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**THE EFFECT OF CSR ON COMPANY VALUE WITH PROFITABILITY AS A  
MODERATION VARIABLE IN THE PRIVATE BANK SECTOR ON THE IDX  
FOR THE 2021-2023 PERIOD**



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**Abstract**

This study aims to assess how Corporate Social Responsibility (CSR) impacts increasing company value, as well as exploring whether the level of profitability can strengthen these relationships. This study focuses on private banks listed on the Indonesia Stock Exchange (IDX) in the period from 2021 to 2023. The method used is quantitative with an interaction regression analysis approach (moderation), and the data processing process is carried out using IBM SPSS software version 22. CSR is measured through the ratio between funds allocated to social activities and overall operational expenses. Meanwhile, the company's value is represented by the Price to Book Value (PBV) ratio, and profitability is proxied by the Return on Assets (ROA). The results of the study show that separately, CSR and ROA do not have a significant impact on the company's value. However, when the two are combined, the influence is significant, indicating that profitability is able to strengthen the role of CSR in increasing company value.

**Keywords:** Corporate Social Responsibility, Corporate Value, Profitability

## INTRODUCTION

Private banking institutions play a strategic role in encouraging national economic development. In order to improve its image and strengthen its market position, many banks have adopted Corporate Social Responsibility (CSR) programs. However, the extent to which CSR is able to encourage an increase in company value is still a debate, especially if it is not accompanied by solid financial performance.

The level of profit earned by the company reflects its operational effectiveness as well as its ability to generate profits. Profitability is also believed to strengthen the influence of CSR on company value, making it a factor that plays a moderator in the market assessment of CSR.

However, the results of previous research have not shown uniform conclusions. For example, studies by revealed that CSR contributes positively and significantly to increasing the value of a company. On the contrary, the findings of CSR do not have a significant influence. These differences in results show that there are research gaps that need to be bridged, especially by considering the latest data and focusing on the private banking sector. (Sole et al., 2022) (Julian & Setiawati, 2024)

Taking into account the problems that have been described, this study is directed to examine the extent to which Corporate Social Responsibility (CSR) contributes to increasing company value. In addition, this study also evaluates whether profitability can function as a factor that strengthens or weakens the relationship. The focus of this research is on private banks listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023.

## REVIEW OF LITERATURE

### Stakeholder Theory

According to stakeholder theory, the company does not solely operate for internal interests, but is also responsible for making a positive contribution to all parties who have a connection with the company. In this framework, CSR functions as a form of communication as well as a form of corporate commitment to stakeholders (Prena & Muliyanan, 2020 in). Through the implementation of CSR, companies can build a positive image, increase customer loyalty, and establish long-term relationships that then encourage an increase in the company's valuation (Yusri, 2020); Zainal et al., 2024).

### Signaling Theory

Wiranata et al., 2023) According to (Brigham & Houston 2014 in), signaling theory describes how shareholders perceive the signals that a company provides for increased value through tangible actions such as CSR. Meanwhile, according to (Martono et al.), the signal was sent by the management through financial statements to show the company's condition to investors Yusri, 2020).

Sole et al., 2022) This information can be in the form of promotions or financial data that indicates the company's superiority over competitors (Andreas, 2021; 113 in (. However, the strength of such signals is greatly influenced by internal indicators such as profitability. If the company has high profitability, the CSR signal will be more trusted and appreciated by the market. Profitability here acts as a moderation variable, which reinforces or weakens the influence of CSR on the company's value.

## **Corporate Social Responsibility (CSR)**

Corporate social responsibility (CSR) is a form of corporate commitment to play an active role in creating sustainable development, taking into account economic, social, and environmental aspects in a balanced manner (Prayogo, 2011 in Puspaningsih et al., 2020). Based on Article 74 paragraph (1) of Law Number 40 of 2007, the implementation of CSR has become a legal obligation for companies. Although its implementation can increase the cost burden and reduce short-term revenue, CSR is considered to be able to strengthen the company's reputation and increase customer trust and loyalty (Kalsum, 2020 in (Julian & Setiawati, 2024).

Therefore, CSR has a strategic role in shaping a company's positive reputation and helping to encourage the increase in company value. In this study, the measurement of the level of CSR was carried out using the following formula: (Puspaningsih et al., 2020)

### **Company Values**

The value of the company can be interpreted as the amount that is willing to be paid by the party who wants to buy the company (Husnan, 2014 in Nurlela in, meanwhile, according to Nurlela in Sole et al. (2022), the value of the company describes the market value that reflects the optimal level of welfare for the shareholders through an increase in the share price. According to investor, making the company's value the main consideration in making investment decisions, because the higher the company's value indicates that the company has succeeded in meeting the expectations and welfare of its stakeholders. Wiranata et al., 2023) (Sole et al., 2022) (Elpanso & Humairoh, 2023).

In this study, Price to Book Value (PBV) is used as an indicator to assess the company's valuation. When the value of PBV is at a high level, it indicates that the company's share price in the market is greater than the value of its net assets, so the stock is considered to have a fairly high price or premium.

### **Profitability**

Profitability is a financial indicator used to measure a company's capacity to earn profits over a certain period (Ngurah et al., 2016 in Wiranata et al., 2023). According to Liani et al. (2024), profitability shows the extent to which a company is able to generate net profits for shareholders, while reflecting its effectiveness in carrying out operational activities. In addition, this ratio is also seen as an important element that can affect investor interest in a company. (Ambarwati & Riskawati, 2021 in Wiranata et al., 2023).

## **RESEARCH METHOD**

This study uses a descriptive quantitative approach to evaluate the impact of Corporate Social Responsibility (CSR) on company value, with profitability as a variable that moderates the relationship. The data analyzed is sourced from secondary documents, such as annual reports, financial statements, and sustainability reports from private banks listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period.

This study focuses its population on all private banks listed on the Indonesia Stock Exchange (IDX). The sample selection was carried out using the purposive sampling method based on certain criteria, namely: (1) private banks that consistently release annual reports and sustainability reports during the 2021–2023 period, and (2) have complete data related

to CSR, company value, and profitability. Based on these conditions, 17 companies were identified that met the criteria, resulting in a total of 51 observation data.

This study relies entirely on secondary data sourced from publicly available financial and sustainability reports. Thus, because it did not directly involve human participants, the study did not require additional ethical approval.

**Variable Measurement**

1. **CSR** is measured using the ratio between CSR costs and total company costs.

The formula used refers to the method of Nurlela (in Sole et al., 2022)

$$CSR = \frac{\sum CSR_i}{\sum Cost_i} \times 100\%$$

Information:

$$\sum CSR_i = \text{Total CSR Cost}$$

$$\sum Cost_i = \text{Total Operating Expenses}$$

2. **Profitability** is proxied by Return on Assets (ROA)

$$ROA = \frac{Laba\ Bersih}{Total\ Aset} \times 100\%$$

3. **Company Value** is measured using Price to Book Value (PBV)

$$PBV = \frac{Harga\ Saham}{Nilai\ Buku\ Per\ Lembar}$$

Data processing is carried out using IBM SPSS software version 22. Before carrying out regression analysis, the data first went through the classical assumption test stage, which included normality, multicollinearity, and autocorrelation tests. The main analysis method used is moderation regression, because this method is considered appropriate to test the effect of interaction between two independent variables, namely CSR and ROA, on the bound variable in the form of company value measured through PBV.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

**Table 1.**  
**Descriptive Statistical Test Results**  
**Descriptive Statistics**

|                       | N  | Minimum | Maximum | Mean   | Std. Deviation |
|-----------------------|----|---------|---------|--------|----------------|
| CSR                   | 35 | .01     | .89     | .1594  | .18702         |
| PBV                   | 35 | .09     | 2.59    | .9183  | .54745         |
| ROA                   | 35 | .04     | 3.25    | 1.2143 | .91154         |
| Valid N<br>(listwise) | 35 |         |         |        |                |

Source: data processed using IBM SPSS Version 22

From the results of the analysis, it is known that this study used 35 data samples. The average CSR value was recorded at 0.1594 with a standard deviation of 0.18702. For the PBV variable, the average value is 0.9183 with a standard deviation of 0.54745, while ROA has an average value of 1.2143 with a standard deviation of 0.91154.

**Classic Assumption Test**

Before proceeding to the regression analysis stage, a series of classical assumption tests were carried out first to ensure that the regression model used met the validity requirements.

**Normality Test**

**Table 2.**  
**Normality Test Results**  
**One-Sample Kolmogorov-Smirnov Test**

|                          |                | Unstandardized Residual |
|--------------------------|----------------|-------------------------|
| N                        |                | 35                      |
| Normal Parameters, b     | Mean           | .0000000                |
|                          | Std. Deviation | .43503212               |
| Most Extreme Differences | Absolute       | .147                    |
|                          | Positive       | .147                    |
|                          | Negative       | -.092                   |
| Test Statistic           |                | .147                    |
| Asymp. Sig. (2-tailed)   |                | .052c                   |

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: data processed using IBM SPSS Version 22

The normality test using the Kolmogorov-Smirnov test showed the value of Asymp. Sig. (2-tailed) is  $0.052 > 0.05$ , which indicates that the residual is normally distributed.

**Multicollinearity Test**

The multicollinearity test showed that the Tolerance value for CSR and ROA was at 0.913, while the VIF value was recorded at 1.096. These values indicate that no symptoms of multicollinearity were found among the independent variables used in this study model.

**Autocorrelation Test**

The Durbin-Watson value of 2.088, which is close to the neutral value of 2, suggests that the residuals in the regression model do not experience autocorrelation problems, so the assumption of error independence is met.

**Multiple Linear Regression Analysis**

The linear regression method, both in simple and multiple forms, is used to find out how much influence free variables have on bound variables. The results of the analysis are presented in the following table:

**Table 3.**  
**Multiple Linear Regression Analysis Results**  
**Coefficient**

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| Type         | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|--------------|-----------------------------|------------|---------------------------|-------|------|
|              | B                           | Std. Error | Beta                      |       |      |
| 1 (Constant) | .741                        | .162       |                           | 4.584 | .000 |
| CSR          | -.189                       | .503       | -.064                     | -.375 | .710 |
| ROA          | -.058                       | .153       | -.096                     | -.376 | .709 |
| CSR_ROA      | 1.142                       | .418       | .816                      | 2.735 | .010 |

a. Dependent Variable: PBV

Source: data processed using IBM SPSS Version 22

Regression analysis showed that CSR (-0.189) and ROA (-0.058) had no significant effect on PBV (p-value > 0.05). However, the interaction of CSR and ROA (CSR\_ROA) had a significant effect with a coefficient of 1.142, t-count 2.735, and a p-value of 0.010 (< 0.05).

These findings indicate that although CSR and ROA separately do not have a significant impact, the combination of the two actually strengthens the impact of CSR on company value, where ROA serves as a variable that moderates the relationship. Referring to the table above, the following form of regression equation is obtained:

$$\text{Equation 1 : } Y = a + b1 X1 + e$$

$$\text{Equation 2 : } Y = a + b1 X1 + b2Z + e = 0.741 - 0.189 X1 + 0.058 Z + 1.142 X$$

### Hypothesis Test

#### T Test (Partial)

Testing of the hypothesis was carried out using partial t analysis. The results showed that the contribution of CSR to the company's value was not proven to be significant, with a t-value of -0.375 and a p-value of 0.710 that exceeded the limit of 0.05. Likewise, ROA also did not have a significant direct effect, as shown by a t-value of -0.376 and a p-value of 0.709. Nevertheless, the interaction variable between CSR and ROA (CSR\_ROA) proved to be significant to the Price to Book Value (PBV), with a t-value of 2.735 and a p-value of 0.010 which was below the significance threshold. These findings confirm that profitability serves as a moderator variable that strengthens the relationship between CSR implementation and increased company value.

Thus, companies need to consider optimal profitability to maximize the benefits of CSR to increase the company's value. This means that the influence of CSR on PBV depends on the level of ROA, so profitability strengthens the relationship between CSR and company value.

### CONCLUSION

The results of this study reveal that the implementation of corporate social responsibility (CSR) by private banking institutions is not able to increase corporate value directly if it is not supported by stable financial conditions. The findings of the regression

analysis stated that CSR did not have a significant impact on the increase in the value of business entities, while the level of profit actually showed a significant positive effect. Furthermore, the relationship between CSR and profit levels has proven to be significant, which means that the contribution of CSR to increasing a company's value is only felt when the company is in a condition of sufficient profitability.

Theoretically, these findings reinforce the view that in the banking sector, CSR will be appreciated by the market only if it is accompanied by strong financial signals, in line with signal theory and stakeholder theory. Thus, CSR cannot stand alone as a strategy to increase the company's value, but must be integrated with optimal financial performance. In practical terms, these results encourage companies, especially in the banking sector, to design CSR policies that are aligned with financial strategies so that their impact on company value is sustainable. For further research, it is recommended to examine the role of other variables such as company reputation, company size, and ownership structure in strengthening or mediating the relationship between CSR, profitability and company value.

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