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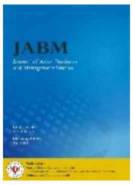

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The Effect of Corporate Social Responsibility on Company Value at Mining Companies Listed on The Indonesia Stock Exchange

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Abstract:

This study aims to test the hypothesis that the implementation of Corporate Social Responsibility (CSR) has a positive impact on firm value in the mining sector listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. Using simple linear regression analysis on secondary data from annual company reports, this research found that there is no significant correlation between the CSR variable and the firm value variable, as measured by the MVE and Tobin's Q ratios.

Keywords: Corporate Social Responsibility, Firm Value, MVE, Tobin's Q

Introduction

Indonesia is a country that has the potential to become a developed country. In 2022, Indonesia was removed from the list of developing countries in the World Trade Organization (WTO). One of the characteristics of a developed country is economic stability. Economic stability allows companies to plan long-term strategies with lower risk, which ultimately increases investor confidence and boosts the company's value. According to Damodaran (2006), firm value is the current value of cash that is expected to come in in the future, discounted at a rate of return that reflects the risk and funding structure used. Company value is one of the critical indicators that reflects how well a company is managed and perceived by stakeholders, including investors. In the capital market, company value is a major concern because it can affect investment decisions and the performance of the company's shares. In general, company value is measured through stock market value, which reflects investor expectations of the company's ability to generate profits in the future.

Increasing company value can have a positive impact on investor confidence, company reputation, and long-term financial stability. CSR has become one of the key factors in increasing corporate value. Through the implementation of CSR programs, companies can improve brand image, reduce business risks, and ultimately increase investor confidence. Recent studies confirm that there is a positive correlation between CSR implementation and increased corporate value.

This study focuses on analyzing the impact of Corporate Social Responsibility on the valuation of technology companies listed on the IDX. With the increasing public attention to corporate social responsibility, it is important to understand whether CSR initiatives are directly related to the market value of the company, or whether there are other factors that moderate the relationship. It is hoped that through this study, we can obtain a more comprehensive picture of how CSR practices can contribute to increasing company value, especially in the context of the ever-changing Indonesian capital market.

Literature Review

Company Values

According to Damodaran (2006), company value is the present value of all income that is expected to be obtained in the future, after being reduced by risk factors and adjusted for capital costs. Laili et al. 2019, (in Fadrul et al, 2020) define Company value as a representation of company performance reflected in stock prices. This value serves as a reference for investors, indicating the price they are willing to pay if the company decides to sell its shares.

In company valuation, the MVE ratio and Tobin's Q are often used as indicators (Palupi, 2008; Nurlela and Islahuddin, 2008). The MVE ratio, in particular, reflects market expectations of the company's future performance. A high MVE value indicates that investors are optimistic about the company's growth potential and profitability (Palupi, 2008; Anita, 2009)

Corporate Social Responsibility (CSR)

The European Commission (Weber, 2008; Fadrul et al., 2020; Veronika et al., 2022) defines CSR as a business approach in which a company consciously incorporates social and environmental considerations into all its operational activities. The aim is to contribute to sustainable development by involving various stakeholders. According to Fontaine (2013), CSR is like a company adjusting itself to the expectations of all stakeholders, from customers to the wider community. The company must ensure that its actions are by the values held by these various groups.

The level of reporting of a company's corporate social responsibility (CSR) can be measured by evaluating its annual CSR report using a checklist based on the framework, Hakston & Milne 1996 (in I Gusti Ayu Purnamawati, 2014).

In this case, the criteria used is CSR Disclosure (general GRI), which consists of 3, namely economic, social and environmental aspects.

Indonesia Stock Exchange (IDX)

BEI is an institution that serves as a market for trading stocks and other securities in Indonesia. BEI provides a platform for companies to sell shares to the public and for investors to buy and sell shares. In addition, BEI also regulates and supervises trading to ensure that all transactions are fair and transparent. The IDX plays a vital role in the Indonesian economy by providing access for companies to obtain capital and for investors to invest. With the IDX, investors can diversify their portfolios and companies can expand their businesses through fundraising.

Research Hypothesis

CSR is a company's effort to bear the negative impacts of its business activities on society and the environment. By disclosing its CSR practices, companies can improve their reputation and appeal to donors, clarify brand positioning, and increase sales. With the increasing disclosure of CSR, the company's reputation will also increase, so investors tend to consider the company to be of good quality and become more willing to invest, thereby increasing firm value. Previous research on the relationship between CSR and company value has produced mixed findings. Teguh and Devi (2021) found a positive effect of CSR on company value, while Nurlela and Islahuddin (2008) found no significant correlation. This contradiction prompted researchers to hypothesize as follows:
H1: CSR influences the value of mining companies listed on the IDX.
H2: CSR does not influence mining companies listed on the IDX

Research Methods

Operationalization of Variables

Dependent Variable. This research uses the company value as the variable explained (dependent variable). To measure the company value, researchers use two, namely Market to Book Value of Equity (MVE) (Palupi, 2008; Anita, 2009) and Tobin's Q (Zulfikar, 2006). The MVE formula, Palupi (2008) can be described as follows:

MVE = Outstanding Shares × Stock Price Total Equity

Tobin's Q is commonly used to measure how well the market values a company and how well the company is performing. Simply put, the Tobin's Q formula is:

Q= Market Capitalization+LiabilityTotal Assets

The Tobin's Q formula frequently used in research is the version developed by Chung and Pruitt in 1994, and Klapper and Love in 2002.

Q = MVS + DTA

Tobin's Q value can be used as an indicator to assess market perception of a company's value. Based on Risman's research, Tobin's Q value is explained as follows: (1). Tobin's Q is low (0-1): which means the market value of the company is less than the replacement cost of its assets. This indicates that the market views the company as less attractive and possibly undervalued. (2). High Tobin's Q (>1): means the company's market value is higher than the book value of its assets. This could indicate the presence of high-value intangible assets or high market expectations of the company's future growth.

Independent Variables. **CSR** is a factor studied in this study. The calculation of CSR is determined using the CSR Disclosure criteria set by the General GRI. The annual report serves as the main document of this study, and the assessment of the volume of CSR disclosure is carried out through sentence counting, as stated by Suhardjonto (2012). The measurement of CSR disclosure uses a social responsibility checklist, where items that are not listed in the annual financial report are scored "0", while those that are disclosed are scored "1". This scoring system allows researchers to evaluate the extent to which companies report their CSR activities in their financial reports, as stated by Teguh and Devi (2021). According to Puspitasari and Ermayanti (2019), the CSR calculation formula is as follows **:**

$$CSRIj = \sum xijnj$$

Types of Research and Data Analysis

This study applies a quantitative approach to test the correlation between research variables. The data used consists of secondary information sourced from public records, including annual reports and sustainability disclosures from companies listed on the Indonesia Stock Exchange. Furthermore, this data is analyzed through simple linear regression using SPSS 26 statistical software to evaluate the research hypothesis. As a case study, data from PT Timah Tbk, PT Adaro Energy Tbk, and PT Aneka Tambang Tbk are analyzed within the scope of this research.

Population and Sampling Techniques

The objects studied are mining companies listed on the IDX. The samples used are annual reports and sustainability reports from 3 companies taken from 2019-2023. The companies are PT. Timah Tbk, PT. Adaro Energy Tbk, and PT Aneka Tambang Tbk. The random sampling method is applied to ensure the representativeness of the sample to the population.

Results and Discussion

Descriptive Statistical Analysis

The results of descriptive statistical testing are:

Table 1. Descriptive Statistic Test Output

	N	Min	Max	Mean	Std. Deviation
Company Values	15	.30	8.30	2.5147	3.25146
CSR	15	.60	1.00	.9533	.12459
Valid N (listwise)	15				

Source: Researcher (2024)

It can be seen that the minimum value of the company's value is 0.30 from PT Adaro Energy Tbk, the maximum is 8.30 from PT Aneka Tambang Tbk, the mean is 2.5174, and the standard deviation is 3.25146. CSR has a minimum value of 0.60 from PT Aneka Tambang Tbk in 2020, a maximum of 1.00 from the three companies, a mean of 0.9533, and a standard deviation of 0.12459.

Classical Assumption Test

Normality Test

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		15
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.97317583
Most Extreme Differences	Absolute	.254
	Positive	.254
	Negative	-.144
Test Statistic		.254
Asymp. Sig. (2-tailed)		.010[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Researcher (2024)

Based on the test results above applying Kolmogorov-Smirnov, it can be seen that the Asimp. Sig. (2-tailed) value is normally distributed because >0.05, namely 0.010.

Linearity Test

Table 3. Linearity Test Results

			Sum of Squares	Df	Mean Square	F	Sig.
Company_values CSR_SCORE	Between Groups	(Combined)	9,044	2	4,522	4.191	.042
		Linearity	8,730	1	8,730	8,093	.015
		Deviation from Linearity	.313	1	.313	.290	.600
	Within Groups		12,946	12	1,079		
	Total		21,989	14			

Source: Researcher (2024)

The image above shows a significant linear relationship between variables X and Y. This can be seen from the deviation from linearity in the Sig column, which is 0.600, which is more than 0.05.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test
Coefficients [a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1 (Constant)	.770	.176		4.378	.001
CSR_SCORE	.879	1,093	.218	.804	.436

a. Dependent Variable: ABS_RES

Source: Researcher(2024)

From the output, it is stated that the significance level is 0.436 >0.05, so there is no heteroscedasticity.

Simple Linear Regression

Table 5. Variables Entered/Removed

Source: Researcher (2024)

Model	Variables Entered	Variables Removed	Method
1	CSR_SCORE [b]	.	Enter

a. Dependent Variable: Company Value

b. All requested variables entered.

The table explains that the dependent variable is the Company Value, the independent variable is the CSR score. The 'enter' method is used to enter all independent variables into the regression model simultaneously.

Table 6. Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.630 [a]	.397	.351	1.00991

a. Predictors: (Constant), CSR_SCOR

From the table above we know the relationship value (R) is 0.630. Then it is also known that the coefficient of determination (R Square) is 0.397, which means the influence of CSR on Company Value is 39.7%.

Table 7. Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8,730	1	8,730	8,560	.012 [b]
	Residual	13.259	13	1,020		
	Total	21,989	14			

a. Dependent Variable: Company Value

b. Predictors: (Constant),CSR_SCOR

The calculated f value based on the output above is 8.560 with Sig. 0.12>0.05. The resulting regression model indicates that there is a causal correlation between CSR and company value.

Table 8. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-.160	.279		-.574	.576
CSR_SCORE	-5.082	1,737	-.630	- 2.926	.012

a. Dependent Variable: Company Value

Source: Researcher (2024)

From the results above, it can be seen that the constant a value is -0.160, and the CSR score value is -5.082, then:

Y= a+Bx

Y= -0.160+(-5.082)X

This means: that -0.160 is the consistent value of the Company value variable. The CSR regression coefficient is -5.082, meaning that each coefficient does not have a positive effect.
Decision-making. The Sig. value of 0.012>0.05, shows that CSR does not contribute significantly to increasing company value. From the value of 1, it can be seen that the t value is -2.926 <t table 2.1604. The results of this study indicate that variable X does not have a significant effect on changes in variable Y.

Discussion

The negative CSR regression coefficient (-5.082) indicates an inverse relationship between CSR and firm value. The results of the significance test showing a p-value of 0.012 strengthen this finding, namely that the influence of CSR on firm value is statistically significant. However, the direction of the influence is negative, contrary to the initial hypothesis.
From the R-Square result of 0.397, it is known that the CSR variable is only able to explain 39.7% of the variation in company value. Although its influence is significant, this also strengthens the finding that CSR does not play a major role in increasing company value, especially in the context of providing a positive influence.

The significance value of the impact of CSR on company valuation is 0.012, which is less than 0.05. This shows that the influence of CSR on company value is significant. However, the direction of the influence, as indicated by the negative regression coefficient, is negative.
The F value is 8.560, with a t-sig of 0.012, indicating that the overall regression model has statistical significance. This finding indicates that although Corporate Social Responsibility (CSR) affects firm value, this effect is not an increase; rather, it results in a decrease in firm value. In addition, the t-test results reveal that the calculated t value is -2.926, which is smaller than the critical t value of 2.1604. This further strengthens that CSR does not have a positive impact on firm value, because the t-test results show a negative impact. This finding is in line with research conducted by Afifah, Astuti, and Irawan (2021).

Conclusion

From the results of the tests and explanations carried out on mining companies in this study, it can be concluded that: (a). There is no positive influence of CSR on company value. (b). This effect is statistically significant, but in a direction that does not support an increase in firm value.

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