Jaya Milk Industry & Trading Company Tbk (ULTI) improved in 2015-2016, its company value declined. A similar trend was observed with Akasha Wira Internasional Tbk (ADES).

This study uses food and beverage companies as the study objects because share prices for food and beverage products are in great demand.

Going by the explanation mentioned before, the problems are formulated in the order below:

- Is the worth of food and beverage firms stated on the Bursa Efek Indonesia reliant on their financial performance?
- Can Corporate Social Responsibility (CSR) potentially reduce the relationship between financial performance and company value in food and beverage firms, as stated on Bursa Efek Indonesia?

2. Literature Review

2.1. Fundamental Theory

A theory based on a company's economic foundation is known as a basic theory. This idea is centered on financial ratios and events that either directly or indirectly impact the financial performance of the firm.

2.2. Stakeholder Theory

Stakeholder theory encompasses a range of policies and practices pertaining to stakeholders, values, adherence to legal requirements, consideration for society and the environment, and the business community's commitment to promoting sustainable development. Corporate social responsibility is one tactic the business can use to meet stakeholder expectations.

2.3. Financial Performance

Financial performance represents a summary of a company's financial state that is determined by applying financial analysis methods to identify the company's excellent and bad financial conditions, which are indicative of work performance during a specific time period. Return on Equity (ROE), Return on Assets (ROA), Net Profit Margin (NPM), and Operating Profit Margin (OPM) are metrics of profitability employed as indicators of profitability or likelihood in the analysis of financial performance.

2.3.1. Return on Assets (ROAs)

Return on Assets (ROA) serves as a ratio that evaluates the profitability potential of a business by using its assets for operational purposes. The formula for ROA is as follows:

$$ROA = \frac{\text{Laba bersih}}{\text{Total aktiva}} \times 100\%$$

2.3.2. Return on Equity (ROE)

Return on Equity (ROE) serves as a measure of net profit after taxes relative to all equity. The formula is used to determine ROE:

$$ROE = \frac{\text{Laba bersih}}{\text{Ekuitas}} \times 100\%$$

2.3.3. Net Profit Margin

A ratio referred to as net profit margin shows the proportion of profit a business makes in relation to the money it gets from its ongoing operations. NPM can be computed with the following formula:

$$NPM = \frac{\text{Laba bersih}}{\text{Pendapatan operasional}} \times 100\%$$

a) Operating Profit Margin

Operating profit margin represents the proportion of net profit prior to taxes to sales. The following is the OPM formula:

$$OPM = \frac{\text{Laba usaha}}{\text{Pendapatan operasional}} \times 100\%$$

2.4. Corporate Social Responsibility

Corporate social responsibility (CSR) serves as the public declaration of the company's social commitments in its annual report and can be measured by calculating the social disclosure index. The corporate social disclosure index can be formulated as follows:

$$CSR = \frac{\text{Jumlah item CSR yang diungkapkan}}{79 \text{ item}} \times 100\%$$

2.5. The Value of the Company

Company value represents the market valuation of a company, as reflected through its share price. In this study, Tobin's Q serves as the measure of company value. Tobin's Q compares the market worth of company equity to its book worth. The formula for Tobin's Q is as follows:

$$Q = \frac{ME + DEBT}{TA}$$

2.6. Framework of Thinking

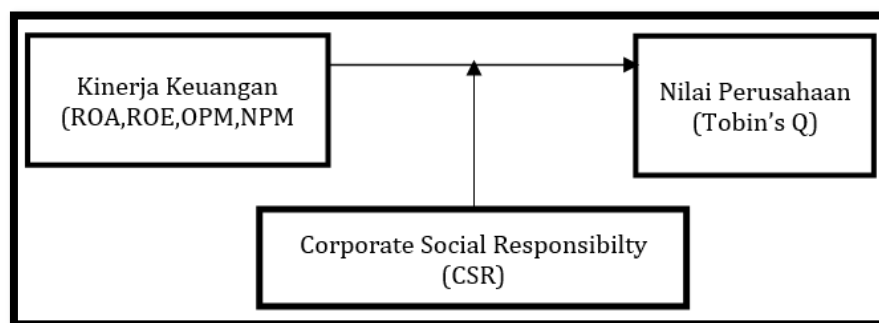


Figure 1: Framework of Thought

2.7. Hypotheses

- H1: Return on Assets has a significant positive effect on company value.
- H2: Return on Equity has a significant positive effect on company value.
- H3: Operating Profit Margin has a significant positive effect on company value.
- H4: Net Profit Margin has a significant positive effect on company value.
- H5: Corporate Social Responsibility moderates the influence of Return on Assets on company value.
- H6: Corporate Social Responsibility moderates the influence of Return on Equity on company value.
- H7: Corporate Social Responsibility moderates the influence of Net Profit Margin on company value.
- H8: Corporate Social Responsibility moderates the influence of Operating Profit Margin on company value.

3. Study Methods

3.1. Population and Sample

This study utilizes food and beverage businesses that traded their shares on the Bursa Efek Indonesia from 2014 to 2017 as its population. A total of 56 companies make up the sample, with 14 serving as samples over a 4-year period, based on the criteria set in this study.

3.2. Data Analysis Technique

The research employs multiple linear regression analysis and moderated regression as analytical frameworks. These models are utilized to examine how the performance metrics (ROA, ROE, OPM and NPM) of companies relate to their value (Tobin's Q). Additionally, they are used to test the hypothesis that the connection between performance and value is influenced by the disclosure of corporate social responsibility.

4. Study Result

4.1. Hypothesis test

The outcomes of hypothesis testing are listed in the subsequent table.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	,875	,238		3,677	,001
	ROA	1,232	4,200	,050	,293	,770
	ROE	5,531	1,149	,607	4,814	,000
	NPM	-2,983	2,905	-.116	-1,027	,309
	OPM	8,041	3,482	,382	2,309	,025

a. Dependent Variable: Tobins'Q

Table 2: T-Test Results

Source: SPSS 17 2010 Output Results (Processed Data)

According to the t-test conducted earlier, the t-value for each independent variable is obtained. The t-table value with Df=52 and using table α 0.025 is 2.0067. The test result of each independent variable is as follows:

- With a computed t value of 0.293, the Return on Assets (ROA) in relation to firm value shows a significance level of 0.770. Thus, it may be said that ROA increases firm value in a negligible way, and H1 is rejected.
- The calculated t-value of 4.814 shows that the Return on Equity (ROE) in relation to firm value is significant at a p-value of 0.000. Thus, it can be said that ROE significantly and favorably affects corporate value, and H2 is accepted.
- With a calculated t-value of -1.027, the Net Profit Margin (NPM) in relation to firm value shows a significance level of 0.309. Therefore, it is able to be decided that NPM possesses a minimal and adverse implication on the company's worth, leading to the rejection of hypothesis H3.
- Regarding the company's value, the Operating Profit Margin (OPM) shows a significance level of 0.025 with a calculated t-value of 2.093. Thus, it can be said that OPM significantly and favorably affects the value of the company, and H4 is approved.

4.2. MRA Regression Test

The MRA aims to determine whether Corporate Social Responsibility acts as a moderating variable between company performance and company worth. The conclusions of the MRA regression test are represented in the table below.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	,871	,736		1,183	,243
	ROA	-3,606	15,364	-.146	-.235	,815
	CSR	,334	4,168	.013	,080	,937
	Moderation1	27,622	84,350	,232	,327	,745
	ROE	2,370	6,575	,260	,360	,720
	Moderation2	16,233	38,472	,324	,422	,675
	NPM	-.364	10,287	-.014	-.035	,972
	Moderation3	-6,193	65,397	-.051	-.095	,925
	OPM	17,765	8,832	,845	2,012	,050
Moderation4	-54,382	53,549	-.586	-1,016	,315	

a. Dependent Variable: Tobins' Q

Table 3: MRA Regression Test Results

Source: SPSS 17 2010 Output Results (Processed Data)

Through the table above, the moderation regression equation is ably formulated below:

$$Y = 0.871 - 3.606 \text{ ROA} + 2.370 \text{ ROE} - 0.364 \text{ NPM} + 17.765 \text{ OPM} - 0.334 \text{ CSR} + 27.622 (\text{ROA} \times \text{CSR}) + 16.233 (\text{ROE} \times \text{CSR}) - 6.193 (\text{NPM} \times \text{CSR}) - 54.382 (\text{OPM} \times \text{CSR}) + e$$

The study results show the influence of the moderating variables as follows:

- Moderation significance value 1 (ROA*CSR) 0.745>0.05 with a regression coefficient of 27.622. So, it can be concluded that CSR does not moderate the relationship between ROA and Tobins' Q (firm value).
- Moderation significance value 2 (ROE*CSR) 0.675>0.05 with a regression coefficient of 16.233. So, it can be concluded that CSR does not moderate the relationship between ROE and company value.
- Moderation significance value 3 (NPM*CSR) 0.925>0.05 with a regression coefficient of -6.193. So, it can be concluded that CSR does not moderate the relationship between NPM and company value.
- Moderation significance value 4 (OPM*CSR) 0.315>0.05 with a regression coefficient of -54.382. So, it can be concluded that CSR does not moderate the relationship between OPM and company value.

4.3. *The Effect of Return on Assets on Company Value*

It indicates that ROA has a limited impact on business worth. According to information collected from Ultra Jaya Milk Indonesia Tbk from 2014 to 2016, which has an increasing ROA value, namely 9.70%, 14.55%, and 16.74%, and the company value (Tobins' Q) has decreased, namely 3.9055, 3.3771, 3.2907. The increase in the company's Return On Assets was due to an increase in net profit, but the rise in the company's net profit did not positively affect its value. Despite the increase in net profit, the market did not respond to the increase in net profit, as seen from the company's share price, which did not experience major changes.

The company value decreased because the number of shares outstanding in the period 2014-2016 did not change. According to the findings of this study, the hypothesis asserting that financial performance, shown by ROA, significantly impacts company worth is not supported, or H1 is rejected.

4.4. *The Effect of Return on Equity on Company Value*

This study suggests that ROE significantly impacts company value because increased ROE leads to higher net profits derived from operational funds or company equity. This is evident from the company data that PT Multi Bintang Indonesia Tbk obtained an increasing ROE value in 2015-2017, namely 64.83%, 119.68%, 124.15% and the company value increased, namely 8.8592, 11.5214, 12.0548. This is because the company is efficient in managing operational funds to produce high net profits. According to the findings of this study, the hypothesis asserting that financial performance, specifically ROE, has a favorable and essential impact on business worth in food and beverage companies stated on the Bursa Efek Indonesia is supported, thus H2 is accepted.

4.5. *The Influence of Net Profit Margin on Company Value*

Statistical evaluations reveal that NPM exerts a detrimental impact on company value. This can be seen from the data of PT Nippon Indosari Corporindo Tbk from 2014 to 2015, which obtained an increasing NPM value, namely 10.03% and 12.44%, while the company value experienced a decrease, namely 0.9289, 0.8396. A negative NPM value causes investors to view the company's condition as uncertain, so this can reduce the business's worth. So, the hypothesis stating that NPM significantly affects company value cannot be supported, or H3 is denied according to the outcomes.

4.6. *The influence of Operating Profit Margin on Company Value*

Examining the results of statistical tests, it is evident that OPM has an enormous effect on business worth, which means that an increasing OPM value will increase company value. It can be seen from the data of PT Mayora Indah Tbk that from 2014 to 2016, it experienced an increase of 6.29%, 12.57, and 12.62%, and the company value increased by 2.4162, 2.9469, 3.3614. This can happen because the company is able to streamline operational costs so that it can increase operating profits. A higher operating profit indicates strong company performance, which in turn positively affects the business's worth, as evidenced by an increase in company valuation. Therefore, the hypothesis asserting that OPM possesses an enormous effect on company value has been supported, and H4 is accepted.

4.7. *Corporate Social Responsibility Moderates the Effect of Return on Assets on Company Value*

The partial test findings reveal that the significance coefficient is 0.745, which is greater than 0.05. Hence, corporate social responsibility does not moderate the influence of ROA on company worth. As a result, we reject hypothesis H5, which posits that CSR mitigates the effect of ROA on company worth.

The aforementioned findings demonstrate that CSR does not moderate the impact of ROA on company worth. This might occur because investors can determine how well a firm manages its assets to produce net profits without having to review the CSR disclosures the company has made.

According to certain indications, investors do not need to examine the CSR disclosures provided by the company because the Limited Liability Company Law No. 40 of 2007 contains guarantees requiring companies to implement and disclose CSR. If the company fails to do so, it may face penalties under applicable laws.

4.8. *Corporate Social Responsibility Moderates the Effect of Return on Equity on Company Value*

This partial evaluation revealed a significance value of 0.675, a value greater than 0.05, indicating that CSR does not moderate the impact of ROE on company worth. In fact, CSR enhances the moderating impact of ROE on company value. Therefore, hypothesis H7, which posits that CSR mitigates the impact of ROE on company worth in food and beverage businesses stated on the Bursa Efek Indonesia, is rejected.

In line with the study's findings, a company's CSR disclosures do not influence its financial performance, specifically as measured by ROE in relation to company value. This may occur because investors' decisions to invest capital in a firm are not influenced by CSR disclosures made by the company. Since all companies are obligated to engage in CSR activities, investors do not need to evaluate CSR disclosures provided by corporations to determine whether the company is good or bad before making an investment. The business will face penalties if it does not engage in CSR.

4.9. *Corporate Social Responsibility Moderates the Effect of Net Profit Margin on Company Value*

In line with the study's findings, CSR did not lessen the impact of NPM company worth, as shown by a significance value of 0.925, a value greater than 0.05. Therefore, hypothesis H8, suggesting that CSR moderates the impact of NPM on company worth in food and beverage companies stated on the Bursa Efek Indonesia, is rejected.

The study's findings indicate that CSR has no moderating effect on how much NPM affects a company's worth. This might happen because the company's CSR initiatives do not succeed in increasing net profit from sales, thereby influencing the company's valuation. CSR certainly enhances the company's public reputation, but this does not guarantee that consumers will buy the company's goods right away.

4.10. Corporate Social Responsibility Moderates the Effect of Operating Profit Margin on Company Value

The significance value of $0.315 > 0.05$ was found in the study test findings, indicating that CSR does not moderate OPM on company value. Rejected is H8, which asserts that CSR reduces the impact of OPM on company worth in food and beverage businesses, as stated on the Bursa Efek Indonesia.

The corporation is expanding sales and managing operating costs more effectively, as evidenced by the rising OPM. According to the study's findings, a company's operational costs and operating profits, which affect its value, are not affected by its CSR activities. This suggests that reducing operating expenses does not necessarily require CSR involvement.

5. Conclusions and Recommendations

5.1. Conclusions

- The company's value is positively and significantly influenced by return on assets (ROA). Return on equity (ROE) also positively and significantly impacts the company's worth. Net profit margin (NPM) possesses a minor negative impact on the company's worth. Operating profit margin (OPM) positively and significantly impacts the company's worth.
- Corporate Social Responsibility does not act as a moderator for the influence of financial performance (ROA, ROE, NPM, and OPM) on company value.

5.2. Recommendations

- It is hoped that future studies will not only use probability or profitability ratios to measure financial performance but also use other financial ratios.
- Future studies are expected to examine the study sample of other industrial company sectors.
- Future studies are expected to utilize alternative moderating factors to bolster the effect of financial performance on company worth.

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