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The Influence Of Financial Ratios On Firm Value With The CSR Moderating Variable: LQ45 Companies

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Abstract

Economic conditions during the Covid-19 pandemic experienced a significant decline in all countries of the world, including Indonesia. Therefore, in preparing this thesis, it was discovered that the author wanted to observe all companies registered in LQ45 regarding efforts to increase firm value, especially when facing the Covid-19 pandemic in Indonesia. This research samples using companies that listed on IDX where operate in the LQ45 index during 2017-2021. This research is using panel regression method as the data analysis method. The research conducted shows that the independent variables liquidity, leverage and profitability have a significant positive effect on firm value, while the independent variables firm size and CSR have no significant effect on the dependent variable firm value.

Keywords: LQ45, Firm Value, Indonesia, Covid-19, CSR

Abstrak

Kondisi perekonomian pada masa pandemi Covid-19 menyebabkan penurunan yang cukup signifikan terjadi di seluruh negara dunia, termasuk Indonesia. Oleh karena itu, dalam penyusunan penelitian ini diketahui bahwa penulis ingin mengamati seluruh perusahaan yang terdaftar pada LQ45 terkait upaya peningkatan firm value terutama saat menghadapi masa pandemi Covid-19 di Indonesia. Sampel dari penelitian ini merupakan perusahaan yang terdaftar di BEI dimana termasuk dalam di indeks LQ45 selama tahun 2017-2021. Metode regresi panel digunakan untuk menganalisis data pada penelitian ini. Hasil dari penelitian yang dilakukan adalah variabel independen liquidity, leverage dan profitability berpengaruh signifikan positif terhadap firm value, sedangkan variabel independen firm size dan CSR berpengaruh tidak signifikan terhadap variabel dependen firm value.

Kata Kunci: LQ45, Firm Value, Indonesia, Covid-19, CSR

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1. INTRODUCTION

Economic conditions during the Covid-19 pandemic experienced a significant decline in all countries of the world, including Indonesia (Ramadhan et al., 2022). Pandemic Covid-19 is one of the viral outbreaks that first appeared in Wuhan, China since the end of December 2019, spreading very quickly and spreading to various countries without exception (Afriani, 2021). This certainly has a lot of influence on people's lives which not only causes many deaths due to the spread of the virus, but also low economic levels because financial circulation cannot run smoothly (Rizkhyana et al., 2022). Government policies in all countries including Indonesia have agreed that there are restrictions on community activities so that many activities cannot be carried out optimally (Paulus et al., 2022). One of them is the operational activities of companies such as banking which also experience a decline in the economic level so that the value of the company also declines (Rizkhyana et al., 2022).

Company value is the value that a company has to the market, which is its ability to provide profits for investors if the value of the company increases in share prices. In addition, company value is considered to be a benefit to company performance which influences investors' assessments of company improvement (Bose et al., 2022). In developing the value of a company, it is known that there are several factors that support an increase, including various debt policies determined by the company, ability to manage profits, ability to finance all of the company's obligations, the company's scale, value of company's share price, and company income, as well as other factors (Ari Widiyaningsih et al., 2022). The aim of increasing the value of the company is primarily in banking as a form of maximizing share prices so that it can increase profits which benefit many parties (Permata Sari et al., 2022).

Firm values in all companies and operational activities that have many investors in Indonesia have also experienced greater decline during the Covid-19 pandemic. This is because there is a negative impact on the capital market so that investors experience financial and physical uncertainty (Hwihanus, 2022). The value of these shares can also be seen for each company through the Combined Share Price Index or IHSG as an indicator for investors to ensure ownership of their shares. Firm value also serves as an investor's perspective on company success which is related to share prices which are supported by equity factors from the results of calculating share prices with the outstanding shares (Ari Widiyaningsih et al., 2022). Apart it, the value of the company is also influenced by financial performance and ownership structure for the development of the company itself (Hwihanus, 2022).

This decline in share value has certainly caused the economic conditions affecting companies in Indonesia to decline further, especially for companies registered in LQ45, where it is known that many investors invest their capital (Marthania et al., 2022). However, during the pandemic, we had to experience quite a long period of worry because share prices began to decline until they fell quite drastically (Rizkhyana et al., 2022). So that many value firms from companies registered in LQ45 also experience a decrease in their ability to generate profits beyond their operational results (Rizkhyana et al., 2022). Indonesia is one of many countries experiencing a sharp decline in the capital market sector. The decline in the JCI from zone 6300 to zone 3900 in three months shows that the Covid-19 pandemic has had a major impact on capital market activity in Indonesia (Paulus et al., 2022). This certainly causes company management to carry out planning to re-stabilize and influence the level of firm value in order to support investors in continuing to maintain existing shares in each company in LQ45 (Paulus et al., 2022).

Apart from the profit or profitability that the company strives for to increase firm value, it is also known that the influence of liquidity value is also needed to encourage the company to achieve its goals (Hadi et al., 2023). Liquidity is the level of trading activity from measuring investments by determining the speed or ease with which investors invest their capital to be sold or converted into cash. Masruri, (2019) stated that liquidity is considered the ability of a companies to meet its obligations in the short-term according to the specified time. This indicates the higher total of all current assets towards current liabilities; hence the current liabilities will be paid. Companies registered in LQ45 also have a liquidity value which is sought to support firm value as well as the existence of a level, namely the use or borrowing of funds to obtain additional profits for the company to encourage growth of firm value.

Therefore, on this research, it was discovered that the author wanted to observe all companies registered in LQ45 regarding efforts to increase firm value, especially when facing the Covid-19 pandemic in Indonesia. So, the author chose several factors that can be predicted to encourage the growth of firm value for companies registered in LQ45 Indonesia, including profit or profitability, liquidity value or overall liquidity level within the company to achieve profits so that it is able to attract investors. The author also adds corporate social responsibility or CSR which is known as the party that is responsible for all activities around society and social stakeholders. CSR was chosen because it was considered able to bridge the relationship between investors and companies, as well as society and companies.

2. THEORETICAL REVIEW

2.1. Firm Value

Jihadi et al. (2021) explain that company value on investor's perspective for achieving company profits due to value of the company's shares has increased. Increase of the stocks prices means investors have confidence in investing their capital in a company. Investors are known to be able to pay higher amounts to achieve high profits. Sihombing et al. (2021) explain that firm value is the absolute prosperity achieved by a company by reflecting the market price of the shares owned by the company. For company value or value can measure through price to book value or by comparing the share prices between shares. According to Nur Fadhilah et al. (2022), firms value can maximize shareholder welfare if share prices rise. A company’s value can be mentioned as having high value once has the higher the share price. Company value needs to be higher due to the highly desired by owners because a high value indicates the prosperity of the shareholder.

2.2. Liquidity and Firm Value

Reschiwati et al. (2020) are mentioned that liquidity has a significant and positive influence on firm value, this because of an accordance with the understanding of signal theory that if a company have ability to fulfill obligations in the short-term can provide a positive reaction for the stock market because it is considered capable of maintaining profitable company performance by increasing the increase in company value. Meanwhile, Olivia Dwi Putri et al. (2021) believe that company value cannot be based on liquidity standards because it needs to pay attention to company characteristics and cash management. Therefore, measuring liquidity is not considered liquidity, some factors are significantly influencing the company value.

H1: Liquidity has a significant influence on firm value.

2.3. Leverage and Firm Value

Gurnita et al. (2021) stated that have insignificant and negative influence on relationship between leverage and firm value because it was in accordance with the trade-off theory, namely that too high a use of debt would decrease the company value. The higher use of debt has high fixed cost which this means the company also have more higher company risk which this will have a negative impact on company value. Saptantinah et al. (2022) there is a negative and significant influence of leverage on company value.

Bon et al. (2022), defined that leverage can be considered as a measuring tool used to find out how much funds can be generated from debt obtained to finance the operational activities of a company. A high level of leverage indicates that a company uses the debt it obtains as a source of company funds. Where a company that has a debt percentage that is too high shows poor performance for investors because it will be assumed that the company does not have the ability to finance operational activities.

H2: Leverage has a significant influence on firm value.

2.4. Profitability dan Firm Value

Gurnita et al. (2021) stated through the results of their observations that there is a profitability relationship that has a positive and significant influence on value of a company because a company value can be treated great or high are depends on the higher of profitability. A company's ability to generate profits can be seen from its high level of profitability. Usually, investors will respond positively to a company's ability to generate profits, which we can see in the increase in share prices. Therefore, investors will usually invest in companies that have high profits with high share prices because this can lead investors to gain profits.

H3: Profitability has a significant influence on firm value.

2.5. Firm Size and Firm Value

Sondakh, (2019) revealed that company size and company value have a positive relationship. This research shows that company assets will increase in proportion to their size, this requires companies to be more reliable and capable of generating profits so that companies can determine what type of financing can be used to maximize company value at several banks in Pakistan. Research by Susesti et al. (2022); Juliani et al. (2022) argued that company size has positive effect and significant influence on company value due to the big company already gain market trust hence market can react positively and influences the company's share price, which means investors are more confident to invest in large companies with better guarantees for their investment, which can increase company value.

H4: Firm size has a significant influence on firm value.

2.6. Financial Ratio with Corporate Social Responsibility and Firm Value

Jihadi et al. (2021) explained that CSR can provide positive value for investors if a company has a sense of concern for the community and cares for the surrounding environment. The greater the company’s ability to pay short-term obligations can be seen by the higher current ratio value on the company. In addition, the higher liquidity that a company has can encourage the demand of many investors for shares to develop and increase the value of a firm or company. Jihadi et al. (2021) stated that we can see a company can more efficient to use of all company assets in generating profit if a

company have a good activity ratio. A company with a high profit can attract investors to invest in the company while this can also increase the value of the company. CSR existences are creating a very important role in increase of company or firm value as increasing company sales due to company has carry out various social activities for the surrounding environment.

Referring to signal theory, a company with good quality will give a signal to market with deliberately due to hope market can make a differentiate between companies with bad and good quality. In fact, that have a good relationship between company and debtor while company have a high level of debt also able to increase the company value. This are supported by research that conducted by Jihadi et al. (2021) which states CSR as a modeling variable can affect the influence of level levels on company value.

Research by Jihadi et al. (2021) shows that the existence of CSR activities carried out by companies will have an immediate and significant negative impact because it can weaken the relationship between the value of a company and its existing profitability value. An investor usually pays less attention to CSR in making decisions when investing in a company because according to them the implementation of CSR activities causes the company to spend more funds which directly affects the company's profit or profits so that the company reduces the portion of dividend distribution to shareholders.

H5: financial ratio has a significant effect on firm value with corporate social responsibility as a moderating variable.

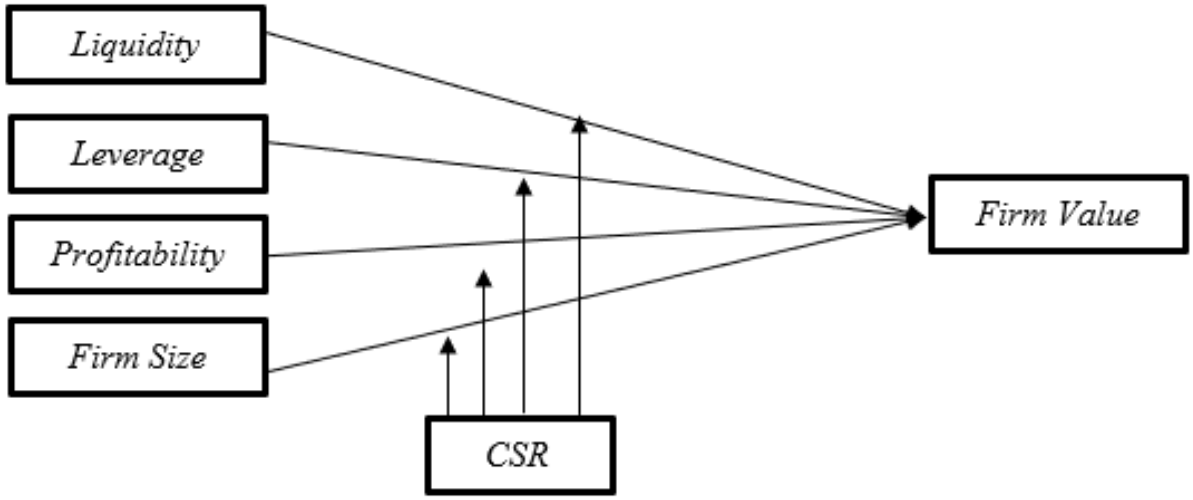


Figure 1. Conceptual Framework

3. RESEARCH METHOD

3.1. Type of Research

This research are using financial reports as liquidity, leverage, profitability and firm size on a company. This research also takes CSR data to serve as moderation. Quantitative research method is a research method that applies analysis techniques to data that has been collected where the data is used to answer various problem formulations that have been created or used to test hypotheses that have been prepared in a study. Usually use statistical methods in analyzing available data (Khaeltisya et al., 2022). The dependent variable in this research is firm value which is measured by Tobin's q. Meanwhile, the independent variables are liquidity, leverage, profitability, and firm size with CSR as the moderating variable.

3.2. Data

In this research, the object studied is the LQ45 index. This research uses purposive sampling as a data collection method. Purposive sampling, namely a sample determination method by selecting several samples that are considered appropriate to the problem and research objectives in a population (Klar et al.,, 2019). The sample criteria for this research are company which already listed on Indonesia Stock Exchange (IDX) which have complete financial report data from 2017-2021 with financial reports ending every December 31, as well as annual reports on CSR activities which are reported to contain the data needed for this research, namely environment, human resources, community involvement, products, and customers.

3.3. Data Analysis

The panel data regression method is a combination of cross section and time series data which are used in this research. Based on the number of observations, balanced panel data are used in this research. Balanced panel data is the same number of observation data in each time series and cross section. Next, after collected all the data that is needed on this research, the next step is processed using the SPSS and EViews version 9 software applications.

Table 1. Variable Measurement

Variable Name	Formula	Source
Dependent Variable		
Firm Value	$\frac{Market\ Value\ Equity\ +\ Debt}{Total\ Assets}$	Huda et al. (2020)
Independent Variable		
Liquidity	$\frac{total\ assets\ t - total\ assets\ t-1}{total\ assets\ t-1}$	Grace et al. (2022)
Leverage	$\frac{Total\ Liabilities}{Total\ Assets}$	Mira, (2020)
Profitability	$\frac{Net\ Income}{Total\ Assets}$	Merrie Anne et al. (2022)
Firm Size	*Firm Size* = Ln (*Total Assets*)	Digdowiseiso et al. (2022)

Source: Author (2023)

4. RESULTS & DISCUSSION

4.1. Descriptive Results

The result of the statistical tests in Table 2, shows that an average liquidity value of 184.60771% was obtained, which shows that the more higher liquidity ratio of a company, the more company's liabilities covered by current assets, this can increase public trust. The leverage variable has an average value of 222.04584%, this shows that high leverage will improve economic performance which in the end can attract potential investors to invest. Then the variables profitability and company size have an average value of 7.59163% and 3,215.12723%, this statistical test are show two variables have an influence on company value due to increasing profits can maximize the value of a company's business profits. Apart from that, CSR has an average of 82.28395%. This shows that CSR can provide positive value for investors in companies that have concern for the environment and society.

Table 2. Descriptive Statistical Test Results

Variabels	N	Minimum	Maximum	Mean	Std. Deviation
TOBINSQ	135	0.76394	23.28626	2.21018	3.24273
LIQUID	135	0.23014	5.27233	1.84608	1.19129
DER	135	0.14472	16.07858	2.22046	2.80169
ROA	135	-0.05693	0.44675	0.07592	0.08400
SIZE	135	30.34288	35.08436	32.15127	1.31857
CSR	135	0.54167	1	0.82284	0.09906
Valid N (listwise)	180				

Source: Author (2023)

4.2. Chow Test

Based on the result of chow test in Table 3 which shows value of probability value are smaller than 0.05, the model selected to continue the research is using fixed effect model and will be carried out the Hausman test to determine the next model to be selected.

Table 3. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.81405	-26,103	0.0000
Cross-section Chi-square	135.08787	26	0.0000

Source: Author (2023)

4.3. Hausman Test

Referring to the result of Hausman test in Table 4, it shows that value of the probability obtained is 0.0042 and is smaller than 0.05, so the best model chosen is the fixed effect model.

Table 4. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.173684	5	0.0042

Source: Author (2023)

4.4. F Test Results

Referring to the above result of F test in Table 5, it mentioned that value of the F test probability is 0.000000, so we can conclude that the independent variables simultaneously or have a significance influence on the dependent variable.

Table 5. F Test Results

Dependent Variable	Statistik	Prob.	Conclusion
Tobin's Q	29.86388	0,000000	Signifikan

Source: Author (2023)

4.5. Determination Coefficient Test (R^2)

Referring to data test results in Table 6, it shows that the Adjusted R-square value is 0.869749, which this result is refer that the independent variable can explain the dependent variable by 86.9749%, while 13.0251% is explained by other variables which has not in this ongoing model.

Table 6. R Square Test Results

Dependent Variable	Adjusted R-squared	R-squared
Tobin's q	0.869749	0.899881

Source: Author (2023)

4.6. Hypotheses Testing

The results of the t test in Table 7, liquidity variable have a positive and significant effect on the dependent variable due to the more higher company's liquidity ratio can make the higher the company's liabilities covered by current assets can increasing public trust so that H_1 is accepted. For the leverage and profitability variables there have a positive and significant influence, this is due to high leverage will improve economic performance and increase which in the end can attract potential investors to invest and can maximize the company value on business profits so that H_2 and H_3 are accepted. Meanwhile, the firm size and CSR variables show that there is have insignificant influence on company value because when managing the capital structure there is a lack of optimality in company management, as well as an increase in spending on social activities carried out by the company causing the capital structure value to decrease. Hence, H_4 and H_5 are rejected.

Table 7. Test Results t

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
(*Constant*)	34.22224	20.92486	1.635482	0.1050	
LIQUID	0.925605	0.308380	3.001504	0.0034	Significant positive
DER	0.373002	0.159564	2.337630	0.0213	Significant positive
ROA	18.64777	4.573206	4.077615	0.0001	Significant positive
SIZE	-1.103497	0.671448	-1.643458	0.1033	Not significant
CSR	-0.590464	2.696740	-0.218955	0.8271	Not significant

Source: Author (2023)

A regression model can be formed based on the value of the regression coefficient (Coefficient), namely:

Firm Value = 34.22224 + 0.925605 Liquidity + 0.373002 Leverage + 18.64777 Profitability - 1.103497 Firm Size - 0.590464 CSR+ e

The constant value of the firm value variable is 34.22224, which means that in conditions where the independent variable value is zero, the firm value is 34.22224.

4.7. Moderation Test Results

Table 8. Liquidity Variable Moderation Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-2.804115	5.009489	-0.559761	0.5766
LIQUID	0.732193	1.671294	0.438099	0.6620
CSR	5.361804	5.843618	0.917549	0.3605
LIQUID_CSR	-0.515740	2.098852	-0.245725	0.8063

Source: Author (2023)

Referring to results in Table 8, we can see that the probability value of LIQUID*CSR moderation is 0.8063 with coefficient value is -0.515740, so it can be assumed that the LIQUID*CSR variable does not moderate the firm value variable and weakens the relationship between liquidity variable and firm value due to probability value above 0.05 and the coefficient is negative.

Table 9. Leverage Variable Moderation Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.130233	2.857271	2.145485	0.0342
DER	1.293295	1.817856	0.711440	0.4784
CSR	-4.619343	3.666681	-1.259816	0.2105
DER_CSR	-1.539069	2.222276	-0.692564	0.4901

Source: Author (2023)

Referring to result in Table 9, we can see the probability value of DER*CSR moderation is 0.4901 with coefficient value is -1.539069, so it can be assumed that the variable from DER*CSR does not moderate the firm value variable and weakens the relationship between the leverage variable and firm value due to probability value above 0.05 and the coefficient is negative.

Table 10. Profitability Variable Moderation Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.080364	3.153023	-0.659800	0.5108
ROA	97.27533	31.09531	3.128296	0.0023
CSR	3.466547	3.823944	0.906537	0.3667
ROA_CSR	-96.75890	39.33927	-2.459601	0.0155

Source: Author (2023)

Referring to result in Table 10 shows that probability value of the ROA*CSR model is 0.0155 with coefficient value is -96.75890, it can be assumed that the variable of ROA*CSR models the variable of firm value, but the relationship is very weak between profitability and firm value due to the value of probability is below 0 .05 and coefficient is negative.

Table 11. Variable Firm Size Moderation Test Results

Variablel	Coelfficielnt	Std. Elrror	t-Statistic	Prob.
C	85.20562	91.20754	0.934195	0.3523
SIZEl	-2.512016	2.932013	-0.856754	0.3935
CSR	-46.17782	102.3414	-0.451214	0.6528
SIZEl_CSR	1.348847	3.285703	0.410520	0.6823

Source: Author (2023)

Referring to results in Table 11, probability value of the SIZE*CSR model is 0.6823 with coefficient value is 1.348847, it can be assumed that the SIZE*CSR variable does not model the firm value variable and strengthens the relationship of the firm size variable and firm value due to the probability value above 0.05 and a positive coefficient.

4.8. Discussion

From the tests carried out, results of this research show that the significance level of the liquidity variable is 0.0034 with a regression coefficient value are 0.925605 hence this research are concluded liquidity variable has a positive effect and significant influence on firm value. The results also show if a company using existing assets to pay off all short-term debt this mean the company have the ability, and this will have attracted the attention of investors so that it is able to increase the company value itself (Uli, Ichwannudin et al., 2020; Mahardikari, 2021).

From the tests carried out, this research show that the significance level of variable is 0.0213 with regression coefficient value are 0.373002, so this research assumed liquidity variable has a positive effect and significant influence on firm value. The results show that high leverage on a company is treated as a positive signal for the potential investor and for the market. This is because high leverage is indicated as companies that apply the trade of theory concept are companies whose capital structure comes from debt and are still profitable where the use of debt is an appropriate alternative. However, on few cases increase in debt will reduce company value because the benefits obtained from using debt are smaller than the costs incurred (Mira, 2020; Shakila Putri et al., 2021).

From the tests carried out, the results of this research show a level of significance for the profitability variable is 0.0001 with a correlation coefficient value 18.64777 so this result can be concluded that profitability variable has a positive effect and significant influence on firm value. The results of this research show that a company's profitability or high level of profit indicates the good prospects company so hence can attract the attention of investors to buy company shares which indirectly creates demand for more shares which in the end will increase the company shares itself (Anni'Mah et al., 2021; Shakila Putri et al., 2021).

From the tests carried out, this research shows a significant level for firm size variable are 0.1033 with correlation coefficient value -1.103497 so that can assume that the firm size variable has an insignificant influence on firm value. This research states the reason that company size doesn't affect company value. A big size of company also didn't guarantee can make a company become a high company value. This is because larges companies not so dare for make a new investment related to expansion, as the company's debts are yet paid off (Nurmalitasari et al., 2022).

From the modeling tests carried out above, it shows that Liquid*CSR, Leverage*CSR, and

Size*CSR didn't have any effect on the investment variable to the firm value variable because their probability values are not above 0.05. Meanwhile, only one model partially affects the dependent variable, namely Profitability*CSR with a total probability value of 0.0155 and the coefficient value are -96.75890 so it can be concluded that the variable of ROA*CSR modifies the variable of firm value, but the relationship is weak between the variable of profitability and firm value due to probability value is below 0.05 and the coefficient is negative. This research shows variable corporate social responsibility only have partially affect the relationship between financial ratios and firm value (Handayati et al., 2022).

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

Based on the research results that have been obtained, the following are the conclusions drawn by the researcher that liquidity has significant influence on firm value. This research result shows that the significance level liquidity variable value on 0.0034. This are showing that a company have ability to pay off its debts using existing assets positively and significantly influences company value. Leverage has significant influence on firm value. This research result shows significance level leverage variable on 0.0213. With short-term and long-term debt owned by the company, company management is asked to focus more on managing company and generating profits to pay off these debts. Leverage has a significant influence and positive effect on company value. Profitability has significant impact on firm value. This research results show the significance level of the profitability variable is 0.0001. A high level of profit indicates good prospects for the company, which in turn attracts investors to buy shares in the company. This indirectly increases company value. Firm size does not have a significant influence on company value. The research shows that the firm size variable is not significant in influencing firm value. Large company size does not show that it also has great company value, because large companies are reluctant to creating new investments or pay off their debt. Financial ratios do not have a significant influence on firm value, with CSR as moderation variable. This research results show financial ratio variable is not significant in influencing firm value when CSR is used as moderation. However, there is one variable that partially moderates relationship between ROA and firm value. This result are shows CSR only partially moderates relationship between financial ratios and firm value.

5.2. Limitations

In this article there are limitations in using variables so the author can add more variables, such as corporate governance so that other researchers can use them as references. Apart from that, the author can also use other companies to be studied in this research and does not only need to use LQ45.

5.3. Suggestions

Researchers offer both academic and practical recommendations to enhance the understanding and application of financial and corporate governance factors affecting firm value. Academically, it is suggested that future studies delve deeper into how liquidity, leverage, profitability, firm size, financial ratios, and Corporate Social Responsibility (CSR) interact to influence a firm's market valuation. It is advisable to broaden the scope of research to include a more diverse set of companies beyond the LQ45 index, which would provide more generalized and robust findings.

From a practical standpoint, management teams are encouraged to closely monitor and understand financial ratios since they are pivotal in determining a firm's value. Additionally, the strategic implementation of CSR practices is recommended not only as an ethical imperative but also as a means to positively modulate the impact of financial ratios on firm value. Companies are urged to tailor their management of financial ratios and CSR initiatives to align with their specific operational conditions and overarching strategies. By doing so, they can not only enhance their value but also solidify the synergy between financial performance and responsible corporate conduct.

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