BUKTI KORESPONDENSI

ARTIKEL JURNAL INTERNASIONAL BEREPUTASI

Judul artikel : How Does Non-Financial Performance Affect Firm Value? An Empirical Study in Indonesia

Jurnal : Hong Kong International of Social Sciences

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No	Perihal	Tanggal
1.	Bukti konfirmasi submit artikel	8 Oktober 2022
2.	Submission Achknowledghment	20 Oktober 2022
3.	Re: Paper Submission	8 November 2022
4.	Revision Confirmation	11 Januari 2023
5.	Article Manuschript Revision	12 Januari 2023
6.	Payment	16 Januari 2023

8 Oktober 2022

Can Non-Financial Performance Strengthen the Effect of Financial Performance on Company Value in Indonesia?

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Abstract

The company's long-term goal is to maximize the value of the company. A high company value will be able to convince investors of the company's performance and future prospects. Financial performance and non-financial performance are part of the business strategy to maintain the survival and prosperity of the company in the future. This study examines the effect of financial performance on firm value by moderating corporate social responsibility. This research was conducted on the Indonesia Stock Exchange using the unit of analysis of manufacturing companies that have gone public. The selected sample is 445 companies.

The sampling method used purposive sampling with the research period from 2018 to 2020. The following are the sample criteria used in this study: 1) publish a sustainability report using the GRI Standard as a reference in the preparation of the 2018-2020 report, 2) publish a complete financial report for 2018-2020, and 3) do not experience a loss during the 2018-2020 period. 2020. To explain the direct influence of independent variables and interaction variables using Moderated Regression Analysis (MRA). The results showed that financial performance had a significant positive effect on firm value. CSR strengthens the effect of financial performance significantly affects firm value. Good financial performance will have an impact on increasing the value of the company when supported by CSR as an adequate non-financial activity, it will provide positive information for stakeholders and have an impact on company trust.

Keywords: financial performance, firm value, CSR disclosure

1. INTRODUCTION

The era of globalization is changing, and the development of the business world is increasing rapidly. This can be seen from the development of knowledge, technological advances and the development of information flows that must be conveyed by companies to meet information needs for users (Forma and Lailatul, 2018). The rapid development of the business world is certainly followed by intense competition between companies which requires managers to implement the right business strategies that can improve the financial performance of a company so that it can compete in a very competitive business world. Effective and efficient management of resources is indispensable for the sustainability of the company and achieving the company's competitive advantage (Akmalia et al, 2017; and Matoussi & Chakroun, 2008). As a result, the company can compete with other companies, both domestic and foreign (Enggar, 2020).

Companies' competition is fierce, necessitating the presentation of accountable and transparent financial statements. The financial statements of the company show the company's financial performance. The financial statements can reveal the company's condition and financial position. Every period, the company's operational activities can have an impact on changes in financial conditions and position (Bhattacharya, 2009; and Tsoutsoura, 2004). Changes in financial conditions and positions can adjust the reflection of a company's stock price, where the stock price reflects a company's value. Investors will be drawn in if the company achieves financial success. The company's financial achievements can be seen in the company's published financial statements (Nursasi, 2020). Improving welfare and maximizing wealth for company owners and stakeholders by increasing company value is an important long-term goal of establishing a company.

The increase in the company's value can be seen in how the company operates to achieve future profits as a provision. In addition to these important goals, the company has a long-term goal of increasing its value. The increase in the company's value reflects both its good and bad performance, because it also influences investors' perceptions of the company. The presence of a high company value will undoubtedly instill confidence in the company's future performance and prospects. (Forma and Lailatul, 2018).

One of the factors that can affect the value of a company is its financial performance. Various studies that discuss the effect of financial performance measured using Return on Assets (ROA) on company value have been widely carried out but still show findings of mixed results. Prakoso and Darsono (2016) explained that the earning power of the company's assets can affect the company's value. The greater the earning power of a company's assets, the more efficient asset turnover, and thus higher profit margins (Sabbaghi and Xu, 2013).

ROA is a ratio used to measure a company's ability to make a profit by utilizing the total assets it has. Prakoso and Darsono (2016) states that the greater the ROA value, the better the company's performance will be. This is because the rate of return on investment will also be greater. However, there are several differences in results in research that discusses the effect of financial performance measured by ROA on company value. The research of Forma and Lailatul (2018), Oktavia, et al. (2019), Akmalia, et al. (2017) found that financial performance (ROA) had a significant positive effect on the value of the company. However, it is different from the research conducted by Sondakh et al, (2019); and Fasya, (2019). discovered that financial performance has a significant negative influence on a company's value These findings indicate that other factors influence the relationship between ROA and company value.

The phenomenon that occurs in PT. Tiga Pilar Sejahtera (AISA), reportedly two subsidiaries of the TPS Food business, namely PT. Indo Rice Superior and PT. Jatisari Sri Rejeki, are suspected of producing premium rice that is not in accordance with the stipulated provisions. At the beginning of the incident on July 20, 2017, the Food Security Task Force (Satgas) Team and the Rice Price Reduction Operation of the Police Headquarters investigated the rice storage area or warehouse. The place or warehouse for storing rice belongs to PT. Indo Beras Unggul in Bekasi, where there are allegations of fraudulent practices in rice sales. On February 2, 2018, PT. Jatisari Sri Rejeki was found guilty by the Karawang District Court of fraudulent rice sales. As a result of this incident, the operation of the rice business has almost stopped completely.

Consolidated performance (all business segments), in 2017 was rated very poor. Net profit in 2017 resulted in a decrease in ROA value by -10% compared to 2016 performance. Before being hit by a fairly large case, the ROA value was estimated at 8%. In addition to these worsening conditions, the company has a very large short-term debt burden and insufficient cash flow, resulting in TPS Food having difficulty in resolving debt. This resulted in the stock price declining. As a result, the company was slow in submitting financial statements in 2017, which were published just one day before the deadline set by the IDX. The slow delivery of financial statements causes investors to make assumptions. If there is no major problem, there should be no need to buy time to issue financial statements.

Based on the phenomenon that occurs, it will have a bad impact on AISA. This is due to fraud in the rice sales business. Before the disclosure, the rice case in 2015 and 2016 experienced an increase in financial performance and an increase in stock price, but when the rice case was revealed in 2017, it resulted in a decline in the company's performance and share price. The decline in the company's performance and stock price can signal that the company's value is falling. In addition, the company was also late in reporting financial statements in 2017 because it was only 4 days before the deadline set by the IDX. The slow delivery of financial statements results in investors having different assumptions. If there is no major problem, there should be no need to buy time to issue financial statements. This is because investors, as outsiders, do not know what is really happening in PT. Tiga Pilar Sejahtera (AISA) and the lack of information about the actual state of the company resulted in investors experiencing losses that had to be borne by themselves.

Furthermore, related to non-financial factors with company value is Corporate Social Responsibility (CSR). CSR is part of a business strategy for the survival and welfare of the company in the future. The existence of company CSR reporting and disclosure activities can make it easier for shareholders to evaluate how CSR implementation in the company and give awards according to the results of the evaluation of the company (Gherghina and Vintila, 2016). CSR reporting and disclosure is also linked to common cases of damage or pollution, such as natural disasters, air pollution, clean water pollution, excessive energy use, waste, and others (Huafang & Jianguo, 2007). CSR has grown in popularity in recent years, as a result of policies governed by the Limited Liability Company Law No. 40 of 2007, which requires all businesses to report their corporate social responsibility to the surrounding community. The company not only has economic and legal obligations to its shareholders, but it also has social obligations to other stakeholders (Pradita and Bambang, 2016). The higher the level of disclosure of the company's CSR, the higher the company's operational level. This demonstrates that improving a company's performance has an impact on its value. (Akmalia, et al, 2017; and Khojastehpour & Johns,2014).

2. LITERTARURE REVIEW

2.1 Signaling Theory

This study employs a Signaling Theory approach, which emphasizes the importance of information issued by the company to external parties' investment decisions. The signaling theory describes how the signal of management success or failure should be communicated to the owner (principal). Because there is an information asymmetry between management as an internal party and external parties, signal theory discusses the company's impulse to disclose information to external parties. Giving signals to third parties is one way to reduce information asymmetry. One of them is reliable financial information, which will reduce uncertainty about the company's prospects. (Forma and Lailatul, 2018).

Due to a lack of information about the company for outsiders, they provide low prices for the company. This signal takes the form of information that management has used to carry out the owner's wishes. Signals can be information and promotions that demonstrate that the company is superior to the competition. Not to be overlooked is the disclosure of corporate social responsibility in the hopes of improving the company's reputation and increasing its value (Pradita and Bambang, 2019). The theory of signaling was first developed by Ross (1977). Signaling theory indicates that financial reporting by issuers is a signal that can affect the value of stocks. In the capital market, market participants make economic decisions on the basis of published information, announcements, and press conferences (Jaswadi, 2003). The presence of signals from the company causes investors to take action and determine the right anticipation. If the company conveys information to the market, generally the market will respond as a signal to the existence of certain events that can affect the value of the company, which will affect the value of the company's shares. Information about CSR disclosure is a signal for the company to communicate the company's performance in the long term, because CSR is related to acceptability and sustainability, meaning that the company is accepted and sustainable to run somewhere in the long term. This includes responsibility for labor and product safety for consumers, with a lower risk of social and environmental conflicts than companies that do not carry out and disclose their CSR activities (Yoon and Lee, 2019).

Based on signal theory, the company provides signals in the form of valid financial statement information to external parties and minimizes doubts about the company's prospects in the future. The company's financial statements can reflect the company's performance, which is expected to provide information for investors on the basis of investment decision-making (Prakoso dan Darsono, 2016).

2.2 The Relationship Between Financial Performance and value of the Company

In knowing how much a company is worth, Return on Asset (ROA) is a form of profitability ratio that is often used as a financial performance variable in research (Forma and Lailatul, 2018). The ROA ratio is used to measure a company's Corporate Value (Tobin's Q), Financial Performance (ROA), and Corporate Social Responsibility (CSR Disclosure) that generates a profit using the total assets owned (Pradita and Bambang, 2019).

The company's strong financial performance will contribute to its increased value. A good value for the company will entice investors to invest in the company in the hope of profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Then, in the coming year, investors will flock to invest in the company in order to profit (Nguyen, 2015). They will be more inclined to make future investments in the company. The greater the number of investors who invest in the company, the higher the stock price and the number of shares outstanding. These two factors can boost the company's value. The earning power of the company's own assets determines its value (Akmalia, et al, 2017).

The stock price and the number of shares outstanding will affect the value of Tobins Q as a proxy for the value of the company. If the stock price and the number of shares outstanding rise, then the value of Tobins Q will also rise. Tobins Q, which is worth more than 1, describes that the company generates earnings with a rate of return that matches the acquisition price of its assets (Tobins and Brainard, 1977). The results of research conducted by Pradita and Bambang (2019) which shows that ROA has a significant effect on the value of the company. Based on this, the hypothesis proposed by the researcher is, as follows:

H_1: Financial Performance has a positive effect on the value of the company

2.3 The Relationship Between Disclosure Strengthens roa's and value of the Company

According to signal theory, the information published by the company will heavily influence the investment decisions of third parties. Investors are increasingly interested in putting their money into environmentally friendly businesses. The more the company engages in social activities, the more it needs to be followed by expressing its social responsibility, which is positive information, so that the market will react as if the company has an advantage (Purawan & Wirakusuma, 2019; and Lee, 2018).

Corporate social disclosure is realized through economic, environmental, and social performance. In this study, the variable used was the upload of CSR. The better the performance of the company in improving its environment (economic, environmental, and social performance), the more its value will increase (Singh et al, 2017). This is because investors are more interested in investing their capital in companies that have environmentally friendly concerns, and such conditions will be a plus that will increase investor confidence. This shows that the company will continue to grow and be sustainable (Reddy and Gordon, 2010). Companies that make good CSR disclosures have a higher level of disclosure. The higher the level of disclosure, the more positive a signal it sends to stakeholders and shareholders (Forma and Lailatul, 2018). The more social and environmental information submitted by the company, the more investors will tend to invest in the company so that it has an impact on increasing the value of the company (Akmalia, et al, 2017).

The existence of CSR activities demonstrates that the company is concerned about the environment and social issues. CSR activities can boost sales in addition to improving the company's image. This is because consumers will value companies that disclose CSR more than companies that do not. (Bidhari et al, 2013). Such conditions imply that they will purchase products, a portion of which will be set aside for socio-environmental activities such as providing scholarships, building community facilities, environmental conservation programs, and so on (Enggar, 2020; and Epstein, & Freedman, 1994). This will be beneficial to the company. In addition to improving the company's image in the eyes of stakeholders as a result of its concern for the social environment, it will increase profits through increased sales. The results of the study conducted by Oktaviani, et al (2019) also Andriani and Anang (2017) which shows that CSR amplifies the influence of financial performance significantly on the value of the company. Based on these results, the hypothesis proposed by this researcher is as follows:

H_2: CSR Disclosure strengthens roa's impact on value of the company

3. METHODOLOGY

The population used in this study is all companies that belong to the manufacturing industry group listed on the Indonesia Stock Exchange. The selected samples in this study used the purposive sampling method, which means sample selection based on certain ktiteria. The criteria for manufacturing companies that are sampled are: Companies that report the company's financial statements in full during 2018–2020 both physically and online through the www.idx.co.id website and the website of each company, namely having complete financial and non-financial data related to research variables. Based on these criteria, a sample was obtained by 445 companies.

3.1 The Definition of Operational and Variable Measurement

3.1.1. Company Values

The value of the company is formed through stock market value indicators, which are strongly influenced by investment opportunities. The value of the company can be seen from the reflection of the stock price. The higher the stock price, the higher the value of the company. This research measured company value using Tobin's Q (Akmalia, et al 2017). Tobin's Q is measured by the formula:

$$\boldsymbol{Q} = \frac{(MVE + Debt)}{Total\ Asset}$$

Information:

Q	: Company values
MVE	: Market Value of Equity. MVE is calculated by means of (stock closing price x number of outstanding stock shares)
DEBT	: Total debt of the company
Total Asset	: Total assets owned by the company

3.1.2 Financial Performance

Financial performance is a description of the company's financial condition in a certain period regarding aspects of fund raising and disbursement of funds, which can be measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006). Financial performance is proxied by return on assets (ROA). ROA is a form of profitability ratio intended to measure the company's ability to optimize the overall funds invested in the company's operations with the aim of generating maximum profit (Akmalia, dkk, 2017). To obtain the value of ROA, it is calculated by the formula:

$$\boldsymbol{ROA} = \frac{EAT}{Total\ Asset}\ x\ 100\%$$

3.1.3 Corporate Social Responsibility Disclosure

CSR disclosure is the disclosure of information related to corporate responsibility in the annual report. Disclosure is measured by the Corporate Social Disclosure Index (CSDI) as a coding variable. The CSDI calculation is carried out using the content analysis method. This method converts qualitative information into quantitative so that it can be processed in statistical calculations through a dichotomous approach. That is, each CSR item in the research instrument is assigned a value of 1 if disclosed, and a value of 0 if not disclosed. Next, the scores of each item are summed up to obtain the overall score for each company. The steps to disclosing Corporate Social Responsibility are:

a. Create a list of social disclosures that include numbers
b. Create a pre-arranged table of disclosure items
c. Divide the number of items disclosed in the annual report by the number of disclosure items

According to (Andriani and Anang, 2017) CSRI disclosure is calculated by the following formula:

$$\boldsymbol{CSRI} = \frac{\Sigma\ \mathrm{Xij}}{nj}$$

Keterangan:

$CSRI_j$	: The corporate Social Responsibility Index of the company
$\Sigma\ Xi_j$	: The number of item scores, 1 = if the item is disclosed, 0 = if the item is not disclosed
n_j	: The maximum number of items for the company $n_j = 91$

3.2 Analytical Techniques

This analysis is used to test hypothesis 1 is a simple linear regression and for hypothesis 2 test using MRA. The model of the regression equation to be tested is as follows:

Tobin's Q = a + b1 ROA + e (H1)
Tobin's Q = a + b1 ROA + b2 CSR + b3 ROA*CSR + e (H2)

Information:

Tobin's Q	: Company Values
a	: Constant
b1, b2, b3	: Regression Coefficient
ROA	: ROA Variables
CSR	: CSR Disclosure Variables
E	: Error

4. RESULTS

4.1 The Normality Test Results .... diganti Descriptive Statistics

The results of the normality test in this study are presented in table 1 below:

Table 1 Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	445	-,228	,116	-,232	,231
Valid N (listwise)	445				

Sumber : data sekunder yang diolah, 2022

In this study, the normality test was carried out with statistical analysis of skewness and kurtosis as follows. Based on the results of the normality test output above, the skewness value is -0.228/0.116 = -1.96. The kurtosis value is -0.232/0.231 = -1.004. Based on the calculation results, a skewness value of $-1.96 \leq 1.96$ and a kurtosis value of $-1.004 < 1.96$ were obtained. Thus, it can be concluded that the processed data has been normally distributed or meets the assumption of normality.

4.2 The Results of The Classic Assumption Test

The results of the classical assumption test which includes multicholinearity, heteroskedasticity, and autocorrelation tests are shown in the following table;

Table 2: Classical Assumption Test

Variable Study	*Collinearity Statistics*		Sig
	Tolerance	VIF	Heteroskedasticity
ROA	0,998	1,002	0,654
CSR	0,998	1,002	0,236
Durbin Waston	0,141		

Source : processed secondary data, 2022

The results of the classical assumption test can be stated to have met the classical assumption, because for the results of the multicholinearity test the VIF value is < 10; for heteroskedasticity, all independent variables are not significant to residual (> 0.05) and for autocorrelation tests it produces a Durbin-Watson number of 0.141, which is in the no-autocorrelation area.

4.3 Regression Test Results

Regression and MRA test results for testing moderation are presented in table 3 below:

Table 3: Regression Test Results

Bound variables		Unstandized Coef	t count	Sig	Information
ROA		4,350	5,339	0,000	H_1 accepted
ROA*CSR		57,529	3,095	0,002	H_2 accepted
Model	F count	13,044			
	Significance	0,000			
	Adj R Square	0,282			

Dependent Variable : Company Value

Source : Processed Secondary Data, 2022

The results of the model feasibility test showed that the model used in the study was declared to meet the goodness of fit model with the calculated F value of 13.044 significant 0.000. The ability to explain independent variables with respect to dependent variables is 28.2% (0.282). The test results for the first hypothesis, stating that the company's performance has a positive effect on the value of the company, were accepted. The results of the t test obtained a significance value of 0.000 > 0.05. In the second hypothesis states that CSR strengthens the influence of company performance on the value of the company, which is accepted. Based on the test results, a significance value of 0.002 < 0.05 and has a positive direction.

4.4 The Effect of Financial Performance on Company Value

According to the results of the first hypothesis test, financial performance has a significant effect on the company's value. The company's strong financial performance will contribute to its increased value. The rising value of the company as a positive signal can entice investors to invest in it. The presence of such conditions will cause stock prices to rise to a profitable level. The investor's reflection indicates that he expects to make a larger profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Such circumstances indicate that investors will continue to profit from their investment in the company over the next year. This demonstrates that investors are more motivated to stay afloat in the future by investing in the company. The higher the stock price, the more investors who invest in the company. This indicates that the number of outstanding shares is increasing, implying that the price profit per share will rise. These two factors can boost the company's value. The company's value is a perception for investors that is always associated with the stock price. The high share price reflects the high value of the company. Initially, investors focused on the ROA's financial performance. In the long run, this will entice other investors to make similar investments. This occurs because investors believe that if a company's stock price rises steadily, it is more likely to be able to increase its value through stable financial performance. As a result, the high stock price and the number of shares outstanding are significant. This will increase the profit per share. This condition is a positive signal that can attract the attention of investors, increasing the company's value. The findings of this study are consistent with Forma and Lailatul's research. (2018).

4.5 Corporate Social Responsibility (CSR) strengthens the Effect of Return On Asset (ROA) on Company Value

Based on the results of the second hypothesis test, it shows that CSR is proven to strengthen the effect of return on assets (ROA) on company value. This shows the company's commitment to participating in sustainable economic development in order to improve the quality of life and create a beneficial environment. The benefits can improve the positive image and strengthen the company's brand in the eyes of the public, open up new cooperation opportunities between the company and other parties, and improve the welfare of the community that is the target of CSR. The implementation of CSR is realized through economic, environmental, and social performance. The better the company's activities in improving its environment and social responsibility, the more it demonstrates the company's concern for maintaining the balance of the industrial ecosystem. (Servaes and Tamayo, 2012). This effort is made to keep a harmonious balance between the company and the Indonesian people in general, as well as the communities surrounding the project and the headquarters in particular. This demonstrates that the company is socially responsible to the surrounding community and the community at large to stakeholders for the impact of its industrial operations, allowing investors to assess whether the company can manage future risks well (Fauzi, 2004). As a result, the value of the company is increasingly reflected in the increasing stock price. Such conditions indicate that investors have a long-term perspective and are more interested in investing in companies that are environmentally friendly and have a high level of social responsibility. The greater the company's profitability is supported by extensive CSR activities through the disclosure of social and environmental information, the more it demonstrates that the company can maintain a balance of financial and non-financial information, allowing investors to make informed investment decisions (Cui & Na, 2012). It is possible to conclude that CSR will increase the value of the company at a time when profitability is increasing. Corporate CSR is expected to raise awareness of environmental issues, improve workplace conditions, increase corporate social investment, and foster positive relationships with the surrounding community. CSR disclosure is mandated by Law No. 40 of 2007 on Limited Liability Companies (PT), which states that companies that conduct business in the field of and/or related to natural resources are required to exercise social and environmental responsibility. As these obligations are met, investors will be interested in investing in companies that will result in an increase in stock market price. This finding is in line with Pradita and Bambang's research (2019); Andriani and Anang (2018); Akisik & Gal (2017); and Munawaroh and Priyadi (2014) which states that CSR is able to strengthen the influence of financial performance on the value of the company. This is because the CSR budget is getting bigger, which means a minimum of 3% of the company's net profit every year.

5. DISCUSSION AND IMPLICATION

According to the results of the analysis, financial performance has a significant positive effect on the company's value. It demonstrates that the higher the profit performance, the higher the company's value. The financial performance of a good company will have an impact on the company's value. The increased value of the company will entice investors to invest in the company in the hope of profit (dividend). Corporate social responsibility (CSR) disclosure has been shown to strengthen the effect of financial performance (ROA) on company value. This means that the higher the profit performance and CSR activities supported by financial statement disclosure, the higher the company's value will have an impact on the company's value. Such circumstances indicate that the implementation of CSR in Indonesia over the last three decades has the potential to be profitable, because this activity can primarily be directed at strengthening the people's economy based on small and medium-sized enterprises and improving the quality of community human resources through improved educational facilities and infrastructure.

Further research can develop other financial performance proxies by using several financial ratio approaches such as liquidity ratios, solvency ratios, and activity ratios. Further research needs to develop measurement of non-financial performance through ESG activities using ESG scores in accordance with GRI standards. The GRI Standard is designed for organizations to report on activities that have an impact on the economy, environment, and/or society, so the GRI Standards are structured as a set of interrelated standards. Furthermore, further research also needs to add control variables to look at the effect of incremental value dependent variables. This will provide a better research model.

6. THEORITICAL AND PRACTICAL IMPLICATIONS

7. LIMITATION AND FUTUR RESEARCH

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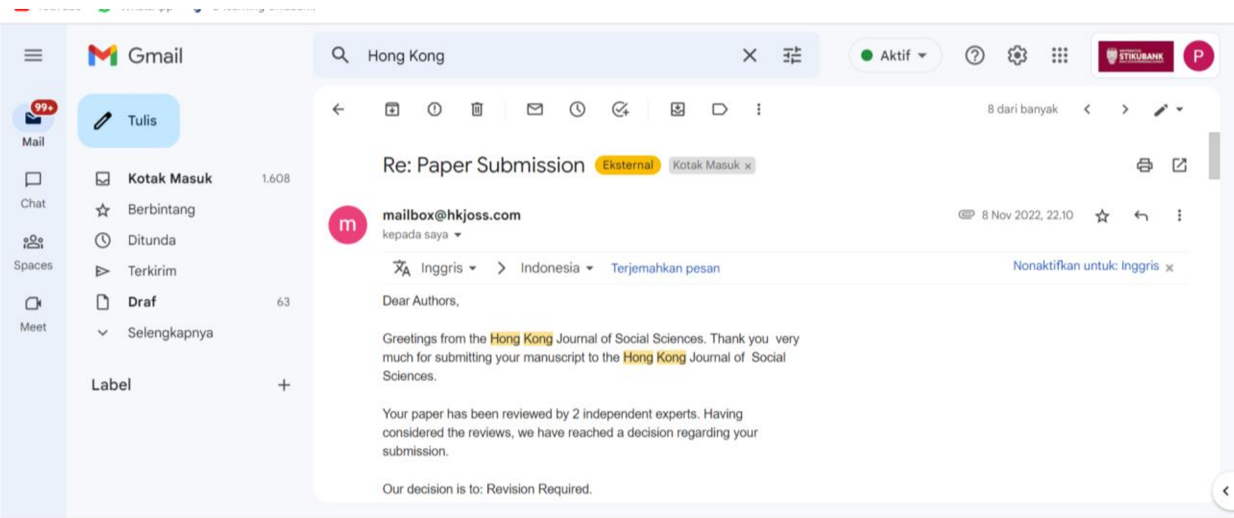

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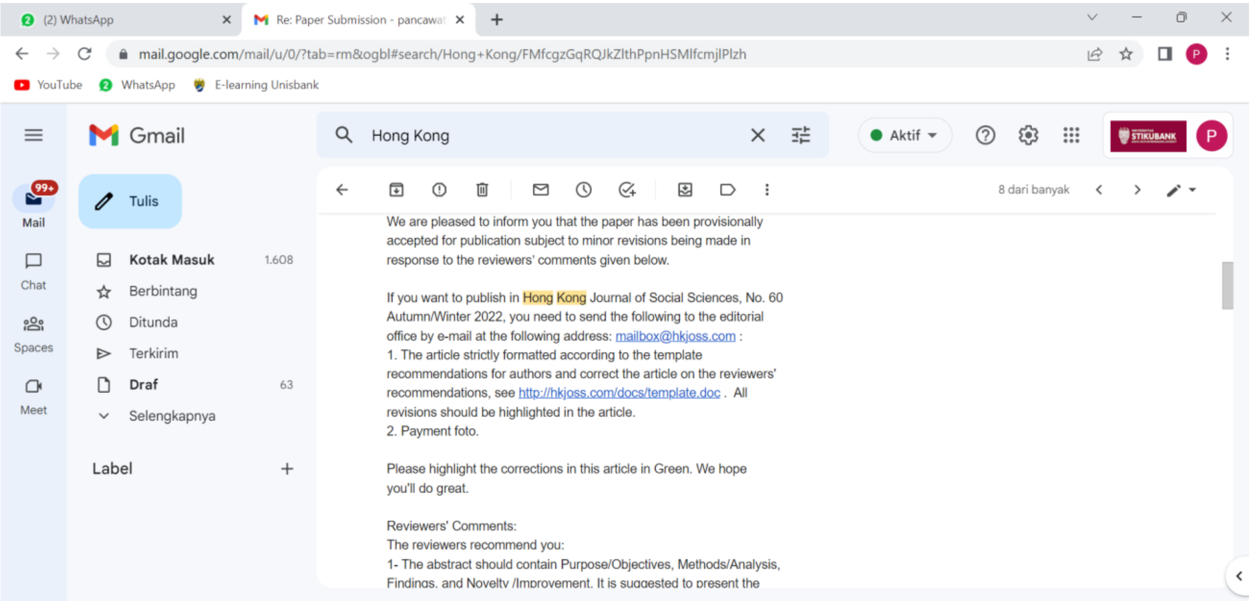

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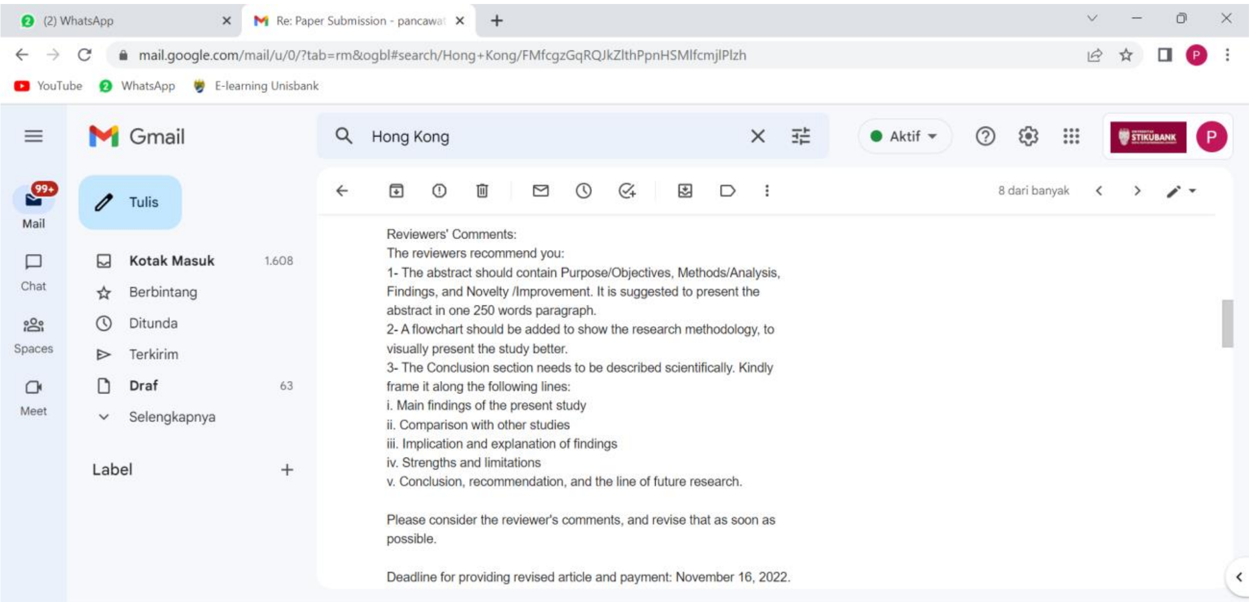

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Author(s): Pancawati Hardiningsih, Afifatul Jannah, Taswan, Andi Kartika
Keywords: financial performance, firm value, CSR disclosure, multiple regression analysis
Abstract: The company's long-term goal is to maximize the firmâ€™s value. A high company value will be able to convince investors of the firm's performance and prospects. Financial performance and non-financial performance are part of the business strategy to maintain the survival and prosperity of the company in the future. This study examines the effect of financial performance on firm value by moderating corporate social responsibility. This research was conducted on the Indonesia Stock Exchange using the unit of analysis of manufacturing companies that have gone public. The selected sample is 445 companies. The sampling method used purposive sampling with the research period from 2018 to 2020. The following are the sample criteria used in this study: 1) publish a sustainability report using the GRI Standard as a reference in the preparation of the 2018-2020 report, 2) publish a complete financial report for 2018-2020, and 3) do not experience a loss during the 2018-2020 period. 2020. To explain the direct influence of independent variables and interaction variables using Multiple Regression Analysis (MRA). The results showed that financial performance had a significant positive effect on firm value. CSR strengthens the effect of financial performance significantly affects firm value. Good financial performance will have an impact on increasing firm value when supported by CSR as an adequate non-financial activity, it will provide positive information for stakeholders and have an impact on company trust.

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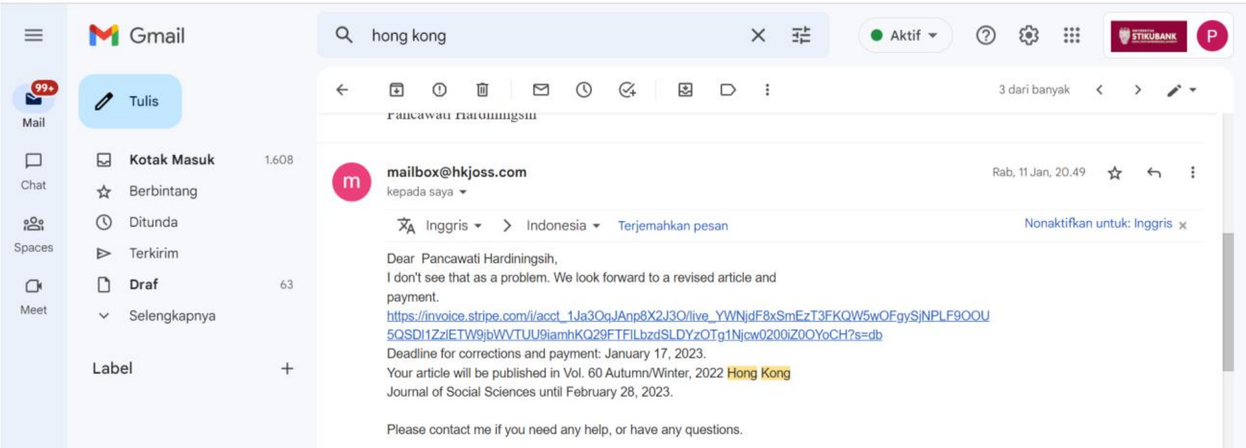

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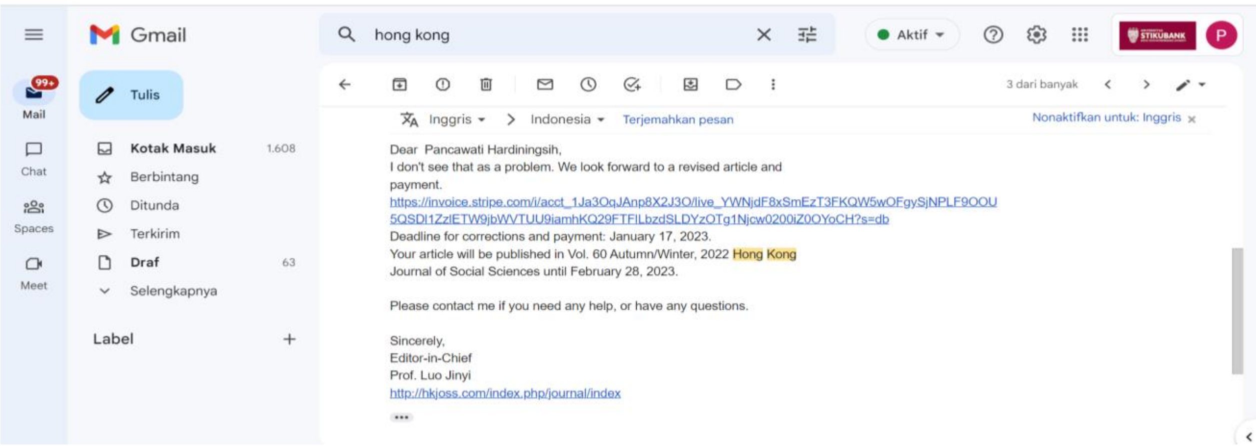

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We sent the revised results according to the direction of the reviewer, our paper entitled: How Does Non-Financial Performance Affecting Firm Value? An Empirical Study in Indonesia.
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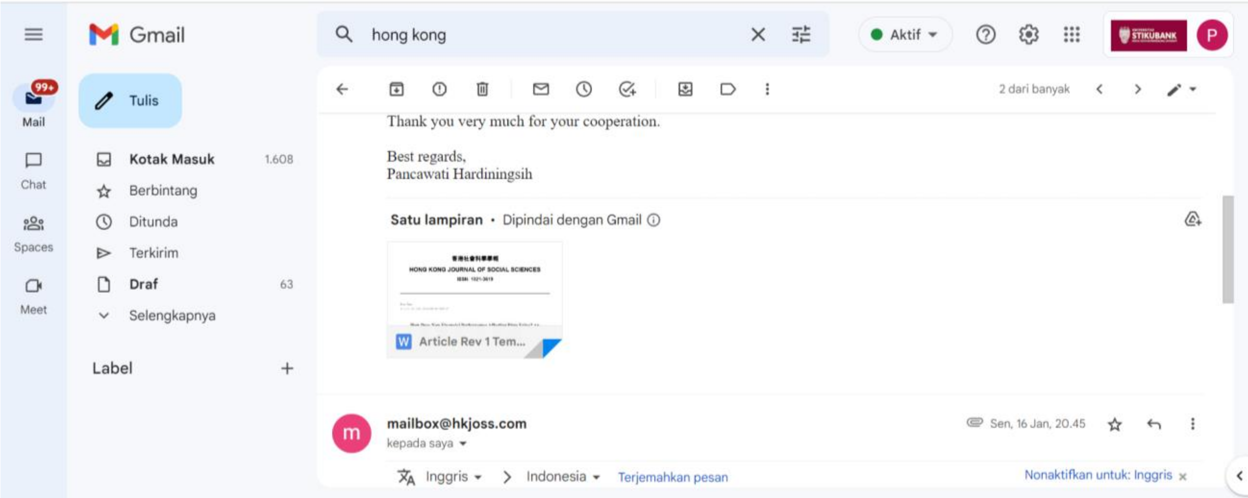

How Does Non-Financial Performance Affecting Firm Value? An Empirical Study in Indonesia

Pancawati Hardiningsih, Afifatul Jannah, Taswan, Andi Kartika

Faculty of Economics and Business, Universitas Stikubank, Semarang, Indonesia

Abstract

The company's long-term goal is to maximize the firm's value. A high company value will be able to convince investors of the firm's performance and prospects. Financial performance and non-financial performance are part of the business strategy to maintain the survival and prosperity of the company in the future. This study examines the effect of financial performance on firm value by moderating corporate social responsibility. This research was conducted on the Indonesia Stock Exchange using the unit of analysis of manufacturing companies that have gone public. The selected sample is 445 companies. The sampling method used purposive sampling with the research period from 2018 to 2020. The following are the sample criteria used in this study: 1) publish a sustainability report using the GRI Standard as a reference in the preparation of the 2018-2020 report, 2) publish a complete financial report for 2018-2020, and 3) do not experience a loss during the 2018-2020 period. 2020. To explain the direct influence of independent variables and interaction variables using Multiple Regression Analysis (MRA). The results showed that financial performance had a significant positive effect on firm value. CSR strengthens the effect of financial performance significantly affects firm value. Good financial performance will have an impact on increasing firm value when supported by CSR as an adequate non-financial activity, it will provide positive information for stakeholders and have an impact on company trust.

Keywords: financial performance, firm value, CSR disclosure, multiple regression analysis

1. Introduction

The era of globalization is changing, and the development of the business world is increasing rapidly. This can be seen from the development of knowledge, technological advances and the development of information flows that must be conveyed by companies to meet information needs for users (Forma and Lailatul, 2018). The rapid development of the business world is certainly followed by intense competition between companies which requires managers to implement the right business strategies that can improve the financial performance of a company so that it can compete in a very competitive business world. Effective and efficient management of resources is indispensable for the sustainability of the company and achieving the company's competitive advantage (Akmalia et al, 2017; and Matoussi & Chakroun, 2008). As a result, the company can compete with other companies, both domestic and foreign (Enggar, 2020).

Companies' competition is fierce, necessitating the presentation of accountable and transparent financial statements. The financial statements of the company show the company's financial performance. The financial statements can reveal the company's condition and financial position. Every period, the company's operational activities can have an impact on changes in financial conditions and position (Bhattacharya, 2009; and Tsoutsoura, 2004). Changes in financial conditions and positions can adjust the reflection of a company's stock price, where the stock price reflects a firmy's value. Investors will be drawn in if the company achieves financial success. The company's financial achievements can be seen in the company's published financial statements (Nursasi, 2020). Improving welfare and maximizing wealth for company owners and stakeholders by increasing company value is an important long-term goal of establishing a company.

The increase in the firm's value can be seen in how the company operates to achieve future profits as a provision. In addition to these important goals, the company has a long-term goal of increasing its value. The increase in the firm's value reflects both its good and bad performance, because it also influences investors' perceptions of the company. The presence of a high firm value will undoubtedly instill confidence in the firm's future performance and prospects. (Forma and Lailatul, 2018).

One of the factors that can affect the value of a company is its financial performance. Various studies that discuss the effect of financial performance measured using Return on Assets (ROA) on company value have been widely carried out but still show findings of mixed results. Prakoso and Darsono (2016) explained that the earning power of the company's assets can affect the firm's value. The greater the earning power of a company's assets, the more efficient asset turnover, and thus higher profit margins (Sabbaghi and Xu, 2013).

Return on assets (ROA) is a ratio used to measure a company's ability to make a profit by utilizing the total assets it has. Prakoso and Darsono (2016) states that the greater the ROA value, the better the firm's performance will be. This is because the rate of return on investment will also be greater. However, there are several differences in results in research that discusses the effect of financial performance measured by ROA on firm value. The research of Forma and Lailatul (2018), Oktavia, et al. (2019), Akmalia, et al. (2017) found that financial performance (ROA) had a significant positive effect on the firm value. However, it is different from the research conducted by Sondakh et al, (2019); and Fasya, (2019). discovered that financial performance has a significant negative influence on a firm's value These findings indicate that other factors influence the relationship between ROA and company value.

The phenomenon that occurs in PT. Tiga Pilar Sejahtera (AISA), reportedly two subsidiaries of the TPS Food business, namely PT. Indo Rice Superior and PT. Jatisari Sri Rejeki, are suspected of producing premium rice that is not in accordance with the stipulated provisions. At the beginning of the incident on July 20, 2017, the Food Security Task Force (Satgas) Team and the Rice Price Reduction Operation of the Police Headquarters investigated the rice storage area or warehouse. The place or warehouse for storing rice belongs to PT. Indo Beras Unggul in Bekasi, where there are allegations of fraudulent practices in rice sales. On February 2, 2018, PT. Jatisari Sri Rejeki was found guilty by the Karawang District Court of fraudulent rice sales. As a result of this incident, the operation of the rice business has almost stopped completely.

Consolidated performance (all business segments), in 2017 was rated very poor. Net profit in 2017 resulted in a decrease in ROA value by -10% compared to 2016 performance. Before being hit by a fairly large case, the ROA value was estimated at 8%. In addition to these worsening conditions, the company has a very large short-term debt burden and insufficient cash flow, resulting in TPS Food having difficulty in resolving debt. This resulted in the stock price declining. As a result, the company was slow in submitting financial statements in 2017, which were published just one day before the deadline set by the IDX. The slow delivery of financial statements causes investors to make assumptions. If there is no major problem, there should be no need to buy time to issue financial statements.

Based on the phenomenon that occurs, it will have a bad impact on AISA. This is due to fraud in the rice sales business. Before the disclosure, the rice case in 2015 and 2016 experienced an increase in financial performance and an increase in stock price, but when the rice case was revealed in 2017, it resulted in a decline in the firm's performance and share price. The decline in the firm's performance and stock price can signal that the firm's value is falling. In addition, the company was also late in reporting financial statements in 2017 because it was only 4 days before the deadline set by the IDX. The slow delivery of financial statements results in investors having different assumptions. If there is no major problem, there should be no need to buy time to issue financial statements. This is because investors, as outsiders, do not know what is really happening in PT. Tiga Pilar Sejahtera (AISA) and the lack of information about the actual state of the company resulted in investors experiencing losses that had to be borne by themselves.

Furthermore, related to non-financial factors with firm value is Corporate Social Responsibility (CSR). CSR is part of a business strategy for the survival and welfare of the company in the future. The existence of company CSR reporting and disclosure activities can make it easier for shareholders to evaluate how CSR implementation in the company and give awards according to the results of the evaluation of the company (Gherghina and Vintila, 2016). CSR reporting and disclosure is also linked to common cases of damage or pollution, such as natural disasters, air pollution, clean water pollution, excessive energy use, waste, and others (Huafang & Jianguo, 2007). CSR has grown in popularity in recent years, as a result of policies governed by the Limited Liability Company Law No. 40 of 2007, which requires all businesses to report their corporate social responsibility to the surrounding community. The company not only has economic and legal obligations to its shareholders, but it also has social obligations to other stakeholders (Pradita and Bambang, 2016). The higher the level of disclosure of the company's CSR, the higher the company's operational level. This demonstrates that improving a firm's performance has an impact on its value. (Akmalia, et al, 2017; and Khojastehpour & Johns,2014).

This study employs a Signaling Theory approach, which emphasizes the importance of information issued by the company to external parties' investment decisions. The signaling theory describes how the signal of management success or failure should be communicated to the owner (principal). Because there is an information asymmetry between management as an internal party and external parties, signal theory discusses the company's impulse to disclose information to external parties. Giving signals to third parties is one way to reduce information asymmetry. One of them is reliable financial information, which will reduce uncertainty about the company's prospects. (Forma and Lailatul, 2018).

Due to a lack of information about the company for outsiders, they provide low prices for the company. This signal takes the form of information that management has used to carry out the owner's wishes. Signals can be information and promotions that demonstrate that the company is superior to the competition. Not to be overlooked is the disclosure of corporate social responsibility in the hopes of improving the company's reputation and increasing its value (Pradita and Bambang, 2019). The theory of signaling was first developed by Ross (1977). Signaling theory indicates that financial reporting by issuers is a signal that can affect the stocks value. In the capital market, market participants make economic decisions on the basis of published information, announcements, and press conferences (Jaswadi, 2003). The presence of signals from the company causes investors to take action and determine the right anticipation. If the company conveys information to the market, generally the market will respond as a signal to the existence of certain events that can affect the firm value, which will affect the value of the company's shares. Information about CSR disclosure is a signal for the company to communicate the firm's performance in the long term, because CSR is related to acceptability and sustainability, meaning that the company is accepted and sustainable to run somewhere in the long term. This includes responsibility for labor and product safety for consumers, with a lower risk of social and environmental conflicts than companies that do not carry out and disclose their CSR activities (Yoon and Lee, 2019). Based on signal theory, the company provides signals in the form of valid financial statement information to external parties and minimizes doubts about the company's prospects in the future. The company's financial statements can reflect the firm's performance, which is expected to provide information for investors on the basis of investment decision-making (Prakoso dan Darsono, 2016).

The company's strong financial performance will contribute to its increased value. A good value for the company will entice investors to invest in the company in the hope of profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Then, in the coming year, investors will flock to invest in the company in order to profit (Nguyen, 2015). They will be more inclined to make future investments in the company. The greater the number of investors who invest in the company, the higher the stock price and the number of shares outstanding. These two factors can boost the firm's value. The earning power of the company's own assets determines its value (Akmalia, et al, 2017).

The stock price and the number of shares outstanding will affect the value of Tobins Q as a proxy for the firm value. If the stock price and the number of shares outstanding rise, then the value of Tobins Q will also rise. Tobins Q, which is worth more than 1, describes that the company generates earnings with a rate of return that matches the acquisition price of its assets (Tobins and Brainard, 1977). The results of research conducted by Pradita and Bambang (2019) which shows that ROA has a significant effect on the firm value.

According to signal theory, the information published by the company will heavily influence the investment decisions of third parties. Investors are increasingly interested in putting their money into environmentally friendly businesses. The more the company engages in social activities, the more it needs to be followed by expressing its social responsibility, which is positive information, so that the market will react as if the company has an advantage (Purawan & Wirakusuma, 2019; and Lee, 2018).

Corporate social disclosure is realized through economic, environmental, and social performance. In this study, the variable used was the upload of CSR. The better the firm performance in improving its environment (economic, environmental, and social performance), the more its value will increase (Singh et al, 2017). This is because investors are more interested in investing their capital in companies that have environmentally friendly concerns, and such conditions will be a plus that will increase investor confidence. This shows that the company will continue to grow and be sustainable (Reddy and Gordon, 2010). Companies that make good CSR disclosures have a higher level of disclosure. The higher the level of disclosure, the more positive a signal it sends to stakeholders and shareholders (Forma and Lailatul, 2018). The more social and environmental information submitted by the company, the more investors will tend to invest in the company so that it has an impact on increasing the firm value. (Akmalia, et al, 2017).

The existence of CSR activities demonstrates that the company is concerned about the environment and social issues. CSR activities can boost sales in addition to improving the company's image. This is because consumers will value companies that disclose CSR more than companies that do not. (Bidhari et al, 2013). Such conditions imply that they will purchase products, a portion of which will be set aside for socio-environmental activities such as providing scholarships, building community facilities, environmental conservation programs, and so on (Enggar, 2020; and Epstein, & Freedman, 1994). This will be beneficial to the company. In addition to improving the company's image in the eyes of stakeholders as a result of its concern for the social environment, it will increase profits through increased sales. The results of the study conducted by Oktaviani, et al (2019) also Andriani and Anang (2017) which shows that CSR amplifies the influence of financial performance significantly on the firm value. Based on these results, the hypothesis proposed by this researcher is as follows:

H_1: Financial Performance has a positive effect on firm value.
H_2: Corporate social responsibility has a positive effect on firm value.
H_3: The interaction between return on assets (ROA) and corporate social responsibility (CSR) has a positive effect on firm value.

2. Methodology

2.1. Sample and Data

The population used in this study is all companies that belong to the manufacturing industry group listed on the Indonesia Stock Exchange. The selected samples in this study used the purposive sampling method, which means sample selection based on certain ktiteria. The criteria for manufacturing companies that are sampled are: Companies that report the company's financial statements in full during 2018–2020 both physically and online through the www.idx.co.id website and the website of each company, namely having complete financial and non-financial data related to research variables. Based on these criteria, a sample was obtained by 445 companies.

2.2. Variable Measurement

The firm’s value is formed through stock market value indicators, which are strongly influenced by investment opportunities. The firm value can be seen from the reflection of the stock price. The higher the stock price, the higher the firm’s value. This research measured firm value using Tobin's Q (Akmalia, et al 2017). Tobin's Q is measured by the formula:

$$\boldsymbol{Q} = \frac{(MVE + Debt)}{Total\ Asset}$$

Information:

Q : Firm value
MVE : Market Value of Equity. MVE is calculated by means of (stock closing price x number of outstanding stock shares)
DEBT : Total debt of the company
Total Asset : Total assets owned by the company

Financial performance is a description of the company's financial condition in a certain period regarding aspects of fund raising and disbursement of funds, which can be measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006). Financial performance is proxied by return on assets (ROA). Return on assets (ROA) is a form of profitability ratio intended to measure the company's ability to optimize the overall funds invested in the company's operations with the aim of generating maximum profit (Akmalia, dkk, 2017). To obtain the value of ROA, it is calculated by the formula:

$$\boldsymbol{ROA} = \frac{EAT}{Total\ Asset}\ x\ 100\%$$

Corporate social responsibility (CSR) disclosure is the disclosure of information related to corporate responsibility in the annual report. Disclosure is measured by the Corporate Social Disclosure Index (CSDI) as a coding variable. The CSDI calculation is carried out using the content analysis method. This method converts qualitative information into quantitative so that it can be processed in statistical calculations through a dichotomous approach. That is, each CSR item in the research instrument is assigned a value of 1 if disclosed, and a value of 0 if not disclosed. Next, the scores of each item are summed up to obtain the overall score for each company. The steps to disclosing Corporate Social Responsibility are:

d. Create a list of social disclosures that include numbers.
e. Create a pre-arranged table of disclosure items.
f. Divide the number of items disclosed in the annual report by the number of disclosure items.

According to (Andriani and Anang, 2017) CSRI disclosure is calculated by the following formula:

$$\boldsymbol{CSRI} = \frac{\Sigma\ \mathrm{Xij}}{nj}$$

Where:
$CSRI_j$: The corporate Social Responsibility Index of the company
$\Sigma\ Xi_j$: The number of item scores, 1 = if the item is disclosed, 0 = if the item is not disclosed
n_j : The maximum number of items for the company $n_j = 91$

2.3 Research Model

Untuk menguji pengaruh pengaruh return on assets using MRA. The model of the regression equation to be tested is as follows:

Tobin's Q = a + b1 ROA + b2 CSR + b3 ROA*CSR + e

Where:
Tobin's Q : Firm Value
a : Constanta
b_1, b_2, b_3: Regression Coefficient
ROA : Retrun on Assets
CSR : Corporate Soscial Responsibility
e : Error

3. Results and Discussion

2.1. Descriptive Statistics

Table 1 below presents descriptive statistics showing the minimum, maximum, mean and standard deviation of the variables used in the model.

Table 1: Descriptive Statistics

	N	Min	Max	Mean	Std Dev
ROA	445	-1.369	8.302	.04766	.4053
CSR	445	.165	.538	.26952	.0629
Tobin's Q	.445	. 001	956.778	13.9935	91.6840

Source: processed secondary data, 2022

Based on Table 1, the minimum return on assets (ROA) is -1.37%, the maximum value is 8.30%, and the mean is 0.05% with a standard deviation of 0.41%. The mean value is greater than the standard deviation, meaning that the volatility of return on assets (ROA) between companies in Indonesia is relatively high. The minimum corporate social responsibility (CSR) is 0.17, the maximum value is 0.52, and the mean is 0.27 with a standard deviation of 0.06. This condition also shows that the volatility of CSR among companies in Indonesia is relatively high. Tobin's Q minimum 0.001, maximum 956.78, and mean 13.99 with a standard deviation of 91.68. Tobin's Q volatility or firm value between companies also shows a high number.

3.2 Empirical results

The results of the test of the effect of return on assets (ROA), corporate social responsibility (CSR), and moderating return on assets (ROA) with corporate social responsibility (CSR), using multiple regression analysis (MRA) are presented in Table 2 below.

Table 2: Regression Test Results

Bound variables	Unstandized Coef	t count	Sig	Information
ROA	4.350	5.339	0.000	Accepted
CSR	-.511	-.256	0.798	Rejected
ROA*CSR	57.529	3.095	0.002	Accepted
Model	F count 13.044 Significance 0.000 *Adj R Square* 0.282			

Dependent Variable : Company Value
Source : Processed secondary data, 2022

The results of the model feasibility test showed that the model used in the study was declared to meet the goodness of fit model with the calculated F value of 13.044 significant 0.000. The ability to explain independent variables with respect to dependent variables is 28.2% (0.282). The test results for hypothesis 1 (H_1), stating that the firm's performance has a positive effect on the value of the company, were accepted. The results of the t test obtained a significant value of 0.000 > 0.05. While hypothesis testing 2 (H_2) is rejected, because the significance value of t (sig-t) shows 0.797 > 0.05 so that corporate social responsibility (CSR) has no effect on firm value. Moderation of return on assets (ROA) with corporate social responsibility (CSR) has a positive effect at a significance level of less than 1%. Thus, hypothesis 3 (H3) is accepted, which means that corporate social responsibility plays a role in moderating the effect of return on assets (ROA) on firm value.

4. Discussion

4.1. The Effect of Financial Performance on the Firm Value

According to the results of the first hypothesis test, financial performance has a significant effect on the firm's value. The company's strong financial performance will contribute to its increased value. The rising value of the company as a positive signal can entice investors to invest in it. The presence of such conditions will cause stock prices to rise to a profitable level. The investor's reflection indicates that he expects to make a larger profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Such circumstances indicate that investors will continue to profit from their investment in the company over the next year. This demonstrates that investors are more motivated to stay afloat in the future by investing in the company. The higher the stock price, the more investors invest in the company. This indicates that the number of outstanding shares is increasing, implying that the price profit per share will rise. These two factors can boost the firm's value. The firm's value is a perception for investors that is always associated with the stock price. The high share price reflects the high firm value. Initially, investors focused on the ROA's financial performance. In the long run, this will entice other investors to make similar investments. This occurs because investors believe that if a company's stock price rises steadily, it is more likely to be able to increase its value through stable financial performance. As a result, the high stock price and the number of shares outstanding are significant. This will increase the profit per share. This condition is a positive signal that can attract the attention of investors, increasing the firm's value. The findings of this study are consistent with Forma and Lailatul's research. (2018).

4.2. The Effect of Corporate Social Responsibility on Firm Value

Based on Table 2, the results of the regression analysis show that CSR has a negative effect on the significance of 0.798 so that CSR has no impact on firm value. These results indicate that disclosures related to CSR in companies have no effect on firm value. The results of this study support the research of Fuadah & Kalsum (2021) but are not in line with the research conducted by Riverte (2016), Nekhili et al (2017), and Wirawan et al (2020) who found that CSR has a positive effect on the value of company. The results of this study are also not in line with CSR disclosure as a signal of the company's concern and actions towards social and environmental needs. Likewise, this empirical finding does not support the stakeholder theory, which states that reports on corporate CSR activities provide more relevant value to stakeholders. The tendency of negative influence as shown from the beta coefficient, which is -0.789 means that there is a tendency that CSR influences reducing firm value even though the decline is not statistically significant.

4.3. The Role of Corporate Social Responsibility Disclosures in the Association between Return on Asset (ROA) on Firm Value

Based on the results of the second hypothesis test, it shows that CSR is proven to strengthen the effect of return on assets (ROA) on the firm value. This shows the company's commitment to participating in sustainable economic development in order to improve the quality of life and create a beneficial environment. The benefits can improve the positive image and strengthen the company's brand in the eyes of the public, open up new cooperation opportunities between the company and other parties, and improve the welfare of the community that is the target of CSR. The implementation of CSR is realized through economic, environmental, and social performance. The better the company's activities in improving its environment and social responsibility, the more it demonstrates the company's concern for maintaining the balance of the industrial ecosystem. (Servaes & Tamayo, 2012). This effort is made to keep a harmonious balance between the company and the Indonesian people in general, as well as the communities surrounding the project and the headquarters. This demonstrates that the company is socially responsible to the surrounding community and the community at large to stakeholders for the impact of its industrial operations, allowing investors to assess whether the company can manage future risks well (Fauzi, 2004). As a result, the firm's value is increasingly reflected in the increasing stock price. Such conditions indicate that investors have a long-term perspective and are more interested in investing in companies that are environmentally friendly and have a high level of social responsibility. The greater the company's profitability is supported by extensive CSR activities through the disclosure of social and environmental information, the more it demonstrates that the company can maintain a balance of financial and non-financial information, allowing investors to make informed investment decisions (Cui & Na, 2012). It is possible to conclude that CSR will increase the value of the company at a time when profitability is increasing. Corporate CSR is expected to raise awareness of environmental issues, improve workplace conditions, increase corporate social investment, and foster positive relationships with the surrounding community. CSR disclosure is mandated by Law No. 40 of 2007 on Limited Liability Companies (PT), which states that companies that conduct business in the field of and/or related to natural resources are required to exercise social and environmental responsibility. As these obligations are met, investors will be interested in investing in companies that will result in an increase in stock market price. This finding is in line with Pradita & Bambang's research (2019); Andriani & Anang (2018); Akisik & Gal (2017); and Munawaroh & Priyadi (2014) which states that CSR can strengthen the influence of financial performance on the value of the company. This is because the CSR budget is getting bigger, which means a minimum of 3% of the company's net profit every year.

5. Conclution

According to the results of the analysis, financial performance has a significant positive effect on the firm's value. It demonstrates that the higher the profit performance, the higher the firm's value. The financial performance of a good company will have an impact on the firm's value. The increased firm value will entice investors to invest in the company in the hope of profit (dividend). Corporate social responsibility (CSR) disclosure has been shown to strengthen the effect of financial performance (ROA) on the firm value. This means that the higher the profit performance and CSR activities supported by financial statement disclosure, the higher the firm's value will have an impact on the firm's value. Such circumstances indicate that the implementation of CSR in Indonesia over the last three decades has the potential to be profitable, because this activity can primarily be directed at strengthening the people's economy based on small and medium-sized enterprises and improving the quality of community human resources through improved educational facilities and infrastructure.

6. Limitation and Further Study

Although the results of this study provide a reference contribution in financial science, this research also has limitations where the volatility of inter-company variables is quite high so that it has an impact on a more heterogeneous distribution of data, so the research period needs to be increased. Beside that, further research also can develop other financial performance proxies by using several financial ratio approaches such as liquidity ratios, solvency ratios, and activity ratios. Further research needs to develop measurement of non-financial performance through ESG activities using ESG scores in accordance with GRI standards. The GRI Standard is designed for organizations to report on activities that have an impact on the economy, environment, and/or society, so the GRI Standards are structured as a set of interrelated standards. Furthermore, further research also needs to add control variables to look at the effect of incremental value dependent variables. This will provide a better research model.

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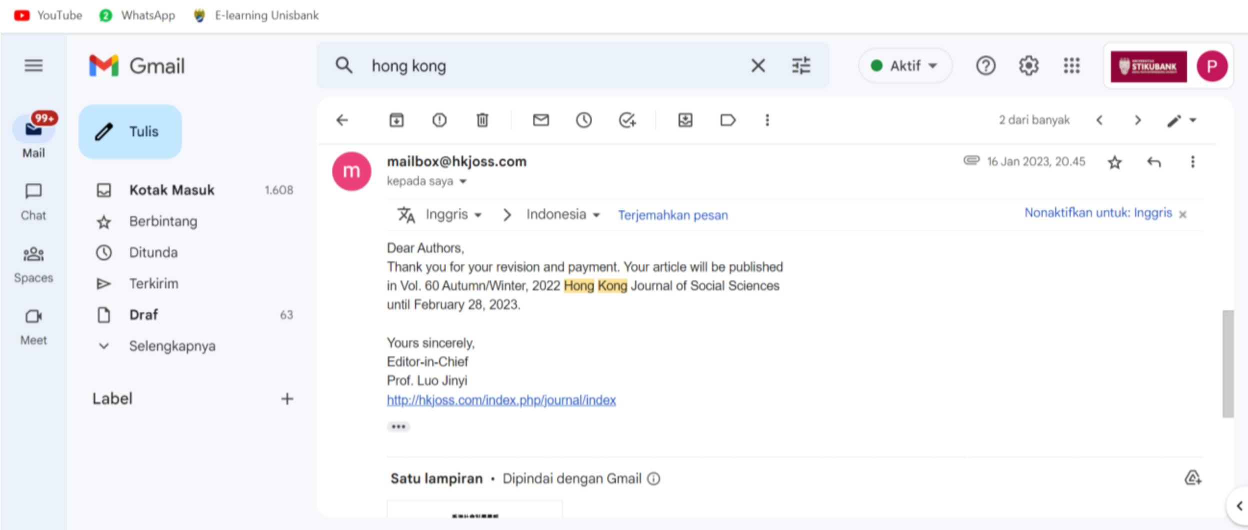
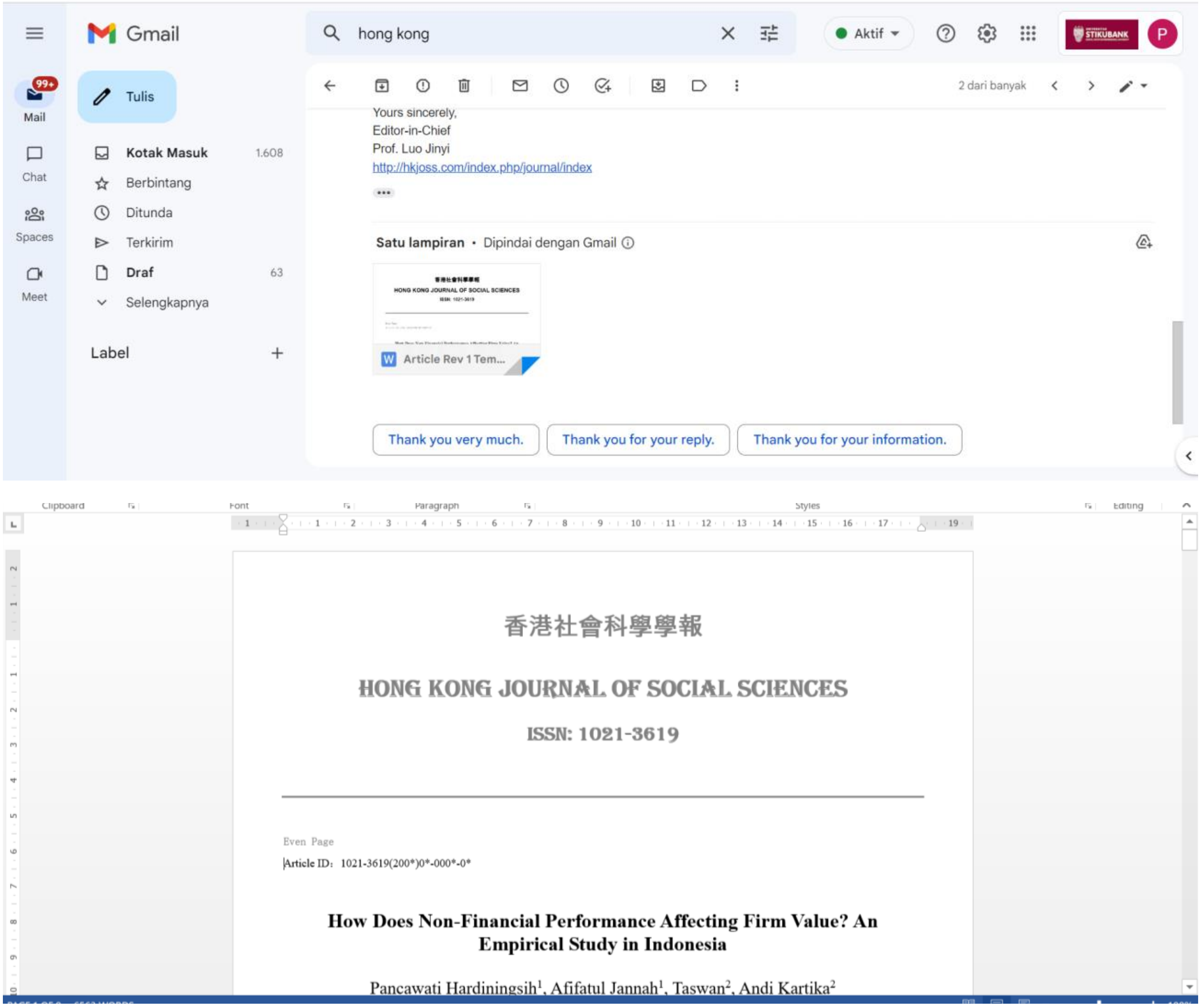
16 Januari 2023





Article ID：1021-3619(200*)0*-000*-0*

How Does Non-Financial Performance Affecting Firm Value? An Empirical Study in Indonesia

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Received 2020; accepted 2020; published 2020

Abstract:
The purpose of this study was to find out about the effect of financial performance on firm value by using social responsibility as a moderating variable. This research was conducted at the Indonesia Stock Exchange (IDX) using a unit of analysis of manufacturing companies that have gone public. Financial performance and corporate value are measured using the proxy return on assets (ROA) and Tobin's Q, while the moderating variable for disclosure of social responsibility is measured using the Corporate Social Disclosure Index (CSDI). The number of N samples

selected was 445 companies during the 2018 – 2020 period. The sampling method used purposive sampling. To explain this effect, Multiple Regression Analysis (MRA) was used. The results of the study show that financial performance has a positive effect on firm value, while social responsibility has no effect. This research shows the novelty and originality of non-financial performance which looks almost the same as previous studies but is actually fundamentally different. An important finding in this study is that corporate social responsibility (CSR) acts as a moderating variable that strengthens the effect of financial performance on firm value.

Keywords: CSR disclosure, financial performance, firm value, moderating variable, multiple regression analysis

非財務績效如何影響公司價值？ 印度尼西亞的實證研究

抽象的：

本研究的目的是通過將社會責任作為調節變量來了解財務績效對公司價值的影響。 這項研究是在印度尼西亞證券交易所 (IDX) 進行的，使用的是對已上市製造公司的分析單位。 財務業績和企業價值使用代理資產回報率 (ROA) 和托賓 Q 來衡量，而社會責任披露的調節變量則使用企業社會披露指數 (CSDI) 來衡量。 2018-2020年期間選取的N個樣本數量為445家公司。 抽樣方法採用有目的的抽樣。 為了解釋這種影響，使用了多元回歸分析 (MRA)。 研究結果表明，財務績效對公司價值有正向影響，而社會責任沒有影響。 本研究顯示了非財務績效的新穎性和獨創性，與以往的研究看起來幾乎相同，但實際上有根本不同。 本研究的一個重要發現是，企業社會責任 (CSR) 作為一個調節變量，加強了財務績效對公司價值的影響。

Introduction

The era of globalization is changing, and the development of the business world is increasing rapidly. This can be seen from the development of knowledge, technological advances and the development of information flows that must be conveyed by companies to meet information needs for users (Forma and Lailatul, 2018). The rapid development of the business world is certainly followed by intense competition between companies which requires managers to implement the right business strategies that can improve the financial performance of a company so that it can compete in a very competitive business world. Effective and efficient management of resources is indispensable for the sustainability of the company and achieving the company's competitive advantage (Akmalia et al, 2017; and Matoussi & Chakroun, 2008). As a result, the company can compete with other companies, both domestic and foreign (Enggar, 2020).

Companies' competition is fierce, necessitating the presentation of accountable and transparent financial statements. The financial statements of the company show the company's financial performance. The financial statements can reveal the company's condition and financial position. Every period, the company's operational activities can have an impact on changes in financial conditions and position (Bhattacharya, 2009; and Tsoutsoura, 2004). Changes in financial conditions and positions can adjust the reflection of a company's stock price, where the stock price reflects a firmy's value. Investors will be drawn in if the company achieves financial success. The company's financial achievements can be seen in the company's published financial statements (Nursasi, 2020). Improving welfare and maximizing wealth for company owners and stakeholders by increasing company value is an important long-term goal of establishing a company.

The increase in the firm's value can be seen in how the company operates to achieve future profits as a provision. In addition to these important goals, the company has a long-term goal of increasing its value. The increase in the firm's value reflects both its good and bad performance, because it also influences investors' perceptions of the company. The presence of a high firm value will undoubtedly instill confidence in the firm's future performance and prospects. (Forma and Lailatul, 2018).

One of the factors that can affect the value of a company is its financial performance. Various studies that discuss the effect of financial performance measured using Return on Assets (ROA) on company value have been widely carried out but still show findings of mixed results. Prakoso and Darsono (2016) explained that the earning power of the company's assets can affect the firm's value. The greater the earning power of a company's assets, the more efficient asset turnover, and thus higher profit margins (Sabbaghi and Xu, 2013).

Return on assets (ROA) is a ratio used to measure a company's ability to make a profit by utilizing the total assets it has. Prakoso and Darsono (2016) states that the greater the ROA value, the better the firm's performance will be. This is because the rate of return on investment will also be greater. However, there are several differences in results in research that discusses the effect of financial performance measured by ROA on firm value. The research of Forma and Lailatul (2018), Oktavia, et al. (2019), Akmalia, et al. (2017) found that financial performance (ROA) had a significant positive effect on the firm value. However, it is different from the research conducted by Sondakh et al, (2019); and Fasya, (2019). discovered that financial performance has a significant negative influence on a firm's value These findings indicate that other factors influence the relationship between ROA and company value.

The phenomenon that occurs in PT. Tiga Pilar Sejahtera (AISA), reportedly two subsidiaries of the TPS Food business, namely PT. Indo Rice Superior and PT. Jatisari Sri Rejeki, are suspected of producing premium rice that is not in accordance with the stipulated provisions. At the beginning of the incident on July 20, 2017, the Food Security Task Force (Satgas) Team and the Rice Price Reduction Operation of the Police Headquarters investigated the rice storage area or warehouse. The place or warehouse for storing rice belongs to PT. Indo Beras Unggul in Bekasi, where there are allegations of fraudulent practices in rice sales. On February 2, 2018, PT. Jatisari Sri Rejeki was found guilty by the Karawang District Court of fraudulent rice sales. As a result of this incident, the operation of the rice business has almost stopped completely.

Consolidated performance (all business segments), in 2017 was rated very poor. Net profit in 2017 resulted in a decrease in ROA value by -10% compared to 2016 performance. Before being hit by a fairly large case, the ROA value was estimated at 8%. In addition to these worsening conditions, the company has a very large short-term debt burden and insufficient cash flow, resulting in TPS Food having difficulty in resolving debt. This resulted in the stock price declining. As a result, the company was slow in submitting financial statements in 2017, which were published just one day before the deadline set by the IDX. The slow delivery of financial statements causes investors to make assumptions. If there is no major problem, there should be no need to buy time to issue financial statements.

Based on the phenomenon that occurs, it will have a bad impact on AISA. This is due to fraud in the rice sales business. Before the disclosure, the rice case in 2015 and 2016 experienced an increase in financial performance and an increase in stock price, but when the rice case was revealed in 2017, it resulted in a decline in the firm's performance and share price. The decline in the firm's performance and stock price can signal that the firm's value is falling. In addition, the company was also late in reporting financial statements in 2017 because it was only 4 days before the deadline set by the IDX. The slow delivery of financial statements results in investors having different assumptions. If there is no major problem, there should be no need to buy time to issue financial statements. This is because investors, as outsiders, do not know what is really happening in PT. Tiga Pilar Sejahtera (AISA) and the lack of information about the actual state of the company resulted in investors experiencing losses that had to be borne by themselves.

Furthermore, related to non-financial factors with firm value is Corporate Social Responsibility (CSR). CSR is part of a business strategy for the survival and welfare of the company in the future. The existence of company CSR reporting and disclosure activities can make it easier for shareholders to evaluate how CSR implementation in the company and give awards according to the results of the evaluation of the company (Gherghina and Vintila, 2016). CSR reporting and disclosure is also linked to common cases of damage or pollution, such as natural disasters, air pollution, clean water pollution, excessive energy use, waste, and others (Huafang & Jianguo, 2007). CSR has grown in popularity in recent years, as a result of policies governed by the Limited Liability Company Law No. 40 of 2007, which requires all businesses to report their corporate social responsibility to the surrounding community. The company not only has economic and legal obligations to its shareholders, but it also has social obligations to other stakeholders (Pradita and Bambang, 2016). The higher the level of disclosure of the company's CSR, the higher the company's operational level. This demonstrates that improving a firm's performance has an impact on its value. (Akmalia, et al, 2017; and Khojastehpour & Johns,2014).

This study employs a Signaling Theory approach, which emphasizes the importance of information issued by the company to external parties' investment decisions. The signaling theory describes how the signal of management success or failure should be communicated to the owner (principal). Because there is an information asymmetry between management as an internal party and external parties, signal theory discusses the company's impulse to disclose information to external parties. Giving signals to third parties is one way to reduce information asymmetry. One of them is reliable financial information, which will reduce uncertainty about the company's prospects. (Forma and Lailatul, 2018).

Due to a lack of information about the company for outsiders, they provide low prices for the company. This signal takes the form of information that management has used to carry out the owner's wishes. Signals can be information and promotions that demonstrate that the company is superior to the competition. Not to be overlooked is the disclosure of corporate social responsibility in the hopes of improving the company's reputation and increasing its value (Pradita and Bambang, 2019). The theory of signaling was first developed by Ross (1977). Signaling theory indicates that financial reporting by issuers is a signal that can affect the stocks value. In the capital market, market participants make economic decisions on the basis of published information, announcements, and press conferences (Jaswadi, 2003). The presence of signals from the company causes investors to take action and determine the right anticipation. If the company conveys information to the market, generally the market will respond as a signal to the existence of certain events that can affect the firm value, which will affect the value of the company's shares. Information about CSR disclosure is a signal for the company to communicate the firm's performance in the long term, because CSR is related to acceptability and sustainability, meaning that the company is accepted and sustainable to run somewhere in the long term. This includes responsibility for labor and product safety for consumers, with a lower risk of social and environmental conflicts than companies that do not carry out and disclose their CSR activities (Yoon and Lee, 2019). Based on signal theory, the company provides signals in the form of valid financial statement information to external parties and minimizes doubts about the company's prospects in the future. The company's financial statements can reflect the firm's performance, which is expected to provide information for investors on the basis of investment decision-making (Prakoso dan Darsono, 2016).

The company's strong financial performance will contribute to its increased value. A good value for the company will entice investors to invest in the company in the hope of profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Then, in the coming year, investors will flock to invest in the company in order to profit (Nguyen, 2015). They will be more inclined to make future investments in the company. The greater the number of investors who invest in the company, the higher the stock price and the number of shares outstanding. These two factors can boost the firm's value. The earning power of the company's own assets determines its value (Akmalia, et al, 2017).

The stock price and the number of shares outstanding will affect the value of Tobins Q as a proxy for the firm value. If the stock price and the number of shares outstanding rise, then the value of Tobins Q will also rise. Tobins Q, which is worth more than 1, describes that the company generates earnings with a rate of return that matches the acquisition price of its assets (Tobins and Brainard, 1977). The results of research conducted by Pradita and Bambang (2019) which shows that ROA has a significant effect on the firm value.

According to signal theory, the information published by the company will heavily influence the investment decisions of third parties. Investors are increasingly interested in putting their money into environmentally friendly businesses. The more the company engages in social activities, the more it needs to be followed by expressing its social responsibility, which is positive information, so that the market will react as if the company has an advantage (Purawan & Wirakusuma, 2019; and Lee, 2018).

Corporate social disclosure is realized through economic, environmental, and social performance. In this study, the variable used was the upload of CSR. The better the firm performance in improving its environment (economic, environmental, and social performance), the more its value will increase (Singh et al, 2017). This is because investors are more interested in investing their capital in companies that have environmentally friendly concerns, and such conditions will be a plus that will increase investor confidence. This shows that the company will continue to grow and be sustainable (Reddy and Gordon, 2010). Companies that make good CSR disclosures have a higher level of disclosure. The higher the level of disclosure, the more positive a signal it sends to stakeholders and shareholders (Forma and Lailatul, 2018). The more social and environmental information submitted by the company, the more investors will tend to invest in the company so that it has an impact on increasing the firm value. (Akmalia, et al, 2017).

The existence of CSR activities demonstrates that the company is concerned about the environment and social issues. CSR activities can boost sales in addition to improving the company's image. This is because consumers will value companies that disclose CSR more than companies that do not. (Bidhari et al, 2013). Such conditions imply that they will purchase products, a portion of which will be set aside for socio-environmental activities such as providing scholarships, building community facilities, environmental conservation programs, and so on (Enggar, 2020; and Epstein, & Freedman, 1994). This will be beneficial to the company. In addition to improving the company's image in the eyes of stakeholders as a result of its concern for the social environment, it will increase profits through increased sales. The results of the study conducted by Oktaviani, et al (2019) also Andriani and Anang (2017) which shows that CSR amplifies the influence of financial performance significantly on the firm value. Based on these results, the hypothesis proposed by this researcher is as follows:

H_1: Financial Performance has a positive effect on firm value.

H_2: Corporate social responsibility has a positive effect on firm value.

H_3: The interaction between return on assets (ROA) and corporate social responsibility (CSR) has a positive effect on firm value.

4. Methodology

4.1 Sample and Data

The population used in this study is all companies that belong to the manufacturing industry group listed on the Indonesia Stock Exchange. The selected samples in this study used the purposive sampling method, which means sample selection based on certain ktiteria. The criteria for manufacturing companies that are sampled are: Companies that report the company's financial statements in full during 2018–2020 both physically and online through the www.idx.co.id website and the website of each company, namely having complete financial and non-financial data related to research variables. Based on these criteria, a sample was obtained by 445 companies.

4.2 Variable Measurement

The firm’s value is formed through stock market value indicators, which are strongly influenced by investment opportunities. The firm value can be seen from the reflection of the stock price. The higher the stock price, the higher the firm’s value. This research measured firm value using Tobin's Q (Akmalia, et al 2017). Tobin's Q is measured by the formula:

$$\boldsymbol{Q} = \frac{(\,MVE + Debt\,)}{Total\ Asset}$$

Information:

Q : Firm value
MVE: Market Value of Equity. MVE is calculated by means of (stock closing price x number of outstanding stock shares)
DEBT: Total debt of the company
Total Asset: Total assets owned by the company

Financial performance is a description of the company's financial condition in a certain period regarding aspects of fund raising and disbursement of funds, which can be measured by indicators of capital adequacy, liquidity, and profitability (Jumingan, 2006). Financial performance is proxied by return on assets (ROA). Return on assets (ROA) is a form of profitability ratio intended to measure the company's ability to optimize the overall funds invested in the company's operations with the aim of generating maximum profit (Akmalia, dkk, 2017). To obtain the value of ROA, it is calculated by the formula:

$$\boldsymbol{ROA} = \frac{EAT}{Total\ Asset}\ x\ 100\%$$

Corporate social responsibility (CSR) disclosure is the disclosure of information related to corporate responsibility in the annual report. Disclosure is measured by the Corporate Social Disclosure Index (CSDI) as a coding variable. The CSDI calculation is carried out using the content analysis method. This method converts qualitative information into quantitative so that it can be processed in statistical calculations through a dichotomous approach. That is, each CSR item in the research instrument is assigned a value of 1 if disclosed, and a value of 0 if not disclosed. Next, the scores of each item are summed up to obtain the overall score for each company. The steps to disclosing Corporate Social Responsibility are:

g. Create a list of social disclosures that include numbers.
h. Create a pre-arranged table of disclosure items.
i. Divide the number of items disclosed in the annual report by the number of disclosure items.

According to (Andriani and Anang, 2017) CSRI disclosure is calculated by the following formula:

$$\boldsymbol{CSRI} = \frac{\Sigma\ \mathrm{Xij}}{nj}$$

Where:
$CSRI_j$: The corporate Social Responsibility Index of the company
$\Sigma\ Xi_j$: The number of item scores, 1 = if the item is disclosed, 0 = if the item is not disclosed
n_j : The maximum number of items for the company $n_j = 91$

1.3. Research Model

To test the effect of the effect of returns on assets using MRA. The model of the regression equation to be tested is as follows:

Tobin's Q = a + b1 ROA + b2 CSR + b3 ROA*CSR + e

Where:
Tobin's Q : Firm Value

a : Constanta
b_1, b_2, b_3: Regression Coefficient
ROA : Retrun on Assets
CSR : Corporate Soscial Responsibility
e : Error

Based on the hypothesis formulation and data analysis, a flow chart of the empirical model of the research building can be compiled in Figure 1 below.

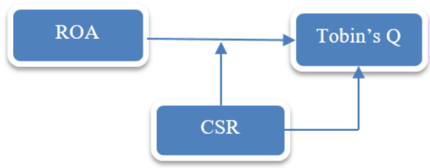

Figure 1: Empirical Research Model

2. Results and Discussion

2.1. Descriptive Statistics

Table 1 below presents descriptive statistics showing the minimum, maximum, mean and standard deviation of the variables used in the model.

Table 1: Descriptive Statistics

	N	Min	Max	Mean	Std. Dev
ROA	445	-1.34	8.30	0.05	0.87
CSR	445	0.17	0.54	0.27	0.06
Tobin's Q	445	0.07	6.06	1.05	0.87

Source: processed secondary data, 2022

Based on Table 1, the minimum return on assets (ROA) is -1.37%, the maximum value is 8.30%, and the mean is 0.05% with a standard deviation of 0.41%. The mean value is greater than the standard deviation, meaning that the volatility of return on assets (ROA) between companies in Indonesia is relatively high. The minimum corporate social responsibility (CSR) is 0.17, the maximum value is 0.52, and the mean is 0.27 with a standard deviation of 0.06. This condition also shows that the volatility of CSR among companies in Indonesia is relatively high. Tobin's Q minimum 0.07, maximum 6.06, and mean 1.05 with a standard deviation of 0.87. Tobin's Q volatility or firm value between companies also shows a high number.

2.2 Empirical results

The results of the test of the effect of return on assets (ROA), corporate social responsibility (CSR), and moderating return on assets (ROA) with corporate social responsibility (CSR), using multiple regression analysis (MRA) are presented in Table 2 below.

Table 2: Regression Test Results

Bound variables	Unstandized Coefficient	t-cout	Sig-t	Conclusion
ROA	4.350	5.34	0.000	Accepted
CSR	-0.511	-0.26	0.798	Rejected
ROA*CSR	57.53	3.10	0.002	Accepted
Model:				
F-count	13.044			
Significance	0.000			
Adj R-Square	0.282			

Dependent Variable: Company Value

Source : Processed secondary data, 2022

The results of the model feasibility test showed that the model used in the study was declared to meet the goodness of fit model with the calculated F value of 13.044 significant 0.000. The ability to explain independent variables with respect to dependent variables is 28.2% (0.282). The test results for hypothesis 1 (H_1), stating that the firm's performance has a positive effect on the value of the company, were accepted. The results of the t test obtained a significant value of 0.000 > 0.05. While hypothesis testing 2 (H_2) is rejected, because the significance value of t (sig-t) shows 0.797 > 0.05 so that corporate social responsibility (CSR) has no effect on firm value. Moderation of return on assets (ROA) with corporate social responsibility (CSR) has a positive effect at a significance level of less than 1%. Thus, hypothesis 3 (H3) is accepted, which means that corporate social responsibility plays a role in moderating the effect of return on assets (ROA) on firm value.

3. Discussion

3.1. The Effect of Financial Performance on the Firm Value

According to the results of the first hypothesis test, financial performance has a significant effect on the firm's value. The company's strong financial performance will contribute to its increased value. The rising value of the company as a positive signal can entice investors to invest in it. The presence of such conditions will cause stock prices to rise to a profitable level. The investor's reflection indicates that he expects to make a larger profit (dividend). If the company makes a large profit this year, the dividends distributed will be increased. Such circumstances indicate that investors will continue to profit from their investment in the company over the next year. This demonstrates that investors are more motivated to stay afloat in the future by investing in the company. The higher the stock price, the more investors invest in the company. This indicates that the number of outstanding shares is increasing, implying that the price profit per share will rise. These two factors can boost the firm's value. The firm's value is a perception for investors that is always associated with the stock price. The high share price reflects the high firm value. Initially, investors focused on the ROA's financial performance. In the long run, this will entice other investors to make similar investments. This occurs because investors believe that if a company's stock price rises steadily, it is more likely to be able to increase its value through stable financial performance. As a result, the high stock price and the number of shares outstanding are significant. This will increase the profit per share. This condition is a positive signal that can attract the attention of investors, increasing the firm's value. The findings of this study are consistent with Forma and Lailatul's research. (2018).

3.2. The Effect of Corporate Social Responsibility on Firm Value

Based on Table 2, the results of the regression analysis show that CSR has a negative effect on the significance of 0.798 so that CSR has no impact on firm value. These results indicate that disclosures related to CSR in companies have no effect on firm value. The results of this study support the research of Fuadah & Kalsum (2021) but are not in line with the research conducted by Riverte (2016), Nekhili et al (2017), and Wirawan et al (2020) who found that CSR has a positive effect on the value of company. The results of this study are also not in line with CSR disclosure as a signal of the company's concern and actions towards social and environmental needs. Likewise, this empirical finding does not support the stakeholder theory, which states that reports on corporate CSR activities provide more relevant value to stakeholders. The tendency of negative influence as shown from the beta coefficient, which is -0.789 means that there is a tendency that CSR influences reducing firm value even though the decline is not statistically significant.

3.3. The Role of Corporate Social Responsibility Disclosures in the Association between Return on Asset (ROA) on Firm Value

Based on the results of the second hypothesis test, it shows that CSR is proven to strengthen the effect of return on assets (ROA) on the firm value. This shows the company's commitment to participating in sustainable economic development in order to improve the quality of life and create a beneficial environment. The benefits can improve the positive image and strengthen the company's brand in the eyes of the public, open up new cooperation opportunities between the company and other parties, and improve the welfare of the community that is the target of CSR. The implementation of CSR is realized through economic, environmental, and social performance. The better the company's activities in improving its environment and social responsibility, the more it demonstrates the company's concern for maintaining the balance of the industrial ecosystem. (Servaes & Tamayo, 2012). This effort is made to keep a harmonious balance between the company and the Indonesian people in general, as well as the communities surrounding the project and the headquarters. This demonstrates that the company is socially responsible to the surrounding community and the community at large to stakeholders for the impact of its industrial operations, allowing investors to assess whether the company can manage future risks well (Fauzi, 2004). As a result, the firm's value is increasingly reflected in the increasing stock price. Such conditions indicate that investors have a long-term perspective and are more interested in investing in companies that are environmentally friendly and have a high level of social responsibility. The greater the company's profitability is supported by extensive CSR activities through the disclosure of social and environmental information, the more it demonstrates that the company can maintain a balance of financial and non-financial information, allowing investors to make informed investment decisions (Cui & Na, 2012). It is possible to conclude that CSR will increase the value of the company at a time when profitability is increasing. Corporate CSR is expected to raise awareness of environmental issues, improve workplace conditions, increase corporate social investment, and foster positive relationships with the surrounding community. CSR disclosure is mandated by Law No. 40 of 2007 on Limited Liability Companies (PT), which states that companies that conduct business in the field of and/or related to natural resources are required to exercise social and environmental responsibility. As these obligations are met, investors will be interested in investing in companies that will result in an increase in stock market price. This finding is in line with Pradita & Bambang's research (2019); Andriani & Anang (2018); Akisik & Gal (2017); and Munawaroh & Priyadi (2014) which states that CSR can strengthen the influence of financial performance on the value of the company. This is because the CSR budget is getting bigger, which means a minimum of 3% of the company's net profit every year.

4. Conclusion

Based on the results of the analysis and hypothesis testing, the main findings of this study are that corporate social responsibility (CSR) strengthens financial performance in influencing firm value. Good financial performance will have an impact on increasing company value if it is supported by corporate social responsibility as an adequate non-financial activity, it will provide positive information for stakeholders and have an impact on corporate trust. Thus, disclosure of corporate social responsibility (CSR) is proven to strengthen the effect of financial performance (ROA) on firm value. Therefore, the higher the financial performance and CSR activities supported by financial statement disclosures, the higher the firm value which will have an impact on firm value. The results of this study support the findings of previous research conducted by Pradita & Bambang (2019); Andriani & Anang (2018); Akisik & Gal (2017); and Munawaroh & Priyadi (2014). There is a slight difference when compared to research from Akisik and Gal (2017), which found that CSR reports reviewed by third parties and effective internal controls enable the persistence of financial performance.

5. Limitation and Further Study

The implication of this research is that CSR activities as non-financial activities carried out by companies as part of corporate activities and responsibility for the environment need to be increased to increase public, customer and investor trust. The results of this study provide a reference contribution in financial science related to non-financial performance and its contribution to firm value, and this is an advantage of this research. However, this study also has limitations where the volatility of variables between companies is quite high so that the impact on the distribution of data is more heterogeneous, so the study period needs to be increased to 6 years.

In addition, further research can also develop other financial performance proxies by using several financial ratio approaches such as liquidity ratios, solvency ratios, and activity ratios. Future research also needs to develop non-financial performance measurements through ESG activities using ESG scores according to the GRI standard. The GRI Standards are designed for organizations to report on activities that impact the economy, environment, and/or society, so the GRI Standards are structured as a set of interrelated standards. Besides that, it is also necessary to add control variables to see the effect of the dependent variable incremental value in order to provide a better research model.

Acknowledgments

The author would like to thank you for helping to find this journal, especially Bofy, a true friend.

Authors' Contributions

Pancawati Hardiningsih oversaw the overall research direction and planning, the data collection, analysis, and interpretation.

Afifatul Jannah made substantial contributions to the research design, methodological design of the work, analysis data, overall research supervision, and summarising relevant publications.

Taswan performed data analysis, collection, and interpretation.

Andi Kartika reviewed the literature, synthesizing, and data collection.

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