

EFFECT OF DISCLOSURE *CORPORATE SOCIAL RESPONSIBILITY* (CSR) AND LIQUIDITY ON COMPANY VALUE WITH PROFITABILITY AS A MODERATION VARIABLE IN LQ45 COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

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Abstract

This study uses profitability as a moderating variable to investigate the impact of liquidity and corporate social responsibility (CSR) on firm value in LQ45 businesses listed on the Indonesia Stock Exchange. From the 45 firms in the research population, 18 were chosen as samples. The study makes use of secondary data, which is information that has previously been obtained by other sources. Panel data regression analysis was performed using EViews version 12, and hypothesis testing was done with a t-test at a significance level of 0.05. The data suggest that CSR has a considerable negative impact on business value, whereas liquidity has a significant beneficial impact. Furthermore, profitability does not attenuate the association between liquidity and company value, or between CSR and firm value..

Keywords: Corporate Social Responsibility, Liquidity, Company Value and Profitability

Introduction

The LQ45 index reflects stocks that are liquid with high market capitalization, have an active trading level, positive growth projections, as well as stable financial conditions and have gone through strict selection by the Indonesian Stock Exchange. According to official data from the Indonesia Stock Exchange (BEI) as of Friday (28/12/2024), the LQ45 Index declined by 14.98% year to date (YtD), reaching a level of 825.13. This decrease was much more than the JCI, which saw a year-to-date correction of 3.25%. Data from Bloomberg Terminal indicates that PT Bank Rakyat Indonesia (Persero) Tbk. (BBRI), PT Semen Indonesia Tbk. (SMGR), and PT Unilever Indonesia Tbk. (UNVR) are part of the LQ45 weighted shares list. Because the company's shares experienced a significant decline in price.

A decrease in a company's stock price, as mentioned, might lead to a reduction in the company's worth. Company value denotes the accomplishments of the organization that have garnered public trust. This is frequently associated with the fluctuation of a company's stock price. An escalation in share prices signifies an augmentation in corporate worth, thereby yielding profits for shareholders and vice versa. There are several methods to assess a company's overall value, one of which is the Tobin's Q ratio.

Table 1. Tobin's Q Value Data for LQ45 Companies Listed on the Indonesian Stock Exchange in 2019 - 2023

Code	Tobin's Q					Rate-rate
	2019	2020	2021	2022	2023	
Asia	1.26590	1.14328	1.04122	0.96863	0.95134	1.07408
BBTN	0.93625	0.94030	0.93048	0.90930	0.90872	0.92501
INTP	2.69466	2.13768	1.91528	1.65655	1.45984	1.97280
KLBF	3.92292	3.26460	3.12094	3.78517	2.93472	3.40567

Source: www.idx.co.id (data processed)

Based on the table above, we can see the Tobin's Q value for several LQ45 companies listed on the Indonesia Stock Exchange from 2019-2023. If you look at the average value of Tobin's Q over the last five years. The company PT Bank Tabungan Negara Tbk has an average value of Tobin's Q < 1. So the company is classified as cheap (*undervalued*) because management failed to manage assets which resulted in low investment growth potential in the company. Meanwhile, the companies PT Astra Internasional Tbk, PT Indocement Tungal Prakarsa Tbk and PT Kalbe Farma Tbk have an average value of Tobin's Q > 1, so these companies are classified as expensive (*overvalued*). Because investment in assets can produce profits that exceed investment costs, which can encourage additional investment.

In the table presented, it can be seen that the value of the LQ45 company has fluctuated over the last five years. Analysis of symptoms of changes in company value is crucial. Management has the opportunity to make more effective improvements if these symptoms can be detected early, so that fluctuations in company value can be minimized (Martha & Sinta, 2024).

Research methods

The study employed a quantitative research technique to examine LQ45 firms listed on the Indonesia Stock Exchange between 2019 and 2023. The proper sample size was determined by selecting 18 organizations from a total of 45 using a purposive selection approach. The study used panel data that included cross-sectional and time-series dimensions, as well as secondary data sources. The data was gathered from the sustainability and annual reports of LQ45 firms registered on the Indonesia Stock Exchange.

Research Results and Discussion

1. Descriptive Statistics of Research Variables

The results of descriptive data analysis are presented in the following table:

Table 2 . Descriptive Statistics Test Results

	AND	X1	X2	WITH
Mean	2,067802	0.508197	1,767756	0.199612
Median	1,207750	0,471300	1,446750	0,118100
Maximum	16,26330	0.959000	5,654800	1,450900
Minimum	0,732400	0,155700	0,335600	0,008800
Std. Dev.	2,673016	0,211674	1,248865	0,303621
Observation	90	90	90	90

Source: data processed, Eviews 12

Table 2 presents the descriptive test results for each variable, encompassing a total of 90 observations. The outcomes of the descriptive analysis test are delineated as follows::

- a. The dependent variable, Tobin's Q (Y), has a bottom value of 0.732400 and a top value of 16.26330. The variable's standard deviation is 2.673016, its median is 1.207750, and its overall mean is 2.067802.
- b. CSR (X1) is the first independent variable that can be seen to have value *minimum* of 0.155700 and value *maximum* amounting to 0.959000. Meanwhile the average value (*mean*) overall of 0.508197 with value *median* of 0.471300 and a standard deviation of 0.211674.
- c. The value of CR (X2), the second independent variable, is clearly between 0.335600 and 5.654800. In comparison, the average value (mean) is 1.767756, the standard deviation is 1.248865, and the median is 1.446750.
- d. The moderating variable, return on equity (ROE), ranges from 0.008800 at the lowest to 1.450900 at the highest. The median, mean, and standard deviation of the variable are 0.118100, 0.199612, and 0.303621, respectively.

2. Panel Data Model Feasibility Test

a. Common Effect Model

The outcomes of the panel data regression utilizing the Common Effects Model are as follows.:

Table 3. CEM Test Results

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 01/29/25 Time: 11:13				
Sample: 2019 2023				
Periods included: 5				
Cross-sections included: 18				
Total panel (balanced) observations: 90				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.221556	0.312164	3.913189	0.0002
X1	-2.579865	0.548214	-4.705944	0.0000
X2	0.296969	0.094249	3.150906	0.0022
Z	8.177639	0.372541	21.95098	0.0000
R-squared	0.851563	Mean dependent var	2.067802	
Adjusted R-squared	0.846385	S.D. dependent var	2.673016	
S.E. of regression	1.047656	Akaike info criterion	2.974413	
Sum squared resid	94.39207	Schwarz criterion	3.085516	
Log likelihood	-129.8486	Hannan-Quinn criter.	3.019216	
F-statistic	164.4567	Durbin-Watson stat	0.803068	
Prob(F-statistic)	0.000000			

Source: data processed, Eviews 12

With a probability of 0.0002, the Common Effect Model's regression findings show a constant value of 1.221556. The R squared value of 0.851563 indicates that profitability moderates the impact of CSR and liquidity on 85.16% of the company's value, with other unstudied factors influencing the remaining 14.84%.

b. Fixed Effect Model

The findings of the panel data regression analysis using the Fixed Effects Model are presented as follows:

Table 4. FEM Test Results

Dependent Variable: Y				
Method: Panel EGLS (Cross-section weights)				
Date: 01/29/25 Time: 11:19				
Sample: 2019 2023				
Periods included: 5				
Cross-sections included: 18				
Total panel (balanced) observations: 90				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.812259	0.129641	13.97908	0.0000
X1	-0.802850	0.128059	-6.269364	0.0000
X2	0.275356	0.057623	4.778583	0.0000
Z	0.885650	0.446557	1.983284	0.0513
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.929510	Mean dependent var	4.097544	
Adjusted R-squared	0.909078	S.D. dependent var	2.056387	
S.E. of regression	0.549578	Sum squared resid	20.84051	
F-statistic	45.49330	Durbin-Watson stat	2.023312	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.944010	Mean dependent var	2.067802	
Sum squared resid	35.60427	Durbin-Watson stat	1.381533	

Source: data processed, Eviews 12

The Fixed Effect Model regression results indicate a constant value of 1.812259 with a probability of 0.0000. The R squared value of 0.929510 indicates that Company Value is impacted by Corporate Social Responsibility and Liquidity, moderated by profitability, accounting for 92.95%, while the remaining 7.05% is attributable to other factors.

c. Random Effect Model

The following are the outcomes of panel data regression using the Random Effects Model.:

Table 5. REM Test Results

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/29/25 Time: 11:22
Sample: 2019 2023
Periods included: 5
Cross-sections included: 18
Total panel (balanced) observations: 90
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.482295	0.354596	4.180237	0.0001
X1	-2.221043	0.421845	-5.265063	0.0000
X2	0.174290	0.133264	1.307852	0.1944
Z	7.044318	0.589238	11.95497	0.0000

Effects Specification

	S.D.	Rho
Cross-section random	0.782927	0.5563
Idiosyncratic random	0.699158	0.4437

Weighted Statistics

R-squared	0.604348	Mean dependent var	0.766910
Adjusted R-squared	0.590546	S.D. dependent var	1.174118
S.E. of regression	0.751301	Sum squared resid	48.54303
F-statistic	43.78751	Durbin-Watson stat	1.366094
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.834563	Mean dependent var	2.067802
Sum squared resid	105.2024	Durbin-Watson stat	0.630350

Source: data processed, Eviews 12

The Random Effects model's regression results suggest a constant value of 1.482295 with a probability of 0.0001. The R squared value of 0.604348 shows that profitability affects the company's worth by 60.43%, while other, unanalysed factors account for the remaining 39.57%.

3. Normality Test

Finding out if the residual data follows a normal distribution is the goal of the normality test. The following findings from this study model's normalcy assessment are shown.:

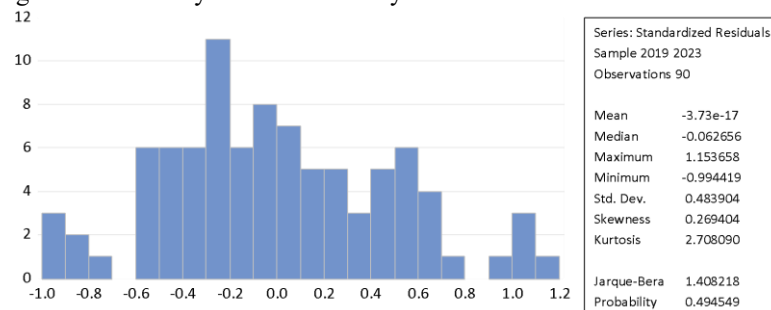


Figure 1
Normality Test

The results of the normality test show that the Jarque-Bera test produced a value of 1.408218 with a probability of 0.494549 (see Figure 1). The probability value shows that the residuals in this research model are normally distributed as it is greater than alpha ($0.49 > 0.05$).

4. Selection of Panel Data Regression Estimation Model

a. Uji Chow

Using the E-Views 12 software, the Chow test was used to determine whether to use the FEM or CEM model. The following are the findings of the Chow Test:

Table 6. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	31.967969	(17,69)	0.0000

Source: data processed, Eviews 12

The Chow test yields a cross-sectional chi-square probability value of 0.0000, which is less than the 0.05 level of significance. As a result, the null hypothesis (H0) is rejected whereas the alternative hypothesis (H1) is accepted. As a result, it is felt that the Fixed Effects Model is more appropriate than the Common Effects Model. The Hausman test will be used to further examine the applicability of the Fixed Effects Model.

b. Hausman test

Based on the Hausman test, which is superior: the Random Effects Model (REM) or the Fixed Effects Model (FEM) The following are the findings of the Hausman test... :

Table 7. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.306066	3	0.0010

Source: data processed, Eviews 12

The random cross-section p-value is 0.001, which is less than 0.05, according to the Hausman test findings. This demonstrates that the alternative hypothesis (Ha) is accepted, whereas the null hypothesis (Ho) is rejected. The fixed effects model is better than the random effects method.

5. Panel Data Regression Analysis

The regression analysis of the panel data using the chosen model yielded the following findings.:

Table 8. Panel Data Regression Estimation Results Equation 1

Variable	Coefficient
constant	1,812259
CSR	-0,802850
CR	0,275356
ROE	0,885650

Source: data processed, Eviews 12

$$Y = 1,812259 - 0,802850CSR_{it} + 0,275356CR_{it} + 0,885650ROE_{it}$$

Table 9. Panel Data Regression Estimation Results Equation 2

Variable	Coefficient
constant	1,272422
CSR	-0,517946
CR	0,408913
ROE	3,667274
CSR*ROE	-1,591543
CR*ROE	-0,801317

Source: data processed, Eviews 12

$$Y = 1,272422 - 0,517946CSR_{it} + 0,408913CR_{it} + 3,667274ROE_{it} - 1,591543CSR_{it}*ROE_{it} - 0,801317CR_{it}*ROE_{it}$$

6. Hypothesis Testing

Based on the results of the hypothesis, it can be concluded that:

Table 10. Hypothesis Testing

Variable	T-Statistics	T-Table	Prob	Alpha	Conclusion
CSR	-6,269364	1.98793	0.0000	0.05	H1 Accepted
CR	4,778583	1.98793	0.0000	0.05	H2 Accepted
CSR*ROE	-1,008070	1.98793	0.3170	0,05	H3 Rejected
CR*ROE	-1,905782	1.98793	0.0610	0,05	H4 Rejected

Source: data processed, Eviews 12

In the table above, the partial test results are as follows:

- a. According to the t-test findings of the regression model, the t-count value was -6.269364, which is less than 1.98793, and the significance value for the variable Corporate Social Responsibility was 0.00, which is less than 0.05 (5% significance threshold); therefore, H1 is accepted in this study. It can be established that Corporate Social Responsibility has a negative and considerable impact on corporate value.
- b. The t-test findings for the regression model indicated a computed t-value of 4.778583, exceeding 1.98793, and The significant value for the Liquidity variable was 0.00, which is below the 0.05 threshold (5% significance level); hence, H2 was accepted in this research. This suggests that partial liquidity positively and significantly influences business value.
- c. The t-test results for the regression model revealed a t-count of -1.008070, which is inferior to 1.98793. Additionally, the significance value for the variable Corporate Social Responsibility, which moderates profitability, is 0.3170, exceeding the 0.05 threshold (5% significance level); therefore, H3 is rejected in this study. This suggests that partial profitability cannot mitigate the influence of corporate social responsibility on corporate value.
- d. The t-test findings showed that the regression model's anticipated t-value was -1.905782, which was less than the 1.98793 cutoff. With a significant value of 0.0610, the profitability-modified liquidity variable exceeded the 0.05 limit (5% significance level). As a result, H4 was ignored in this study. This suggests that the effect of liquidity on business value cannot be fully offset by profitability.

7. Discussion

a. The Effect of Corporate Social Responsibility Disclosure on Company Value

Since it takes a lot of money for businesses to implement CSR initiatives, they may have a detrimental effect on their value. Because using resources or assets for CSR operations will eventually be viewed as a cost, this will affect a company's profit and loss statement. These expenses can have an effect on reducing company profits. If the company earns a small profit, this will have an impact on the small return in the form of dividends that shareholders will receive.

If shareholders believe that the earnings generated by the company's CSR operations do not yield maximum returns, they will render a negative evaluation. This leads to a decline in the company's share price, thereby diminishing its worth in the perception of investors. This aligns with the research by Sufina & Tirtagiri (2022), which indicates that CSR disclosure adversely affects firm value.

b. The Effect of Liquidity on Company Value

Company liquidity significantly contributes to enhancing corporate value on the capital market. Elevated liquidity signifies the company's capacity to meet its financial commitments promptly, hence enhancing investor confidence. Companies with solid financial conditions and strong liquidity will be more appealing to investors seeking safer investments. Consequently, an increase in the liquidity ratio will correspondingly elevate the company's value.

This aligns with the findings of prior research by Efendi & Rivandi (2024), which indicates that the liquidity variable positively and significantly influences corporate value. Any augmentation in the liquidity variable will greatly enhance firm value.

c. The Effect of Corporate Social Responsibility Disclosure on Company Value Moderated by Profitability

Profitability cannot alleviate the influence of corporate social responsibility on business value. This happens because many LQ45 companies are reluctant to invest more resources in broad CSR programs, despite their substantial profitability and advantageous asset acquisition, since their held assets have the potential for appreciation.

The link between corporate social responsibility (CSR) and business value is not much influenced by the profitability of the company. Better corporate social responsibility is not always a result of higher profitability. This results from more profitability, which does not always mean that the company will uphold its social responsibility values.

This study's findings demonstrate that profitability does not undermine the impact of CSR on business value, consistent with the studies of Juliana et al. (2023) and Wulandari et al. (2022). Corporate social responsibility may enhance a corporation's value during prosperous periods and diminish it during adverse conditions.

d. The Effect of Liquidity on Company Value Moderated by Profitability

A high liquidity ratio indicates the magnitude of the company's current assets. Nevertheless, excessive liquidity is detrimental to the organization since it may result in substantial funds

remaining unutilized. The inefficiency in asset rotation leads to diminished profits for the company. In this case, low profitability indicates that the firm struggles to create enough profits to boost its long-term worth, preventing profitability from neutralizing the influence of liquidity on corporate value, even when the company's liquidity is sufficient for short-term sustainability.

The study's findings are consistent with those of Ubang et al. (2025), who showed that the impact of liquidity on business value was independent of profitability. This is due to the fact that debts cannot be settled with business profits. It would be difficult for the company to meet its obligations on time if profits were set aside for regular operations..

Conclusion

Profitability serves as a moderating variable in this study, which investigates the link between business valuation, liquidity, and corporate social responsibility. The main focus is on LQ45 firms that went public on the Indonesia Stock Exchange between 2019 and 2023. The data show that CSR disclosure has a negative impact on business value, even while liquidity significantly increases it. Furthermore, profitability does not minimize the influence of liquidity on company value, nor the relationship between CSR and firm value.

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