Determinants of firm value with CSR as moderating variables

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A B S T R A C T

This study aims to determine the impact of leverage, profitability, and size on firm value with CSR disclosure as a moderating variable. The research population is Consumer Goods Industry-Cosmetics and Household Sub-Sector companies listed on the IDX for 2015-2021. Sampling was conducted by purposive sampling with specific criteria, and then the data were analyzed using Moderated Regression Analysis (MRA). It is clearly seen from the data analysis that leverage, profitability and firm size did not affect firm value. Therefore, CSR disclosure cannot moderate the relationship between profitability, firm size, and firm value but weakens the relationship between leverage and firm value. Thus, CSR disclosure can moderate the relationship between leverage and firm value.

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Introduction

More than 50 percent of cosmetic products use non-recyclable packaging, as revealed by the Cosmetic Packaging Market-Growth report, Trends and Forecast (2020-2025) that nearly 50 percent of cosmetic product packaging is made of plastic. This fact is also reinforced by the Mindero Foundation report highlighting that the global cosmetic industry produces more than 120 billion units of packaging each year, most of which cannot be recycled (Putri, 2021). As a matter of fact, every woman wants to look beautiful, but many do not know that many beauty products that they use on a daily basis are one of the detrimental causes of environmental damage. This condition is attributed to the fact that cosmetic product packaging is made of plastic, which is not environmentally friendly. Another factor to exacerbate the problems related to plastic waste is the fact that industrial waste for household use is also produced from plastic raw materials. At present, the public is paying a particular concern to the issue of waste disposal, especially plastic waste produced by industry, one of which is the cosmetics industry and household needs. Therefore, this study involved Consumer Goods Industry company in the Cosmetic and Household Sub Sector listed on the Indonesia Stock Exchange (IDX) as the primary research population.

The legal regulation requires companies to carry out Corporate Social Responsibility (CSR), particularly “the company having its business activities in the field of and/or related to natural resources, namely a company that does not manage and does not utilize natural resources, but its business activities have an impact on the ability of natural resources”. The waste products of the cosmetics industry and household needs mostly use plastic as their raw materials, which are difficult to recycle and can cause environmental damage. Hence, as social and environmental responsibility, there is an obligation for the cosmetics industry and household needs to carry out CSR disclosures in presenting their financial reports. This fact marks the necessity to conduct research related to CSR disclosure and its ability to moderate the relationship of factors that affect firm value.

Servaes & Tamayo (2013) held that companies with a good reputation will carry out CSR activities, as evidenced by the results of their research showing that there is a positive relationship between CSR and firm value, thus demonstrating that CSR activities can
enhance firm value. The results of this study support stakeholder theory that companies shall not only consider the interests of shareholders, but also shall consider the interests of stakeholders or the surrounding community. This statement is well reinforced by research results delineating that social responsibility influences firm value (Astinuk, 2021; Mardi & Widiastuty, 2019; Angary et al., 2020). The European Union provides a social responsibility reporting mandate so that companies have a high level of CSR reporting. In a similar context, Indonesian laws and regulations require companies that utilize natural resources or are related to natural resources to disclose their CSR, although few research stated that CSR does not affect firm value (Meze & Tohari, 2020; Putri, et al., 2016). Social and Environmental Responsibility (SER), hereinafter referred to as CSR, based on the Financial Services Authority Regulation Number 51/POJK.03/2017 Concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies, which was passed on July 18, 2017 is a commitment to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the Company itself, the local community, and society in general. A Sustainability Report is a report announced to the public that contains the economic, financial, social and environmental performance of a Financial Services Institution (LJK), Issuer and Public Company in running a sustainable business. This regulation was followed up with the issuance of a Circular Letter of the Financial Services Authority of the Republic of Indonesia Number 16/SEOJ.K.04/2021 concerning the Form and Content of Annual Reports of Issuers or Public Companies which was ratified on June 29, 2021.

Factors suspected to affect firm value include leverage, profitability and firm size. Adetunji, et al., (2016) stated that financial leverage has a significant effect on firm value. Leverage is a better source of funding than equity to meet the financing needs of long-term projects. Leverage is one of the economic factors that can affect firm value, because the high or low level of leverage can cause the increasing or decreasing trend of firm value. An entity in fulfilling operational activities and developing production facilities can be done by obtaining loans from creditors. The firm value is a primary factor that will be considered by creditors in providing loans. Research conducted by Obradovich & Gill (2012); Karina & Evendi (2019); Kouki & Said (2018); Nazir & Agustina (2018); Chabachib, et al., (2020); and Anjarwati et al., (2016) denoted that leverage has a positive and significant effect on firm value. However, Tarihoran et al., (2019) and Sudjiman & Sudjiman (2019) obtained evidence that leverage has a negative and significant effect on firm value, thus indicating that an increase in leverage will lead to a decrease in firm value. Nonetheless, the findings by Fadhilah et al., (2021); Frederica (2019); Meze & Tohari (2020); Sitompul (2019); and Nuansari et al., (2020) otherwise demonstrated that leverage has no effect on firm value.

The main objective of the establishment of an entity is to maximize profits to ensure the sustainability of its business and maximize the interests of stakeholders and shareholders. On this basis, the entity will try its best to increase its profits, one of which is indicated by the level of its profitability. Increased profitability will help investors to see the good performance of the company it will have an impact on increasing firm value. This is evident from the research results pinpointing that profitability has a positive and significant effect on firm value (Fadhilah, et al., 2021; Obradovich & Gill , 2012; Tarihoran, et al., 2019; Rahmadhani & Anwar, 2021; Karina & Evendi, 2019; Rusnaeni, et al., 2022; Sitompul, 2019; Nuansari, et al., 2020; Chabachib, et al., 2020; and Anjarwati, et al., 2016), as well as research that highlighted that profitability has a significant effect on firm value (Meze and Tohari, 2020; Astutik, 2021; Mardi, Hermanto & Widiastuty, 2019; Angary, Handjojo, & Supriatna, 2020; Markonah , et al., 2020; and Frederica, 2019). This is despite a few results denoting that profitability does not affect firm value (Nazir & Agustina, 2018).

Sources of funding other than creditors can be obtained from investors. Generally, large-scale companies listed on the IDX will find it easier to access the capital market, thus making them more flexible in obtaining funds. With this convenience, this entity can indirectly give a positive signal to investors (Angary, et al., 2020). This fact is reinforced by the research results of Obradovich & Gill (2012); Nuansari, et al., (2020); Chabachib, et al., (2020); Anjarwati, et al., (2016); Tarihoran, et al., (2019); and Sitompul (2019), who proved that firm size has a positive and significant effect on firm value. Some previous researches stated that firm size has no effect on firm value (Karina & Evendi, 2019; Rusnaeni, et al., 2022; Mardi & Widiastuty, 2019; Nazir & Agustina (2018); and Setiadharma & Machali, 2017). However, some other researches highlighted that there is a negative relationship between firm size and firm value, meaning that large companies cannot necessarily increase firm value, as seen from the fact that the bigger the company, the more dwindling its value (Fadhilah, et al., 2021; Rahmadhani & Anwar, 2021). On the basis of the abovementioned, this study aims to examine the factors that are assumed to influence firm value and whether CSR can moderate these factors. This study uses the Moderated Regression Analysis (MRA) test, because the purpose of the research is to prove that there is a relationship between the independent variables and the dependent variables which are influenced by other variables, one of which is the moderating variable. The MRA test is a linear multiple regression test where the regression equation contains an element of interaction.

**Empirical Review and Hypothesis Development**

**Stakeholder Theory**

Since the publication of *Strategic Management: A Stakeholder Approach*, a book written by R. Edward Freeman, in 1984, there has been a circulating idea of a company having stakeholders as the main subject of discussion in the management literature, in business and professional circles and in more than 100 articles with an emphasis on stakeholder concept (Donaldson & Preston, 1995). Stakeholder theory states that a company is not an entity that operates only for its own interests, but must also provide benefits to shareholders, including shareholders and creditors. One of the efforts to meet the needs of corporate stakeholders is to disclose
environmental social responsibility voluntarily. Companies must be able to explain how the company can get maximum profits (Aniktia & Khafid, 2015).

Stakeholders are parties or groups who have an interest, either directly or indirectly, in the existence or activities of the company and therefore these groups influence and are affected by the company. Stakeholder theory states that stakeholders are a system that is explicitly based on views of an organization and its environment, recognizing the interplay of the two that are very complex and dynamic. Stakeholders and organizations influence each other, and this can be seen from their social relations in the form of responsibility and accountability to their stakeholders. The nature of accountability is determined by the relationship between stakeholders and the organization (Putri, et al., 2016).

**Signalling Theory**

Fadhilah, et al., (2021) pinpointed that Signalling Theory was introduced by Spence in 1973. Signalling Theory rules out that companies will provide positive and negative signals to users of financial statements in the form of signals related to performance information on company management in realizing the wishes of the owner. This theory states that the company is a party that has control over its company information, and has the authority to publish the information it owns. With full disclosure of the information held, it will have an impact on increasing the value of the company because of the disclosure of the report.

Signal theory denotes why companies have the urge to provide financial report information and annual reports to external parties. The company’s encouragement to provide information is because there is information asymmetry between the company and external parties, where the company knows more information about the company and future prospects than the main external users of information, namely investors and creditors (Karina & Evendi, 2019). In order for external parties to have a good perception of the company, the company must reduce the occurrence of information asymmetry by disclosing all information owned by the company so that the market will respond to it as a positive signal, which ultimately will increase the firm value.

**Firm Value**

Investors and creditors will carry out an analysis of financial statement information, which generates a positive signal if the firm value is good. Firm value describes work results in achieving goals, to maximize the welfare of stakeholders (Anggari, et al., 2020). Investors and creditors will refer to firm value to decide whether to invest or provide loans. Investors and creditors can perceive the firm value on the level of success of the company as reflected in the stock price. The higher the firm value, the greater the prosperity received by the shareholders (Meze & Tohari, 2020) and the more guaranteed the company’s ability to pay off its liabilities. The frequently used measurement tool to assess firm value is price to book value (PBV). PBV is the ratio of the stock price to the book value per share. This ratio measures the value provided by financial markets to management and organizations as a company that continues to grow. PBV also shows how far a company is able to create firm value for the amount of capital invested (Nazir & Agustina, 2018).

**Leverage**

Leverage is the use of money sourced from a loan to finance the purchase of assets in the hope of obtaining capital gains or ensuring that income from the assets being financed will exceed borrowing costs, including interest costs. Liabilities refer to a source of company capital originating from creditors. In a business, debt is obtained not only to meet capital needs, but also to increase profits for shareholders. The ratio of debt to assets is one of the ratios used to measure leverage (Obradovich & Gill, 2012). This ratio is used to analyze the possibility that the entity will find it difficult to fulfill its obligations as opposed to a healthy condition when the company is able to pay off its obligations to company management, investors, creditors or other stakeholders.

**Profitability**

Profitability refers to a company’s ability to generate profits for a certain period at a certain level of sales, assets and share capital. In business world, various ratios are used as a basis for evaluating and making decisions to ensure whether the company’s performance has been effective including by way of assessing Return on Assets (ROA) to measure the level of company profitability. ROA is the ratio used to assess the ratio between net income to total assets owned by a company. The ROA ratio is very useful for companies to evaluate the company’s performance regarding the benefits derived from the assets owned by the company. Company performance can be reflected in the value of the company. The higher the level of profitability, the higher the value of the company. There have been various studies carried out using ROA to measure the level of company profitability (Meze & Tohari, 2020; Anggari, et al., 2020; Obradovich & Gill, 2012; Nuansari, et al., 2020).

**Firm size**

Firm size refers to a company size based on a certain scale. Companies can be categorized as large, medium and small companies based on certain attributes, generally by referring to its total assets, market value, total revenue or other aspects. Firm size based on total assets or sales can describe the condition of the company, where larger companies have greater sources of funds or assets to finance their investments so that they can generate greater profits. Firm size is a reflection of the size of the company, which appears in the firm value assets as measured by the Natural Logarithm (Ln) of total assets (Fadhilah et al., 2021)
Effect of Leverage on Firm Value

Sources of capital other than investors can also be obtained by applying for loans to creditors to finance the development of a company’s business. Asset investment is expected to enhance the company growth, which will have an impact on increasing its value. Debt financing can increase the benefits of tax reduction, because the interest paid can reduce taxable income. Companies with high debt levels will increase the company’s stock price, which will ultimately have an impact on increasing firm value (Nazir & Agustina, 2018). Leverage is a variable that has an important influence on the value of a company, such as maximizing profits for shareholders, and is also important for making decisions on funding and investing in the company (Karina & Evendi, 2019). High leverage can increase company profits, which has implications for high firm value, and thus creating a positive signal for creditors who gain confidence that the company will be able to pay its obligations. In line with the signaling theory, a well responded information by the market indicates a positive signal. It has been proven that several studies have obtained evidence that leverage has a positive and significant effect on firm value (Obradovich & Gill, 2012; Karina & Evendi, 2019; Kouki & Said, 2018; Nazir & Agustina, 2018; Chabachib, et al., 2020; Anjarwati, et al., 2016). These researches research denoted that when leverage is high, the firm value is also high, although several studies did not obtain evidence of this relationship, thus stating that leverage does not affect firm value (Fadhilah, et al., 2021; Frederica, 2019; Meze and Tohari, 2020; Sitompul, 2019; Nuansari, et al., 2020). On the basis of the abovementioned description, this study developed the following hypotheses:

**H1: Leverage has a positive effect on firm value**

**Effect of profitability on firm value**

There are two ratios that can be used to determine the profitability of a company, one of which is return on assets (ROA). Profitability describes the amount of performance that has been implemented by management in managing the course of the company so that it can achieve maximum profit. Investors willing to invest their capital will choose companies with high levels of profitability, because they hope that there will be a high return on the profits generated by the company. In accordance with signal theory, a high level of profitability will become a positive signal for capital market participants, because investors will have the perception that a company with a high level of profitability will increase its stock market price, thus boosting its value. There have been various studies to state that profitability has a positive and significant effect on firm value (Fadhilah, et al., 2021; Obradovich & Gill, 2012; Tarihoran, et al., 2019; Rahmadhani & Saiful, 2021; Karina & Evendi, 2019; Rusnaeni, et al., 2022; Sitompul, 2019; Nuansari, et al., 2020; Chabachib, et al., 2020; Anjarwati, et al., 2016; Sujoko, 2007). Apart from this, few researches stated that profitability has no effect on firm value (Nazir & Agustina, 2018. On this basis, this study proposed the following hypothesis:

**H2: Profitability has a positive effect on firm value**

**Effect of firm size on firm value**

Firm size measurement aims to determine the size of the company as a further method to determine the company’s ability in obtaining internal and external funding. Good funding management by company management will convey a positive signal of the company’s internal conditions that can be used by investors, potential investors, creditors and prospective creditors or other users of information. Investors as capital owners will prefer large-scale companies whose conditions are assumed to be more stable than small companies (Fadhilah, et al., 2021). Large companies are considered to be more capable of controlling the market and increasing sales of their shares, so that their competitiveness is higher. Large companies pay more attention to the market, especially investors, and therefore the larger the firm size, the higher the firm value (Tarihoran, et al., 2019). This statement is well reinforced by some researches, which proved that firm size has a positive and significant effect on firm value (Obradovich & Gill, 2012; Chabachib, et al., 2020; Anjarwati, et al., 2016; Sitompul, 2019). On this basis, this study proposed the following hypothesis:

**H3: Firm size has a positive effect on firm value**

**CSR disclosure moderates the relationship between leverage and firm value**

Leverage is used as an estimate of a company’s risk, and thus the greater the leverage the greater the investment risk. Leverage is the ratio between the funds provided by creditors, as well as the ratio that compares total debt to total assets. However, by utilizing assets efficiently, the company will have the opportunity to increase its profits. Sutama, & Lisa (2018), articulated that leverage has a positive effect on firm value, which means that leverage can increase firm value. Hence, high leverage will provide an indication of good prospects for the company and provide a positive signal, thus triggering investors to make investments. This is because a high profit level enables the company to gain the opportunity to carry out more CSR activities and to increase investor confidence in making investment, thereby increasing the firm value. Research conducted by Sitompul (2019) and Nuansari, et al., (2020) found that CSR moderates the effect of leverage on firm value. On this basis, this study proposed the following hypothesis:

**H4: CSR disclosure moderates the relationship between leverage and firm value**

Fadhilah, et al., (2021) stated that companies are motivated to provide financial information to external parties to signal the market. The large level of profitability will increase investor confidence to grow interest in buying company shares, which can increase its...
company value. A positive response from investors is a good signal, which is in accordance with signal theory, where companies are motivated to provide as much information as possible to their users.

Similarly, Nuansari, et al., (2020) pronounced that economic, social and environmental factors must be a concern for companies to increase its firm value. Companies will have higher opportunities if they obtain a higher level of profitability, so that they can carry out activities that have an impact on the environment, one of which is CSR. The higher the profitability, the better the company’s intention to carry out CSR activities and the higher the CSR disclosure carried out by the company. Today’s society have a preference over companies that care about their surrounding environment, thus the community will participate in environmental sustainability. Companies with a high level of profitability will try to increase their CSR so that investors believe that the company is not only paying attention to short-term impacts (profits) but also for long-term goals of increasing the company value, which is reflected in the stock price. Research conducted by Angary, et al., (2020) revealed that CSR disclosure is proven to moderate the relationship between profitability and firm value. Apart from this, several studies did not find that CSR disclosure can moderate the relationship between profitability and firm value, as the research findings of Fadhilah, et al., (2021); Tarihlor, et al., (2019); Karina & Evendi (2019); Rahmadhani & Saiful (2021); and Sitompul (2019). On this basis, this study proposed the following hypothesis:

H5: CSR disclosure moderates the relationship between profitability and firm value.

**CSR disclosure moderates the relationship between firm size and firm value**

Purwani & Santoso (2022) pronounced that firm size has a positive and significant effect on firm value. This explains that the higher the company’s assets as large-scale companies, the higher the firm value. Investors consider that companies with large assets are worthy of investment because they are considered more resilient in all economic conditions and have a lower probability of going bankrupt, when compared to small companies. Likewise, the research results conducted by Karina & Evendi (2019) stated that CSR strengthens the relationship between firm size and firm value.

Firm size is one of the basic considerations for stakeholders to make them consider the extent to which information has been disclosed, one of which is information disclosure related to environmental activities as reflected in the CSR activities carried out by the company. According to Karina & Evendi (2019), in general, large companies will disclose more information than small companies. This is because large companies will face greater political risk than small companies. On a theoretical basis, large companies will not be separated from political pressure, or the pressure to carry out social responsibility. Large companies have more opportunities to carry out CSR activities than small companies and disclose their CSR activities, through which stakeholders will respond them with positive signals, which will have an impact on increasing firm value and reflected in an increase in share prices. Previously, there have been various studies conducted by Fadhilah, et al., (2021); Putri, et al., (2016); Karina & Evendi (2019); and Nuansari, et al., (2020), which proved that CSR strengthens the relationship between firm size and firm value. On this basis, this study proposed the following hypothesis:

H6: CSR disclosure moderates the relationship between firm size and firm value

**Conceptual Framework**

![Diagram of Conceptual Framework](image-url)
Research and Methodology

Population and Sample
The research population is Consumer Goods Industry-Cosmetics and Household Sub-Sector companies listed on the IDX for 2015-2021. The samples were selected using purposive sampling method with the following criteria:

ii. It is necessary to report a complete annual financial report for the period 2015-2021.
iii. It is necessary to conduct Initial Public Offering (IPO) after 2015.

Data and Data Sources
The research data involved secondary data obtained from various sources. The data were obtained from the annual reports of Consumer Goods Industry Companies-Cosmetics and Household Sub Sector, which are registered on the Indonesia Stock Exchange (IDX) via www.idx.co.id as well as the websites of each company.

Operational Definition and Measurement of Research Variables

Dependent Variables
Dependent variables refer to the firm value proxied by PBV. PBV was calculated using the following formula:

\[
PBV = \frac{Price\ Per\ Share}{Book\ Value\ of\ Share}
\]

\[Price\ Per\ Share = \frac{P_t - P_{t-1}}{P_{t-1}}\]

\[Book\ Value\ per\ Share = \frac{Total\ Equity}{Number\ of\ outstanding\ shares}\]

\[PBV = \frac{P_t - P_{t-1}}{Total\ Equity/Number\ of\ outstanding\ shares}\]

\[P_t: Share\ Price\ Now\]

\[P_{t-1}: \ Previous\ Period\ Share\ Price\]

Independent Variable
The independent variables are Leverage (X1), profitability (X2), and firm size (X3).

Leverage
Leverage returns to a ratio that describes the relationship between a company’s debt and total assets, namely a ratio that shows how much of a company’s assets are financed through debt. To determine the value of leverage using the Debt to Assets Ratio (DAR) using the formula below Karina & Evendi (2019):

\[DAR = \frac{Total\ Debt}{Total\ Assets}\]

Return on Asset (ROA)
Profitability is the ratio to assess the company’s ability to make a profit. The profitability of a company can be measured by linking the profits derived from the company’s main activities with the wealth or assets owned to generate company profits (Kasmir, 2016). The formula used to determine profitability is ROA (Return on Assets) as follows (Anggari, et al., 2020):

\[ROA = \frac{Net\ Profit}{Total\ Assets}\]

Firm size (Size)
Firm size can be measured by calculating the total assets using the natural logarithm value of total assets. Firm size can affect corporate social performance because large companies have a more distant view so that they participate more in making corporate social performance (Hartono, 2008). Firm size can be calculated using the following formula:

\[Size = Ln (Total\ Asset)\]

Moderating Variables
The moderating variable is Corporate Social Responsibility (CSR) disclosure, which will be measured using the Corporate Social Responsibility Disclosure Index (CSRDI). CSR disclosure can reflect the degree of the company to influence shareholder investment decision making. CSR disclosure is calculated using the following formula (Meze and Tohari, 2020):

\[CSRDI_j = \sum x_{ij}/N_j\]
CSRDI\text{\textsubscript{j}} = \text{Corporate Social Responsibility Index Disclosure of } j \text{ company}

\sum \text{nj} = \text{Number of disclosure items met}

N\text{\textsubscript{j}} = \text{The total 91 number of disclosure items}

**Analysis Method**

**Descriptive Statistical Analysis**

This analysis is used to classify data in providing an overview of the state of the data, which can be seen through the average value, minimum value, maximum value and standard deviation (Ghozali, 2016)

**Classic Assumption**

**Normality test**

This test aims to determine whether the research variables are normally distributed. This study used Kolmogorov Smirnov test analysis, which concluded that the sig value of < 0.05 indicates that the data is not normally distributed, but if the sig value is > 0.05, the data is normally distributed.

**Multicollinearity Test**

The multicollinearity test was carried out in order to find out the correlation between the independent variables in the study. To determine the presence of multicollinearity symptoms, the researcher pays attention to the VIF (Variance Inflation Factor) value and the tolerance value in the Collinearity Statistics column. There are no multicollinearity symptoms if the tolerance value is > 0.1 and if VIF is < than 10.

**Heteroscedasticity Test**

The heteroscedasticity test aims to test whether the regression model has an unequal residual variance from one observation to another in the regression model. To test the existence of heteroscedasticity, researchers can use the Glejser test to assess the significance of each variable. If the significance value is > 0.05 of alpha level, there is no heteroscedasticity in the regression model. This test is carried out with the SPSS application.

**Autocorrelation Test**

Autocorrelation test is an analytical method to determine the correlation between research data. This study used the Run Test method as part of a non-parametric statistical test with the decision making based on the Asymp. value. Sig (2-tailed) with the following autocorrelation test criteria:

i. The Asymp. Sig (2-tailed) of > 0.05 indicates the signs of autocorrelation.

ii. The Asymp. Sig (2-tailed) of < 0.05 indicates the signs of autocorrelation.

This Run Test will provide a more definite conclusion if there is a problem with the Durbin Watson Test (Ghozali, 2016).

**Adjusted R Square Test (Adj. R\textsuperscript{2})**

This test aims to examine the effect of the independent variables on the dependent variable. Adjusted R\textsuperscript{2} value decreases or adjusted along with the addition of independent variables in the study. This decrease is resulted from adjustments or additions to the independent variables because not all independent variables affect the dependent variable.

**Model Test - F Test**

The F test aims to determine the feasibility of the regression model. If the probability value is <0.05, the regression model in the study is feasible to use.

**Hypothesis testing**

**Individual Significance Test (t test)**

The t test aims to determine the effect of the independent variables on the dependent variable individually. It is conclusive that the independent variable has a significant effect on the dependent variable individually if the p value is <0.05. Conversely, if the p value is > 0.05, the independent variable has no significant effect on the dependent variable.

**Regression Analysis**

**Moderated Regression Analysis (MRA) test**

The Moderated Regression Analysis (MRA) test is conducted to determine the effect of the independent variables on the dependent variable and the relationship between the moderating variable and the effect of the independent variables on the dependent variable.
If the test reveals the sig. <0.05, the moderating variable is able to moderate (strengthen/weaken) the effect of the independent variable on the dependent variable.

The MRA test equation formula is as shown below:

\[ NP = \alpha + \beta_1 \cdot \text{Lev} + \beta_2 \cdot \text{Pro} + \beta_3 \cdot \text{Sz} + \beta_4 \cdot \text{Lev} \cdot \text{CSR} + \beta_5 \cdot \text{Pro} \cdot \text{CSR} + \beta_6 \cdot \text{Sz} \cdot \text{CSR} + \varepsilon \]

Information:
- NP: Firm Value
- \( \alpha \): Constant
- \( \beta \): Regression Coefficient
- Le: Leverage
- Pro: Profitability
- Sz: Size
- CSR: Corporate Social Responsibility
- \( X_1 \cdot \text{CSR} \): Interaction between Leverage (DER) and CSR
- \( X_2 \cdot \text{CSR} \): Interaction between Profitability (ROA) and CSR
- \( X_3 \cdot \text{CSR} \): Interaction between Size and CSR
- \( \varepsilon \): Error

**Findings and Discussions**

**Description of Research Object**

This research used secondary data obtained from the Indonesia Stock Exchange (IDX), in the form of Annual Reports and Financial Reports on Consumer Goods Industry -Cosmetics and Household Sub-Sector companies listed on the IDX for 2015-2021. Based on the predetermined criteria, this study involved 5 companies, namely PT. Unilever Indonesia TBK (UNCR), PT. Kino Indonesia TBK (KINO), PT Mandom Indonesia TBK (TCID), PT Mustika Ratu TBK (MRAT), and PT Martina Berto TBK (MBTO), as the research samples.

**Table 1: Initial Public Offering (IPO) Data**

<table>
<thead>
<tr>
<th>Number</th>
<th>Code</th>
<th>Company Name</th>
<th>IPO Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UNCR</td>
<td>PT. Unilever Indonesia TBK</td>
<td>11 JANUARI 1982</td>
</tr>
<tr>
<td>2</td>
<td>KINO</td>
<td>PT. Kino Indonesia TBK</td>
<td>11 DESEMBER 2015</td>
</tr>
<tr>
<td>3</td>
<td>TCID</td>
<td>PT. Mandom Indonesia TBK</td>
<td>30 SEPTEMBER 1993</td>
</tr>
<tr>
<td>4</td>
<td>MRAT</td>
<td>PT. Mustika Ratu TBK</td>
<td>27 JULI 1995</td>
</tr>
<tr>
<td>5</td>
<td>MBTO</td>
<td>PT Martina Berto TBK</td>
<td>13 JANUARI 2011</td>
</tr>
</tbody>
</table>

**Source:** Research Result, 2022

The research samples were selected using a purposive sampling method, which was selected based on certain criteria in the Consumer Goods Industry -Cosmetics and Household Sub-Sector companies listed on the IDX for 2015-2021 based on the following research sample:

**Table 2: Research Sampling Criteria**

<table>
<thead>
<tr>
<th>No.</th>
<th>Sample Selection Criteria</th>
<th>Total number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Being listed in Consumer Goods Industry Companies - Cosmetics and Household Sub Sector on the Indonesia Stock Exchange (IDX) in the 2015-2021 period.</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Having a complete annual financial report for the period 2015-2021.</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Having conducted Initial Public Offering (IPO) in 2015 and earlier</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Having a number of sample companies</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Having a number of observations (5 x 7 years)</td>
<td>35</td>
</tr>
</tbody>
</table>

**Source:** Research Result, 2022

**Descriptive Statistical Analysis**

Descriptive statistics are used to group data in providing an overview of the state of the data which can be seen through the minimum value, maximum value, average value, and standard deviation (Ghozali, 2016).
Table 3: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>Average</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lev (DAR)</td>
<td>35</td>
<td>.764</td>
<td>.7734</td>
<td>.4196</td>
<td>.1871</td>
</tr>
<tr>
<td>Pro (ROA)</td>
<td>35</td>
<td>-.0420</td>
<td>.4666</td>
<td>.1180</td>
<td>.1477</td>
</tr>
<tr>
<td>Sz (SIZE)</td>
<td>35</td>
<td>26.9034</td>
<td>30.6590</td>
<td>28.4645</td>
<td>1.3100</td>
</tr>
<tr>
<td>PBV</td>
<td>35</td>
<td>-.0040</td>
<td>.0013</td>
<td>-.0003</td>
<td>.0009</td>
</tr>
<tr>
<td>CSR</td>
<td>35</td>
<td>.0220</td>
<td>.2088</td>
<td>.0882</td>
<td>.0453</td>
</tr>
</tbody>
</table>

Source: Research Result, 2022

Based on the following data processing, the following companies have the maximum and minimum values for each variable.

Table 4: Company with Minimum and Maximum Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Company</th>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lev (DAR)</td>
<td>PT. Mandom Indonesia TBK 2015</td>
<td>0.1764</td>
<td>PT. Unilever Indonesia TBK 2021</td>
<td>0.7734</td>
<td></td>
</tr>
<tr>
<td>Pro (ROA)</td>
<td>PT. Mandom Indonesia TBK 2020</td>
<td>-0.0420</td>
<td>PT. Unilever Indonesia TBK 2018</td>
<td>0.4666</td>
<td></td>
</tr>
<tr>
<td>Sz (SIZE)</td>
<td>PT. Mustika Ratu TBK 2015</td>
<td>26.9034</td>
<td>PT. Unilever Indonesia TBK 2019</td>
<td>30.6590</td>
<td></td>
</tr>
<tr>
<td>PBV</td>
<td>PT Martina Berto TBK 2015</td>
<td>-0.0040</td>
<td>PT. Unilever Indonesia TBK 2021</td>
<td>0.0013</td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>PT. Mustika Ratu TBK 2015</td>
<td>0.0220</td>
<td>PT. Unilever Indonesia TBK 2019</td>
<td>0.2088</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Result, 2022

Results of the One-Sample Kolmogorov-Smirnov Test for Normality

Table 5: Normality test

One-Sample Kolmogorov-Smirnov Test

<table>
<thead>
<tr>
<th>Unstandardized Residual</th>
<th>Number of samples</th>
<th>Normality parameters</th>
<th>Average</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>35</td>
<td>Average</td>
<td>0.000</td>
<td>0.471</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Std. Deviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The most extreme difference</td>
<td></td>
<td>Absolut</td>
<td>0.171</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Positive</td>
<td>0.171</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negative</td>
<td>-0.143</td>
<td></td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td></td>
<td>0.171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td></td>
<td>0.200&lt;.0.100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Result, 2022

A normality test was conducted to find out whether the variables used in the study are normally distributed. If the significance level is less than α of 0.05, the residual variable does not have a normal distribution. The normality test with the Kolmogorov Smirnov Test obtained the Asymp value of Sig. (2-tailed) 0.200 of more than 0.05, indicating that the research data is normally distributed.

Multicollinearity Test

A multicollinearity test was conducted to find out whether the variables in the regression model are strongly correlated or not. This test is used if the independent variable is more than one. The test results of all independent variables have a tolerance value of more than 0.1 and have a VIF value of less than 10, and thus it can be concluded that there is no multicollinearity.

Table 6: Multicollinearity Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Lev (DER)</td>
<td>0.429</td>
</tr>
<tr>
<td>Pro (ROA)</td>
<td>0.349</td>
</tr>
<tr>
<td>Sz (SIZE)</td>
<td>0.429</td>
</tr>
</tbody>
</table>

Source: Research Result, 2022

Autocorrelation Test

The data were tested using the autocorrelation test to find out the correlation between research data using the Run Test, because there is an autocorrelation problem when using the Durbin Watson Test method. The Run Test aims to provide a more certain conclusion to indicate a problem with the Durbin Watson Test (Ghozali, 2016). The data analysis obtained the Asymp value of Sig. (2-tailed) of 0.305 > 0.05, which indicates that there are no signs of autocorrelation in the regression model in this study.
Table 7: Autocorrelation Test Results

<table>
<thead>
<tr>
<th>Runs Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Value</td>
<td>-0.00007</td>
</tr>
<tr>
<td>Cases &lt; Test Value</td>
<td>17</td>
</tr>
<tr>
<td>Cases &gt;= Test Value</td>
<td>18</td>
</tr>
<tr>
<td>Total Cases</td>
<td>35</td>
</tr>
<tr>
<td>Number of Runs</td>
<td>15</td>
</tr>
<tr>
<td>Z</td>
<td>-1.025</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.305</td>
</tr>
</tbody>
</table>

Source: Research Result, 2022

Table 8: Glejser-Heteroscedasticity Test

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-0.718</td>
<td>4.560</td>
<td>-0.157</td>
<td>0.885</td>
</tr>
<tr>
<td></td>
<td>Lev (DER)</td>
<td>1.988</td>
<td>2.308</td>
<td>0.725</td>
<td>0.861</td>
</tr>
<tr>
<td></td>
<td>Pro (ROA)</td>
<td>-2.276</td>
<td>1.107</td>
<td>-1.031</td>
<td>-2.056</td>
</tr>
<tr>
<td></td>
<td>Sz (SIZE)</td>
<td>-0.005</td>
<td>0.196</td>
<td>-0.020</td>
<td>-0.025</td>
</tr>
<tr>
<td></td>
<td>CSR</td>
<td>4.302</td>
<td>5.537</td>
<td>0.347</td>
<td>0.777</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PBV

Source: Research Result, 2022

Table 9: Moderated Regression Analysis Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Regression Coefficient (β)</th>
<th>Sig.</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.004</td>
<td>0.776</td>
</tr>
<tr>
<td></td>
<td>Lev (DER)</td>
<td>0.004</td>
<td>0.125</td>
</tr>
<tr>
<td></td>
<td>Pro (ROA)</td>
<td>0.000</td>
<td>0.955</td>
</tr>
<tr>
<td></td>
<td>Sz (SIZE)</td>
<td>0.000</td>
<td>0.700</td>
</tr>
<tr>
<td></td>
<td>Lev*CSR</td>
<td>-0.096</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>Pro*CSR</td>
<td>0.023</td>
<td>0.594</td>
</tr>
<tr>
<td></td>
<td>Sz*CSR</td>
<td>0.004</td>
<td>0.471</td>
</tr>
</tbody>
</table>

R = 0.669+
R Square = 0.447
Adj R Square = 0.329
F count = 3.197
Sig. F = 0.0136

*Significance < 5%.

Source: Research Result, 2022

Adjusted R Square Test (Adj. R²)

Adjusted R Square test (Adj. R²) aims to find out how much the independent variable can affect the dependent variable. The data analysis resulted in the adjusted R square model value of 0.329 or 32.9%, meaning that 32.9% leverage, profitability and firm size with moderation of CSR disclosure affect firm value. Thus, there is still an allegation that 67.1% of other variables can affect unexamined corporate value.
F Test

The F test was conducted to test the quality of the regression model in this study, whether it was good/significant or not good/non-significant. The data analysis obtained a value of Sig. F = 0.0136, which is smaller than the probability value of 0.05 ($\alpha = 0.05$), namely $0.0136 < 0.05$. On this basis, it can be concluded that the regression model in this study is feasible to use, which means that the regression model can be used for prediction/forecasting.

Discussion

Effect of leverage on firm value

Hypothesis testing 1 predicts that leverage has a positive effect on firm value, as clearly seen from the data analysis resulting in the $p$-value of 0.125, where the value is greater than the level $\alpha = 0.05$. This indicates that leverage proxied by DER does not affect firm value, which leads to a conclusion that hypothesis 1 is rejected: *Leverage has a positive effect on firm value is rejected.* In other words, the size of the debt or obligations of a company does not affect its value.

Stakeholder theory states that companies operate not only to fulfill the interests of the entity, but also for the benefit of lenders or creditors, with a low level of leverage, indicating that the company is able to fulfill its obligations guaranteed by the assets it owns and vice versa. The same also applies with the signaling theory that a low level of leverage gives a signal to lenders on the company’s ability to fulfill its obligations with a guarantee that the company has sufficient total assets to fulfill its obligations, which will give a positive signal to creditors. However, the data analysis obtained evidence that the level of leverage does not affect firm value, thereby indicating that the results of the study cannot support or strengthen both stakeholder theory and signal theory.

This study revealed that creditors decide to grant loans not based on high or low leverage, which is supported by previous researches on the fact that some companies had greater percentage of sources of funds from loans than investment of up to 341%, which is known as the ratio of total debt to equity. This study, thus, validated the statement that high leverage can increase the value of the company, so that it becomes a positive signal for creditors who gain confidence that the company is able to pay its obligations. This notion is in line with a research conducted by Obradovich & Gill, 2012; Karina & Evendi, 2019; Kouki & Said, 2018; Nazir & Agustina, 2018; Chabachib, et al., 2020; Anjarwati, et al., 2016), which articulated that leverage has a positive and significant effect on firm value.

These results also support that in practice creditors will provide loans to debtors by emphasizing several factors known as 5C, namely character, capital, capacity, collateral and conditions. Creditors will look at the personality of the prospective debtor by knowing the background, life habits, and lifestyle of the prospective debtor, which can be obtained by conducting interviews or information from financial institutions, such as a bank to see whether he/she has ever failed to fulfill his/her obligations. The debtor’s ability to manage finances properly can be seen from the company’s cash flow statement indicating the allocation of cash receipts and disbursements. Creditors can also see the assets owned by prospective borrowers, which can be seen from their financial reports, as a way to determine the appropriate status of a loan. Guarantees or collateral are also used as a basis for consideration for providing loans. Apart from these aspects, economic conditions can also serve as another basis for consideration to ensure creditors that prospective debtors can be trusted to pay off their obligations. For example, during the pandemic, the company had to face an economic hardship that threatened its survival. This condition can serve as the creditor’s consideration to provide a loan, regardless of the company’s leverage level. This research is also supported by the results of previous researches conducted by Fadhilah, et al., (2021), Frederica (2019), Meze and Tohari (2020), Sitompul (2019) and Nuansari, et al., 2020.

Effect of profitability on firm value

Hypothesis testing of the second hypothesis, which predicts the profitability, revealed that it had a positive effect on firm value. This is seen from data analysis that the $p$-value is 0.955, which is greater than the level of $\alpha = 0.05$. This data indicate that profitability proxied by ROA does not affect firm value, which leads to a conclusion that hypothesis 2, *profitability has a positive effect on firm value* is rejected or the fact that the size of the profitability obtained by the company does not affect the company value.

Currently, cosmetics industry, which includes the pharmaceutical, chemical and traditional medicine industries, has seen a very rapid growth to keep up with the high consumption demand of women’s lifestyles, which has widened the market up to 9.61% in 2021. In a similar fashion, there has been an increase in the number of companies up to 20, 6% or 913 industries in 2022. However, this increase was primarily dominated by SMEs or 83%. This result is well reflected by the research population from 1982 to 2022, indicating that 10 companies in the cosmetic and household sub-sector companies carry out IPOs, of which 50% or 5 companies only started to carry out its IPOs after 2015, and thus they do not meet the sampling criteria. The cosmetics and household industries are a sub-sector of the consumer goods industry, which is part of the industrial sub-sector.

During the observation period, the stock prices of the industrial and household sub-sector companies did not experience any fluctuations. In other words, there had been insignificant changes in stock prices as the data reinforced on the level of net profit during the observation period, which did not generate any significant increase. In fact, for several periods it underwent a decrease in net profit and even suffered from losses. On this basis, the results of this study are not in accordance with the assumption that increasing profitability will have an impact on increasing firm value. It neither supports the result of previous researches, one of
which was conducted by Fadhilah, et al., (2021), which stated that investors will choose companies with a high level of profitability, because they hope that there will be a high return on the profits generated by the company.

These results do not support the signal theory highlighting that a high level of profitability will lead to a positive signal for capital market players, because investors will have the perception that a company with a high level of profitability will increase the stock market price, which leads to the high company value. This is well reflected by the research results conducted by Tarhoran, et al., (2019) and Rahmadhani & Saiful (2021). The data analysis also strengthens the notion that profitability has no effect on firm value, with the regression coefficient of the leverage variable having 0 value. This result indicates that there is no relationship between the leverage variable and firm value. This result support previous research by Nazir & Agustina (2018), which stated that profitability has no effect on firm value.

Effect of firm size on firm value

Hypothesis testing of the third hypothesis, which predicts that size has a positive effect on firm value, gains the p-value of 0.700, which is greater than the level of α = 0.05. This insinuates that firm size as a proxy for total assets does not affect firm value. Thus, it is conclusive that *hypothesis 3, which states that firm size has a positive effect on firm value is rejected*. In other words, the size of the company does not affect its value.

The data analysis revealed that investors, potential investors, creditors and prospective creditors do not consider the company size as the main consideration to invest or provide loans to the company being assessed. This fact demonstrates that investors and lenders believe that the company management has applied the proper management method. This is attributed to the fact that the research populations are public company listed on the IDX, which are required to comply with laws and regulations of public companies, whose performance must be held accountable to the public and must be audited by a Public Accounting Firm (KAP). This study involved five sample companies: PT. Unilever Indonesia TBK (UNC), PT. Kino Indonesia TBK (KINO), PT Mandom Indonesia TBK (TCID), PT Mustika Ratu TBK (MRAT), and PT Martina Berto TBK (MBTO), which had been audited by KAP. As a result, users of their financial reports have confidence in the accountability of their published financial statements. These 5 companies are also large companies mostly preferred by investors as capital owners who certainly pay more concern on large-scale companies which are assumed to be more stable. On this basis, the firm size does not affect the firm value. The results of this study do not support the research result, which stated that firm size has a positive and significant effect on firm value (Obradovich & Gill, 2012; Chabachib, et al., 2020; Anjarwati, et al. 2016; Sitompul, 2019).

The data analysis also strengthens that firm size has no effect on firm value as indicated by the 0 value of regression coefficient of the firm size variable, highlighting that there is no relationship between firm size and firm value.

CSR disclosure moderates the relationship between leverage and Firm Value

The testing on hypothesis 4, which predicts that CSR disclosure can moderate the effect of leverage on firm value, revealed a p-value of 0.006, which is smaller than the level of α = 0.05 and the regression coefficient value of -0.096, indicating that CSR disclosure can moderate the effect of leverage on firm value. Thus, the fourth hypothesis that *CSR disclosure can moderate the effect of leverage on firm value failed to be rejected/accepted*, but CSR disclosure weakens the relationship between leverage and firm value.

The research results could not prove that CSR disclosure strengthens the leverage relationship with firm value, because it is proven otherwise. The results of the study neither found evidence that a high level of leverage leads to creditors’ trust to provide loans. Thus, the companies have the opportunity to improve their operations by developing their assets as a way to increase their income and ultimately escalate their profits. The high profit will enable the company to carry out CSR activities. As the study population is a waste-producing company that endangers the environment, it is necessary to conduct social activities that can reduce the impact of pollution due to the production process. However, it is clearly seen from the research results that CSR disclosure weakens the relationship between leverage and firm value.

In other words, users of financial reports do not really consider the importance of the impact of high and low leverage associated with social activities carried out by companies. Users of financial statements do not really consider that leverage can be used as an estimate of a company’s risk. The greater the investment risk, the less CSR program carried out by the company used as a basis for decision making. It is evident that CSR disclosure weakens the relationship between the level of leverage and firm value. This research is in line with the signaling theory and reinforces the research conducted by Sitompul (2019) and Nuansari et al., (2020), which proved that CSR moderates the effect of leverage on firm value.

CSR disclosure moderates the relationship between profitability and Firm value

The testing of the fifth hypothesis, which predicts that CSR disclosure can moderate the effect of profitability on firm value, resulted in a p-value of 0.594, which is greater than the level α = 0.05. In other words, CSR disclosure cannot moderate the effect of profitability on the value of the company. Thus, hypothesis 5, which states *CSR disclosure can moderate the effect of profitability on firm value is rejected*.

The results cannot support the signaling theory, where financial information provided in the market can provide good or bad signals for decision makers. This is due to the data analysis finding that CSR disclosure is not proven to weaken or strengthen the relationship between profitability and firm value. In other words, by increasing profitability companies can carry out social activities to be
disclosed in the presentation of financial statements that users may not notice. As a result, the amount of information provided by companies and the profitability obtained by cosmetics and household sub-sector companies are not used as a basis for decision making, and does not affect the company value. The research results strengthen the fact that the increasingly damaged environmental condition is due to the waste of production process of the cosmetics industry and households, causing environmental pollution. The study population on compliance with the fulfillment of the components used as the basis for CSR disclosure revealed a very low result, where the assessment using the Corporate Social Responsibility Disclosure Index (CSRDI), instead of referring to Appendix II to the Circular Letter of the Financial Services Authority of the Republic of Indonesia Number 16/Seojk.04 /2021 Concerning the Form and Content of Annual Reports of Issuers or Public Companies, because observations were made since 2015. Besides, it was only in 2017 that a copy of the Financial Services Authority Regulation Number 51/Pojk.03/2017 concerning Implementation of Sustainable Finance for Financial Services Institutions was issued. Issuers and Public Companies, which regulate public companies, are required to implement Sustainable Finance in their activities, whereby the implementation of Sustainable Finance is carried out using, among other things, the principles of social and environmental risk management.

The results of the study show that people currently do not consider companies’ initiatives to care about the surrounding environment as the basis for their investment considerations. Communities are lacking of or are not fully participating in preserving the environment. This study also does not reinforce the result revealed by Angary, et al., (2020), which obtained evidence that CSR disclosure can moderate the relationship between profitability and firm value. However, supporting research as demonstrated by Rahmadhani & Saiful (2021) did not find that CSR disclosure can moderate the relationship between profitability and firm value.

**CSR disclosure moderates the relationship between firm size and firm value**

The testing on the sixth hypothesis, which predicts that CSR disclosure can moderate the effect of firm size on firm value resulted in a p-value of 0.471, which is greater than the level of α = 0.05. In other words, CSR disclosure cannot moderate the effect of size company to firm value, as revealed by the fact that the sixth hypothesis, *CSR disclosure can moderate the effect of firm size on firm value, is rejected.*

This result is not in line with the statement of Purwani & Santoso (2022) denoting that the higher the assets owned by a large company, the higher the company value, because it has the opportunity to carry out social activities as reflected in its CSR program. This way, investors can assess large companies’ worth of investment because it can survive in all economic conditions and has a small possibility of going bankrupt. This fact is reinforced by the research conducted by Karina & Evendi (2019) stating that CSR strengthens the relationship between firm size and firm value. However, previous researchers demonstrated that CSR disclosure cannot strengthen or weaken the relationship between firm size and firm value, thus indicating that firm size and CSR disclosure are not a consideration for stakeholders in making decisions. In other words, stakeholders do not consider information related to CSR disclosures made by large companies. Failed research can prove that large companies will disclose more information, because they face greater political risk that strongly puts them on pressure, particularly the pressure to carry out social responsibility. On this basis, this study reinforces stakeholder theory, signaling theory and previous researches conducted by among others, Karina & Evendi (2019) and Nuansari, et al., (2020), who obtained evidence that CSR strengthens the relationship between firm size and firm value.

**Conclusions**

It is clearly seen from the research analysis that leverage, profitability and firm size have no effect on firm value. Other evidences found that CSR disclosure cannot moderate the relationship between profitability and firm size and firm value. CSR disclosure can moderate the relationship between leverage and firm value, but CSR disclosure weakens the relationship between leverage and firm value.

Overall, the research results cannot contribute to stakeholder theory and signaling theory, because users of company financial information in the Consumer Goods Industry-Cosmetics and Household Sub-Sectors do not use leverage, profitability, and firm size as a basis for decision making. It is also reinforced that CSR disclosure is found to weaken the relationship between leverage and firm value, and neither strengthens nor weakens the relationship between profitability and firm size and firm value.

This study, however, contributed to the academic world with the finding that CSR disclosure was not considered by either users or companies belonging to the Consumer Goods Industry-Cosmetics and Household Sub-Sectors. Hence, both the industrial world and the government need to pay attention to CSR activities. The industrial world must comply with regulations governing CSR activities so as to reduce environmental pollution, as stated in the Copy of the Financial Services Authority Regulation Number 51/Pojk.03/2017 Concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies, which is followed up with the Appendix II Circular of the Financial Services Authority of the Republic of Indonesia Number 16/Seojk.04/2021 concerning the Form and Content of Annual Reports of Issuers or Public Companies concerning Technical Guidelines for Preparing Sustainability Reports for Issuers and Public Companies. The government must strictly enforce and supervise industries whose production processes will pollute the environment and impose sanctions if they do not comply with the applicable regulations.
It is suggested that future researchers conduct further research on factors that are assumed to influence firm value because the variables analysis only resulted in 32.9% to influence firm value. The data analysis show that the variables suspected of influencing the firm value are not proven, because the data revealed that the stock prices do not fluctuate and there is no very significant increase, not to mention to the fact that some net profit even suffer from losses. For this reason, it is recommended that further researchers examine other sub-sectors to generate other findings.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

References


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