



THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY, PROFITABILITY, AND LEVERAGE ON FIRM VALUE WITH FIRM SIZE AS A MODERATING VARIABLE

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Abstract

This study examines the moderating effects of CSR, profitability, and leverage on firm value and the impact of firm Size in moderating these effects. In this quantitative research, the purposive sampling technique determined 22 energy-related companies listed on the Indonesia Stock Exchange during the 2019-2022 period. Partial least squares were used to analyze the data in this study, with analysis performed in SmartPLS 3.0. This study concludes that CSR and firm Size do not affect substantial value, but profitability and leverage positively and significantly affect significant value. Firm Size as a moderating variable successfully moderates the effect of CSR and power on firm value but cannot reconcile the impact of profitability on solid value. The implications of this study's result for companies are substantial since they may be used to investigate and address the factors that affect significant value as reflected by stock prices.

Keywords: Corporate social responsibility, profitability, leverage, firm value, firm Size

INTRODUCTION

The Indonesia Stock Exchange is implementing a new stock sector classification in line with economic development so that all companies can be specifically classified. The Jakarta Stock Industrial (JASICA) stock sector classification change to the IDX Industrial Classification (IDX-IC) shows that business competition among companies is getting tougher. Companies must increase the firm value to gain investors' trust in the firm's performance.

Appreciating a firm's worth is a significant factor in an investor's decision-making process. The value of a firm may be measured by tracking its stock price. A firm's share price reflects the wealth of its shareholders. High firm value is consistent with a high share price, providing wealth for shareholders, as stated by Fajriah et al. (2022). An increase in a firm's stock price is encouraging to would-be financiers.

To survive and have a sustainable business, the increasingly competitive business environment requires companies to focus not only on economic aspects to earn profits. The sustainable growth of the firm's value is guaranteed if the company also pays attention to social and environmental elements (Sabatini & Sudana, 2019). Corporate social responsibility practices reflect that the company is fully aware of its responsibility towards all parties associated with the company. Corporate social responsibility can be used as the firm's competitive advantage, which adds value.

When it comes to their daily operations, businesses in the energy industry have a direct influence on the environment. Environmental damage and social upheaval might result if the corporation does not prioritize sustainable environmental management. Nevertheless, companies in the energy industry still need to incorporate CSR as a practice completely. The Mining Advocacy Network's (JATAM) 2020

year-end report backs this up, detailing the 45 mining-related disputes that occurred that year, 22 of which included pollution and environmental harm. There were 11 mining disputes in 2019; this is a significant rise (jatam.org, 2021). Companies in the energy industry need to gain a higher awareness of the importance of corporate social responsibility (CSR) practices for the environment and society, contributing to the enormous environmental effect of mining activities.

Another phenomenon related to low awareness of corporate social responsibility implementation occurred at PT Bukit Asam Tbk, which received an administrative sanction from the Ministry of Environment and Forestry (KLHK) in 2021. PT Bukit Asam Tbk (PTBA) received the sanction based on community findings and reports regarding the Kiahah River, which was polluted due to PTBA's coal mining operations. In addition, the Tanjung Enim Steam Power Plant (PLTU), managed by a subsidiary of PTBA, also received a red PROPER in environmental management from the Ministry of Environment and Forestry (rmolsumsel. id, 2022). These losses will likely encourage companies to play an active role in improving social well-being and disclose information related to corporate environmental responsibility.

Disclosure of the company's CSR effort in the annual report may boost the company's credibility with investors and appease the concerns of other interested parties. Because they demonstrate the company's dedication to resolving social and environmental issues brought on by its economic activity, excellent and sustainable CSR practices may raise the firm's worth to investors. Damayanthi's (2019) study shows that corporate social responsibility increases firm value. This research shows that the more a firm commits to CSR, the more positive its image is in the eyes of shareholders. This research shows that the more a company's commitment to CSR, the more positive its image in the eyes of shareholders. Similar findings were found in studies by Sari Priantinah (2018) and Fajriah et al. (2022), lending more credence to the findings of the current investigation. However, Pohan et al. (2018) and Sabatini Sudana (2019) find that CSR reduces a firm's market worth.

Investors use a variety of metrics to determine a company's worth, and profitability is a key one. The profitability of a business is a significant factor in determining its worth. It measures how well the company is managed regarding its ability to earn profits. Return on assets (ROA) is a metric used to evaluate a company's profitability by revealing how efficiently its assets are exploited to create earnings. Investors seek companies with a high return on asset (ROA) since this often results in a higher share price for the business overall Aprilia & Wahjudi (2021).

The Covid-19 virus pandemic in early 2020 significantly impacted the economy, especially in the energy sector. All community and industrial activities were reduced due to the policies that limited people's activities to staying at home. This condition caused a drastic decrease in energy consumption, followed by decreased production activities. The COVID-19 virus pandemic has put significant pressure on the company's operational activities and the financial situation of the energy sector companies, so the profits earned by the company have also decreased.

Some energy sector companies have experienced a significant decrease in net profit. It became a phenomenon that underlies the relationship between profitability and firm value. A substantial reduction in net profit impacts decreasing investor interest in investing in energy sector companies. It is supported by the Ministry of Energy and Mineral Resources statement that investment in the energy and mining sector in 2020 decreased by 26.5% compared to the previous year (Nugroho & Muhyiddin, 2021). Below are some energy sector companies that experienced a significant decrease in net income.

| Listed Company Code | Net Profit | | Decrease (%) |
|---------------------|---------------------|---------------------|--------------|
| | 2019 | 2020 | |
| ADRO | USD435.002.000 | USD158.505.000 | 63,56% |
| ITMG | USD126.502.000 | USD37.828.000 | 70,11% |
| PTBA | Rp4.040.394.000.000 | Rp2.407.927.000.000 | 40,40% |
| RAJA | USD6.337.402 | USD2.523.413 | 60,18% |
| TPMA | USD8.239.249 | USD2.085.091 | 74,69% |
| TCPI | Rp269.489.000.000 | Rp57.730.000.000 | 78,58% |

Source: Financial Statements of Energy Sector Companies for 2019-2020 (2023)

Profitability has a favorable and considerable impact on business value, according to studies by Fajriah et al. (2022). More investors may be interested in investing if there is a higher likelihood of profit. The value of the business benefits from this as well. The findings are consistent with those of Sari Priantinah (2018) but contradict those of Lastanti and Salim (2018), who found no relationship between profitability and firm value.

Among the most important metrics for investors is the leverage ratio of a company. Leverage, as defined by Mahendra & Sahibuddin (2022), is the strategic use of debt to boost a firm's profits to the point that those profits are a critical factor in determining the firm's value. The debt-equity ratio (DER) demonstrates a company's indebtedness and capacity to satisfy its financial commitments. Investors will demand a greater rate of return if the firm's leverage ratio is high.

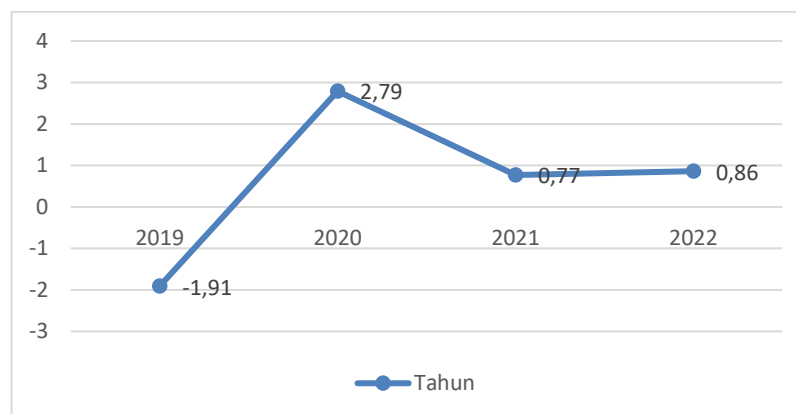


Figure 1 Debt-Equity Ratio of Energy Sector Companies Listed on the Indonesian Stock Exchange for 2019-2022

Source: Annual Report IDX Statistics for 2019-2022 (2023)

Figure 1 above shows that from 2019 to 2022, the debt-energy sector companies' ratio (DER) of energy saw a significant increase and decrease. The total value of the debt-equity ratio (DER) of energy

sector companies in 2019 experienced a negative value of 1.91 times, indicating that the company's accumulated losses exceeded the accumulated equity. It shows that energy sector companies have a fragile security in terms of financing, which can reduce investors' trust in the firm's value for the expected risk and return.

Mahendra and Sahibuddin (2022) find that leverage has a significant beneficial impact on firm value. The firm value may rise in response to increased earnings made possible by the prudent use of debt. Mudjijah et al. (2019) provide more support for the findings of this research. Astari et al. (2019) and Dayanty and Setyowati (2020) find that leverage reduces a firm's value.

Firm Size is one of the critical factors in firm performance that can affect firm value. Firm size refers to an enterprise's large or small scale, which can be expressed in terms of total assets, total revenue, or equity (Ningsih & Waspada, 2019). To increase firm value, large companies find it easier to gain the confidence of creditors and investors to finance the company's operating activities.

Companies sector energy listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022 are the focus of this study. Energy sector companies play a crucial part in the country's economy, as the energy produced is used as a resource to support economic activities and the basic needs of society. Researchers are motivated to investigate company value by the discrepancy between study findings and various occurrences encountered by organizations in the energy industry. Many studies have been done on the firm value, but the results are only sometimes consistent. For this reason, it is essential to undertake new studies that build on the findings of the old ones.

LITERATURE REVIEW

Signaling Theory

Michael Spence's "Job Market Signalling" study is where the concept of a signal was initially established. The transmitter (the information's owner) makes an effort to deliver a signal that the recipient can utilize, according to Spence (1973). The receiver will act based on the signal's interpretation. Signal theory explains increasing a company's worth through transparent reporting.

Stakeholder theory

Freeman (1984) was the first to establish the concept of stakeholders, who defined a stakeholder as anyone with a direct or indirect interest in the success of an organization. According to stakeholder theory, businesses must consider the needs of their constituents and offer them value in exchange for the attention they provide to their interests. One factor that management takes into account is the stakeholder community's input whenever new data is released. It demonstrates how crucial it is for the firm to have the backing of its stakeholders if it is to survive.

Legitimacy Theory

Legitimacy theory was first introduced by Dowling & Pfeffer (1975), who explained that organizational legitimacy is the result of a process of adaptation between the social values concerned and the norms prevailing in the social system of which the organization is a part. This idea defines the firm's responsibility to the surrounding community to ensure that society accepts the firm's actions and results. To gain legitimacy, societal acceptance of a firm's compliance with societal norms and values is essential. The community's acceptance of the firm's adherence to societal norms and values is crucial to the enterprise gaining legitimacy.

Firm value

The maximization of company value is the standard for each commercial venture. To maximize business value, one must maximize the discounted value of all future rewards to shareholders (Sudana, 2015:9). An investor's assessment of a company's prospects, as represented in the stock price, constitutes its worth. Shareholder's net worth is reflected in the market price of the company's stock.

Corporate Social Responsibility

Sustainability in economic, social, and environmental responsibility to society, the environment, and stakeholders is at the heart of corporate social responsibility (CSR) (Sabatini & Sudana, 2019). Corporate social responsibility (CSR) is crucial for long-term success. Crowther and Aras (2001:14) identify sustainability, accountability, and transparency as three fundamental elements of corporate social responsibility.

Profitability

Profitability is a ratio that measures the company's ability to earn profits from sales, total assets, and own capital (Sartono, 2017:122). The term "profitability" refers to a firm's ability to provide a return on investment to its shareholders via the prudent use of its resources. Ultimately, the firm's ability to turn a profit will determine whether it can remain in business. Investors utilize a firm's profitability to foretell future returns on their investment.

Leverage

A firm may use leverage by using its assets and capital to pay for ongoing expenses to maximize returns to investors (Sartono, 2017, p. 257). The leverage ratio evaluates how much debt a firm carries and how it is financed. It demonstrates how leverage affects the degree of risk and rewards a firm may expect from its financial choices. Investor confidence in a firm's value is influenced by its amount of leverage. Investors will demand a greater rate of return if more debt is utilized.

Firm Size

Measures of the firm Size often reflect all the resources the company has. The Size of a company may be determined by calculating its total assets, total revenue, or total equity. Latief (2019) argues that a large firm size indicates successful development and expansion and, hence, a rise in firm value.

METHOD

This research uses quantitative research methods to know the connections between variables. The object of this research is energy sector companies listed on the Indonesia Stock Exchange for 2019 through 2022. Secondary data comes from the annual reports through the official Indonesia Stock Exchange and energy company's websites. Purposive sampling was utilized in this experiment for its methodical approach. There are 22 energy sector companies in the sample. This study used Smart PLS 3.0 to conduct a Partial Least Square (PLS) analysis. Partial Least Square (PLS) is a three-stage analytical process consisting of an outer model analysis, an inner model analysis, and a hypothesis test.

This study uses corporate social responsibility, profitability, and leverage as independent variables, firm value as dependent variables, and firm Size as moderating variables.

Table 1 Variables and measurement

| No. | Variable | Measurement |
|-----|---|---|
| 1. | Corporate Social Responsibility (X_1) | The Global Reporting Initiative Generation 4 (GRI G4) is the measurement standard. Measurement uses dummy variables; score one if the item is disclosed and score 0 if the item is not disclosed. $CSRI_j = \frac{\sum X_{ij}}{n_j}$ $CSRI_j$ = Corporate Social Responsibility Index Company j $\sum X_{ij}$ = Total score of items disclosed by company j n_j = Number of CSRI disclosure items CSRI, $n_j \leq 91$ |
| 2. | Profitability (X_2) | Return on Asset = $\frac{\text{Earning after taxes}}{\text{Total asset}}$ |
| 3. | Leverage (X_3) | Debt-Equity Ratio = $\frac{\text{Total debt}}{\text{Total equity}}$ |
| 4. | Firm Value (Y) | Tobin's Q = $\frac{\text{Market Value Equity} + \text{Total Debt}}{\text{Total Asset}}$ |
| 5. | Firm Size (Z) | Firm Size = LN (Total Asset) |

RESULTS AND DISCUSSION

Partial Least Square (PLS) analysis was conducted using SmartPLS 3.0 software for data analysis and hypothesis testing in this investigation. The results of the PLS-Algorithm used in this analysis are shown in the figure below:

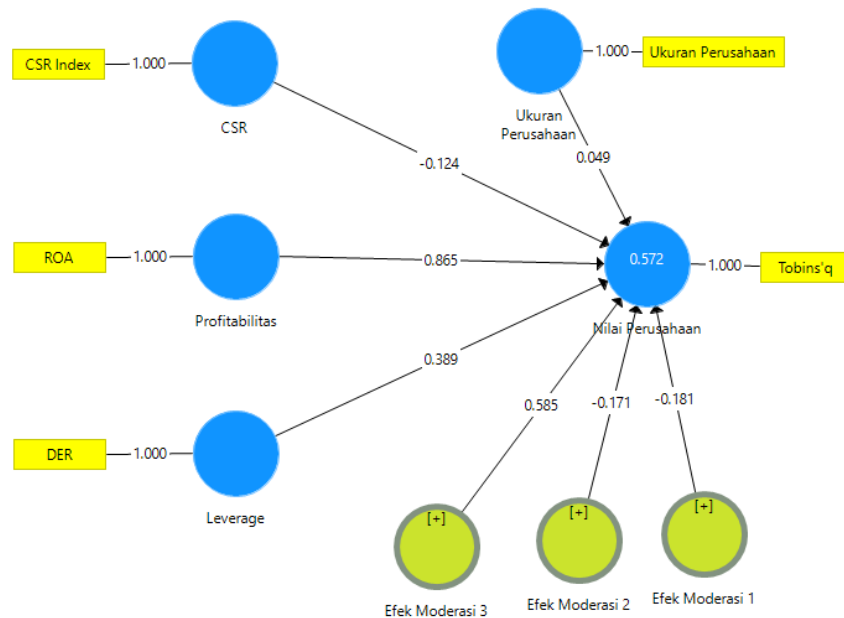


Figure 2 Output of the PLS-Algorithm

Source: SmartPLS 3.0 Processing Results

Outer Model

Convergent Validity Test

Table 2 and Table 3 show that all variables have Average Variance Extracted (AVE) values larger than 0.5 and factor loading values greater than 0.70. The results of this examination indicate that all the indicators used in this research meet the convergent validity requirements and may be used in further analyses.

Table 2 Convergent Validity Test Results

| | X1 | X2 | X3 | Y | Z | X1*Z | X2*Z | X3*Z |
|------|-------|-------|-------|-------|-------|-------|-------|------|
| X1 | 1.000 | | | | | | | |
| X2 | | 1.000 | | | | | | |
| X3 | | | 1.000 | | | | | |
| Y | | | | 1.000 | | | | |
| Z | | | | | 1.000 | | | |
| X1*Z | | | | | | 1.025 | | |
| X2*Z | | | | | | | 0.993 | |

Source: SmartPLS 3.0 Processing Results

Table 3 Average Variance Extracted (AVE) Value

| | Average Variance Extracted (AVE) |
|----|----------------------------------|
| X1 | 1.000 |

| | |
|----|-------|
| X2 | 1.000 |
| X3 | 1.000 |
| Y | 1.000 |
| Z | 1.000 |

Source: SmartPLS 3.0 Processing Results

Discriminant Validity Test

Table 4 Discriminant validity test result

| | X1*Z | X2*Z | X3*Z | Z | X1 | X2 | X3 | Y |
|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| X1*Z | 1.000 | | | | | | | |
| X2*Z | 0.187 | 1.000 | | | | | | |
| X3*Z | -0.028 | 0.035 | 1.000 | | | | | |
| Z | 0.098 | 0.118 | -0.084 | 1.000 | | | | |
| X1 | -0.174 | 0.022 | -0.015 | 0.108 | 1.000 | | | |
| X2 | 0.021 | 0.410 | -0.152 | 0.245 | 0.129 | 1.000 | | |
| X3 | 0.140 | -0.061 | -0.526 | 0.130 | 0.060 | -0.227 | 1.000 | |
| Y | -0.129 | 0.145 | 0.081 | 0.226 | 0.039 | 0.635 | -0.045 | 1.000 |

Source: SmartPLS 3.0 Processing Results

Table 4 shows that all indicators have cross-loading values higher than 0.7, and each indicator has a more considerable cross-loading value on its latent variable than on any other latent variable. Since all indicators in this research met the discriminant validity requirements, they may all be used in further analyses.

Reliability test

Table 5 Cronbach's Alpha dan Composite Reliability Value

| Indicator | <i>Cronbach's Alpha</i> | <i>Composite Reliability</i> |
|-----------|-------------------------|------------------------------|
| X1*Z | 1.000 | 1.000 |
| X2*Z | 1.000 | 1.000 |
| X3*Z | 1.000 | 1.000 |
| Z | 1.000 | 1.000 |
| X1 | 1.000 | 1.000 |
| X2 | 1.000 | 1.000 |
| X3 | 1.000 | 1.000 |
| Y | 1.000 | 1.000 |

Source: SmartPLS 3.0 Processing Results

It can be concluded that all variables have a high degree of reliability since all of Cronbach's alpha and composite reliability values are more than 0.7, as shown in Table 5.

Inner Model

Coefficient of determination (R-Square)

Table 6 R-Square Value

| | <i>R-Square</i> |
|------------|-----------------|
| Firm Value | 0.572 |

Source: SmartPLS 3.0 Processing Results

Table 6 shows that company value accounts for 0.572 (or 57.2%) of the total R-squared value. It means that CSR, profitability, leverage, and firm Size all have a role in determining a company's worth by a combined 57.2%, with the remaining 42.8% attributable to other factors.

Predictive relevance (Q-Square)

Table 7 Q-Square Value

| | <i>Q-Square</i> |
|------------|-----------------|
| Firm Value | 0.348 |

Source: SmartPLS 3.0 Processing Results

Table 7 above shows that the Q-square value for the firm value variable is 0.348. It indicates that the firm value variable has predictive relevance because the Q^2 value > 0 .

Hypothesis Test

Table 8 Results of Hypothesis Test

| Relationship between variables | <i>Path Coefficient</i> | T Statistics | P Values | Description |
|---------------------------------------|-------------------------|---------------------|-----------------|--------------------|
| X1 → Y | -0.124 | 1.618 | 0.106 | Rejected |
| X2 → Y | 0.865 | 6.629 | 0.000 | Accepted |
| X3 → Y | 0.389 | 2.595 | 0.009 | Accepted |
| Z → Y | 0.049 | 0.675 | 0.500 | Rejected |
| X1*Z → Y | -0.181 | 2.405 | 0.016 | Accepted |
| X2*Z → Y | -0.171 | 1.423 | 0.155 | Rejected |
| X3*Z → Y | 0.585 | 2.450 | 0.014 | Accepted |

Source: SmartPLS 3.0 Processing Results

Table 8 shows the results of testing many hypotheses. Four were confirmed, while three were disproved. Corporate social responsibility and firm Size do not affect firm value; profitability and leverage positively and significantly affect firm value. Firm Size weakens the relationship between corporate social responsibility and firm value, firm Size cannot moderate the effect of profitability on firm value, and firm Size strengthens the relationship between leverage and firm value.

The Effect of Corporate Social Responsibility on Firm Value

The study demonstrates that corporate social responsibility does not affect firm value. This data demonstrates that the value of energy companies listed on the Indonesia Stock Exchange between 2019 and 2022 participating in CSR disclosure does not suffer. Companies in the energy sector still need to disclose more about their CSR activities, partly because the data they do disclose does not meet the Global Reporting Initiative (GRI) G4 standards, which were used as a reference for the measurement indicators in this study.

Spence's (1973) signal theory, which claims that the information's owner seeks to deliver a signal containing important information so that the receiver may utilize it, is at odds with the findings of this research. This theory explains that a signal given is intended to help signal recipients make the right decision. Investors do not interpret corporate social responsibility information companies disclose through annual reports as a relevant signal for investment decisions. It is reflected in the absence of an increase in firm value.

This research's findings align with those of Lastanti & Salim (2018) and Rasyid et al. (2022), who also concluded that CSR had no impact on the firm value. Even though Damayanthi (2019) and Fajriah et al. (2022) find that CSR increases firm value, the findings of this study contradict those findings.

The Effect of Profitability on Firm Value

This research shows that profitability significantly and positively affects a firm's value. Profitability measures how efficiently a business turns its inputs into profit. In addition, if investors are confident in the return they may get on their investment, they will be more likely to put money into the business, which can boost its value.

The findings of this study are consistent with the signal theory proposed by Spence (1973), which emphasizes the significance of sharing information that might boost a firm's value. As a result, businesses are incentivized to tell their investors all they know about how profitable they expect to be. This study is backed by Freeman's (1984) legitimacy theory, which argues that businesses should look out for themselves and give back to the communities in which they operate. Investors are more likely to put money into a firm that has a high profitability value because they know their money is safe.

Welly et al. (2019) and Mahendra & Sahibuddin (2022) also discovered that profitability positively and significantly affects firm value; therefore, our findings are consistent with the research's. This study's findings contradict those of Gaffar Rafid et al. (2017) and Lastanti & Salim (2018), who found no correlation between profitability and firm value in their research.

The Effect of Leverage on Firm Value

This research demonstrates that leverage does increase the value of a company. For energy businesses trading on the Indonesia Stock Exchange over 2019–2022, the larger the value of their leverage, the better. Leverage can affect firm value because the company's use of debt aims to increase profits, which can be achieved through operational improvements. The company's success in using debt efficiently and effectively can reduce the risk of default and attract investors' interest. According to Noor (2014), investors prefer companies with high leverage because it can increase the expected return on investment (profit).

Freeman's (1984) stakeholder theory supports the conclusions of this research, which posits that stakeholders' approval is crucial to the firm's long-term viability. Creditors provide a company with more capital, which is utilized to expand operations and boost profitability. The worth of a corporation might rise if its earnings rise, which lowers the risk of loss for creditors and boosts returns for shareholders. Spence's (1973) signaling theory is also consistent with the findings of this study. A positive indicator is the inclusion of leverage data in the yearly report. When a firm's leverage rises, its leaders have effectively maximized value for shareholders via the prudent use of debt while minimizing risk.

This study's conclusions that leverage positively and significantly affects firm value align with those of Mudjjah et al. (2019) and Mahendra and Sahibuddin (2022). This study's findings contradict those of Astari et al. (2019) and Dayanty and Setyowati (2020), who found that more leverage reduces a firm's value.

The Effect of Firm Size on Firm Value

This study's findings disprove the hypothesis that a firm's value is proportional to its Size. It suggests that during 2019-2022, investors in Indonesian firms in the energy industry were unaffected by the firm Size. When making investment choices, investors do not consider a company's Size (as measured by its total assets). The company's assets might be a hindrance if management cannot use them to boost operations. Firm Size is irrelevant to how investors evaluate a firm since large companies are often thought to have promising futures, but tiny companies may have bright futures.

Brigham & Houston (2001:30) proposed a hypothesis called "signaling theory," which states that investors may learn about management's outlook on the business based on the firm's signal. It is not enough for investors to know that a vast firm has many assets to invest in to be sure that they will earn a high rate of return. Moreover, a firm's Size has little bearing on its perceived worth among investors since there is no assurance that the firm is in a secure financial position.

The study's findings are congruent with those found in Mudjjah et al. (2019) and Junardi (2019), demonstrating that company size does not impact the firm value. This study's findings contradict those of Ningsih & Waspada (2019) and Dayanty & Setyowati (2020), all of whom found that company size positively correlates with firm value.

Firm Size Moderates the Effect of Corporate Social Responsibility on Firm Value

This research demonstrates that firm Size significantly and negatively moderates the impact of CSR on firm value. This data demonstrates that the correlation between CSR and company value declines as companies grow. As a result, investors are less likely to react favorably to CSR disclosure by a corporation the more prominent the firm is. Because of the widespread effects of a firm's operations, it has an equally broad obligation to engage in corporate social responsibility. Companies

must devote substantial resources to CSR practices to positively influence society and the environment. Furthermore, management must be able to employ the firm's overall assets correctly for the firm's primary operational operations to run smoothly. The company's value might suffer if this situation causes investors to have second thoughts or pay less attention to the projected profits.

These findings are consistent with the legitimacy hypothesis proposed by Dowling & Pfeffer (1975), which holds that a firm's Size positively correlates with the degree to which it conforms its behavior to the social norms and values of the society in which it operates. Giant corporations are more obligated to exercise corporate social responsibility to conform to societal norms and standards. Spence's (1973) signal theory, which claims that the information's owner strives to deliver a signal containing important information so that the receiver may utilize it, is also consistent with the findings of this research. The news may be positive or negative for the company, affecting its stock price. This research found that when a firm discloses its CSR practices, investors see this as a negative signal (bad news), leading to lower investment demand and a subsequent reduction in its perceived worth.

The findings of this study are similar to those of Pohan et al. (2018) and Sugiyanto et al. (2021), that the firm's Size may mitigate the influence of CSR on business value. This study's findings are at odds with those of Junardi (2019) and Rasyid et al. (2022), who found that firm Size had no impact on CSR's impact on valuation.

Firm Size Moderates the Effect of Profitability on Firm Value

This study demonstrates that a firm's ability to earn profits and improve its perceived worth to investors is unaffected by its Size. It is known that the path coefficient is optimistic based on the results of testing the hypothesis of the effect of profitability on firm value. This condition indicates that profitability has a positive impact on firm value. However, the results of the hypothesis testing the effect of profitability on firm value added by firm Size as a moderating variable show that the path coefficient is negative.

It shows that the results are opposite to the test of the effect of profitability on firm value, such that the effect of profitability on firm value cannot be influenced by firm Size. The ability of management to extract maximum value from a firm's resources is not a given, regardless of size, nor is the converse always true for smaller businesses. This circumstance does not lead investors to evaluate a company's profitability about its Size.

The study's results differ from Dowling & Pfeffer's (1975) legitimacy theory, which states that the larger a company is, the more social and political support it will receive. Large companies have yet to be able to increase investor trust in using all owned assets to earn profits so that it does not affect investor's decisions to invest in a company.

Research conducted by Dayanty and Setyowati (2020) and Fitria and Irkhani (2021) states that the results are consistent with this study, proving that firm Size cannot moderate the effect of

profitability on firm value. However, the results of the need study do not follow the research of Mudjijah et al. (2019) and Astari et al. (2019), which state that firm Size can moderate the effect of profitability on firm value.

Firm Size Moderate the Effect of Leverage on Firm Value

Based on these findings, firm Size is one of the variables that might moderate the correlation between leverage and firm value. It indicates that a stronger relationship between leverage and firm value exists the more prominent the firm. Large corporations often use debt to fund corporate expansion and improve profits. Profits may be maximized thanks to management's careful and effective debt utilization. More buyers might be attracted to the stock because of the more significant expected return, increasing the trading volume and the stock price.

The findings of this study are consistent with the legitimacy hypothesis proposed by Dowling and Pfeffer (1975). According to this theory, public and political support for a firm grows in proportion to its Size. Due to the widespread acceptance of their presence, large corporations can streamline their operations and maximize productivity. It helps the corporation pursue extra financing, which may be used to enhance the functioning of the business.

Welly et al. (2019) and Anjani & Yuliana (2023) also demonstrated that firm Size might mitigate the impact of leverage on firm value. Therefore, our findings are consistent with other's research. These findings contradict those of Astari et al. (2019) and Rasyid et al. (2022), who found that firm Size had no impact on the impact of leverage on firm value.

CONCLUSION

From the results of the analysis and discussion through tests carried out, it can be concluded that the capacity of the business to earn profits and the use of debt to raise earnings are significant concerns for investors. In addition, an investor's business analysis may be influenced by the firm's Size, particularly regarding the extent to which it engages in corporate social responsibility and uses leverage. However, investors do not consider a company's Size when determining the latter's profit potential. Companies in the energy sector may use the study's research data to identify the aspects that can grow and decrease the firm's value. It is how businesses sustainably thrive over the long run by keeping and increasing their worth in the eyes of investors.

Several limitations include the limited sample size and the fact that only some organizations publish CSR in annual reports compliant with the GRI G4 standard. Therefore, future studies are encouraged to include alternative indicators and other factors practically equivalent to the dependent variable in this study. More samples and a longer observation time may be used in future studies to improve the quality of the collected data.

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