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Maximizing Firm Value: The Moderating Effect of CSR on Profitability and Capital Structure

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Abstract

In addition to analyzing the moderating effect of Corporate Social Responsibility (CSR) Disclosure, the goal of this study is to investigate the link between Profitability, Capital Structure, and Firm Value. The study's emphasis is on coal subsector firms that were listed between 2018 and 2022 on the Indonesia Stock Exchange. The study falls within the realm of explanatory research. The sampling technique uses purposive sampling. The total population in this study was 31 companies. The total sample was 11 companies that met the research criteria. The analysis technique used in this research is Moderated Regression Analysis (MRA) The findings reveal that Profitability significantly impacts Fim Value, whereas Capital Structure does not exhibit a significant effect. Furthermore, the impact of both capital structure and profitability on firm value is considerably mitigated by corporate social responsibility (CSR), particularly when using Debt to Assets Ratio (DAR) indicators. Furthermore, it is evident that taking into account both profitability and capital structure at the same time has a big impact on firm value, further enhanced when moderated by CSR.

Introduction

The coal sector plays a vital part in the Indonesian economy. Not only does it contribute through the payment of taxes and royalties to the state, but it also plays a vital role in the national electrification program and remains the main source of energy at an affordable cost. In the past year, the coal sector has continued to increase,
even the price of coal in the ICE market of Newcastle, Australia, reached a record the highest since 2008, at US$202.95 per tonne, an increase of 6.2% from the end the previous week. In addition, the Reference Coal Price (HBA) also continues increased, reaching US$ 84.47, and by the end of September, the price reached US$ 150.03 per ton, showing a gain of 77.61% in the period less than a year. (Sandria, 2021). Based on data reported by CNBC Indonesia, The performance of coal mining issuers is positively impacted by the rise in the price of coal commodities. Since 2020, the cumulative revenue of 14 coal issuers has increased 14% from the original IDR 124.36 trillion to IDR 142.35 trillion.

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The highest revenue was recorded by UNTR, followed by ADRO, INDY, and BYAN. Then there are PTBA, GEMS, and ITTMG which also have quite high revenues in the range of IDR 9-10 trillion (Sandria, 2021). Positive profit growth shows that the company manages and utilizes resources well to generate profits and shows good financial performance (Rachmawati, 2014). In accordance with the signalling theory of Michael Spence (1973), when companies give positive signals about the condition of the company, potential investors will see it as a good investment choice.

The company's operating funding, in addition to its wealth management capabilities sources also receive special attention from investors in making investment decisions. The trade-off theory proposed by Franco Modigliani and Merton Miller (1963) states that a company's funding policy when determining its capital structure in an effort to maximize the company's worth. In coal companies with an average debt to assets ratio that decreased during 2018-2022 indicated at 0.43; 0,42; 0,41; 0,40; 0.33 and debt to equity ratio during the 2018-2022 period decreased indicated by 0.89; 0,87; 0,85; 0,70; 0,55. This is a better situation for the company because the proportion of debt is not more than its assets and equity. So that the level of risk in the event of bankruptcy is smaller. Due to these circumstances, investors have become more interested in investing in companies. Ultimately, this will raise the company's worth.

In this context of intense competition, financial conditions alone cannot guarantee sustainable growth in firm value. Companies must implement corporate social responsibility (CSR) towards stakeholders and the surrounding environment as supporters. In line with the Regulation of PT Law and PP No. 47 of 2012 which states that every company is required to set aside company funds for social responsibility programs at least 2% - 4% of total profits in a year. Many parties, including stakeholders, assume that companies must make social contributions to the surrounding environment in addition to exploiting nature (Widodo, 2019). in accordance with stakeholder theory initiated by Freeman (1984) It asserts that a company's capacity to align with different stakeholders' interests is a major factor in determining its success and well-being interests Based on data quoted from Global Energi Monitor, coal production in Indonesia causes the release of methane emissions of 58 million tons annually. According to information obtained from CNBC Indonesia, Indonesia's coal sector is ranked 8th as the most methane producing country in the world. By expressing CSR, companies can establish good relationships with all parties who are directly related to the company, such as employees, customers, and suppliers as well as those who are indirectly related including the community, government, and media (Wedjaja & Eriandani, 2023).

Stock price is often associated with investors' perception of the achievement of a business that demonstrates its worth (Sujoko, 2018). The issuer's performance determines whether the stock price increases or decreases; a strong issuer will see an increase in price. Annual reports for firms that have gone public can be viewed on the Indonesia Stock Exchange to track stock prices (Tanggo & Taqwa, 2020). In addition, a healthy proportion of debt, namely the balance between risk and return, will attract investors to invest. These two things describe the company's good performance. The corporation will then project a favorable image in the eyes of stakeholders when its CSR disclosure is reinforced because it is considered not only focused on achieving economic aspects, not to mention the accomplishment of the Company's role in maintaining social and environmental sustainability. Thus, as the stock price rises, investors will be eager to purchase shares, which will raise the company's worth (Rahmadewi & Abundanti, 2018).

This study refers to research conducted by Monalisa (2022) which examined the impact of corporate social responsibility as a moderating element and the impact of

profitability and leverage on company value. The study's findings show that there are several significant effects on firm value: profitability (ROA) has a significant positive effect, leverage (DER) has a significant positive effect, CSR moderation has a significant positive effect on firm value (Tobin's Q), CSR moderation has a non-significant negative effect on firm value profitability (ROA), leverage (DER),DER*CSR, firm size (Size), firm age (Age), (Tobin's Q), and ROA*CSR moderation, moderation all jointly have a significant simultaneous effect on firm value.

Wardani et al.'s research from 2022 looks at the relationship between capital structure and financial performance and company value, using Corporate Social Responsibility (CSR) as a moderating factor in manufacturing companies that are listed on the Indonesia Stock Exchange (IDX). The results show that capital structure, as determined by the Debt to Equity Ratio (DER), has no bearing on business value, whereas financial performance, as determined by Return on Assets (ROA), significantly affects firm value. Neither the association between capital structure and company value nor the relationship between financial performance and firm value is successfully moderated by CSR, as measured by CSRi.

In her 2018 study, Sari looks at the relationship between capital structure, profitability, and moderating factors such as corporate social responsibility (CSR) disclosure in property and real estate companies listed on the Indonesia Stock Exchange (IDX). According to the study, the Debt to Equity Ratio (DER) has a significant impact on the Tobin's Q measurement of business value. Similar to this, return on equity (ROE) has a major impact on business value as determined by Tobin's Q. Nevertheless, CSR is unable to mitigate the relationship between business value and capital structure.

Agassi et al.'s (2023) study attempts to evaluate the moderating effect of Corporate Social Responsibility (CSR) on the relationship between firm value and profitability, leverage, and business size. The study's conclusions show that business value is significantly impacted by profitability, leverage, and company size taken together. While company size has no discernible impact on firm value, profitability and leverage have a positive and large impact. Effectively reducing the effects of profitability and leverage on business value is the CSR element. However, concerning company size, CSR fails to moderate its influence on firm value.

In response to the identified gaps in existing literature concerning the intricate dynamics among capital structure, profitability, corporate social responsibility (CSR), and firm value within the coal subsector, this study introduces a novel approach. By expanding the scope of independent variables to include refined metrics of profitability, such as Return on Equity (ROE), and sophisticated measures of capital structure like Debt to Assets Ratio (DAR), this research aims to deepen understanding of how these factors collectively influence company valuation. Through a meticulous examination of companies listed on the Stock Exchange from 2018 to 2022, the study not only explores the direct impacts of capital structure and profitability but also evaluates CSR disclosure as a moderating factor. This innovative investigation seeks to unveil nuanced insights into the complex interplay of financial strategies and CSR practices, ultimately contributing fresh perspectives to both academic discourse and practical corporate decision-making in the coal industry.

Literature Review

Signalling Theory

The party with information sends signals in the form of information that describes, in line with Spence's 1978 signaling theory favorable company conditions for the party receiving the information. These signals are considered as crucial factors as investor considerations

in making investment decisions (Puspitaningtyas, 2013). After receiving information, investors will interpret and analyze it before determining whether the signal is positive or negative (Saiful, 2015). If the information is considered positive then investors will give a positive response which can result in an increase in stock price and ultimately is expected to contribute to an increase in the value of the company.

Trade-off Theory

The trade-off theory proposed by Modigliani & Miller, 1963 assumes that the optimal capital structure is based on a balance between the benefits and costs derived from financing with debt. When debt is used at some point, it can increase the value of a company due to its impact on tax deductions. However, if debt is used more than this limit, In fact, it may lower the company's worth (Myers, 1984). The ideal capital arrangement is based on the balance between the benefits and costs derived from financing with debt. Companies trade off the tax benefits obtained from debt financing with the potential risks arising from the possibility of bankruptcy (Brigham, E., F. dan Houston, J., 2011)

Pecking Order Theory

In 1961, Donaldson presented the pecking order hypothesis, suggesting that companies typically prioritize internal funding over external sources, as outlined (Myers, 1984). However, if the company's internal funds are insufficient, then external funds will be used as an alternative. Funding starts from retained earnings, debt, and the issuance of new equity. Thus, it can be said that funding starts at the least cost to the most expensive (Myers, 1977). Managers prefer external financing through debt over equity financing because the issuance costs of bonds are lower compared to the issuance costs of new stocks. Additionally, managers are concerned that issuing new stocks may send a negative signal to investors and cause stock prices to decline (Agus, 2015).

Stakeholder Theory

The Stakeholder Theory, proposed by Freeman, 1984, asserts that a company's success and well-being depend significantly on its capacity to align with the diverse interests of stakeholders. Disclosure of social and environmental information is seen as a way to dialogue between companies and stakeholders. Stakeholders are essential to a business's capacity to survive because they have the ability to control the resources required in the company's operations. Therefore, companies need to maintain good relationships with stakeholders by fulfilling their desires and needs, especially if these stakeholders have significant influence over the availability of resources used in the company's operations, such as labor, customers, and owners (Ghozali, 2007).

Legitimate Theory

Legitimate Theory proposed by Dowling & Pfeffer, 1975 suggests that companies must pay attention to social norms so as to make them more legitimate (legitimate) because companies are part of society. Corporate social responsibility disclosure serves as the company's strategy to achieve favorable performance outcomes for stakeholders. The social contract can be seen as a representation of society's expectations regarding how a company should operate. Corporate social responsibility disclosure serves as a company's strategy to achieve good performance for stakeholders. Through this disclosure, the company's image is enhanced, making it attractive for investors to invest their capital (Rasul et al., 2021).

Profitability

Profitability serves as a metric employed to gauge a company's capacity to generate profits, as noted by Kasmir, 2019. Profitability holds significant relevance in endeavors to secure the long-term sustainability of the company, as it can indicate whether the company

possesses positive or negative prospects for the future. Profitability reflects how well a company can generate revenue and profits, This will therefore influence how investors evaluate the company's worth based on its financial management (Sudana, 2015). Return on Equity (ROE) and Return on Assets (ROA) are two ways that profitability is measured, according to Hery (2017).

Capital Structure

Capital structure represents a fixed distribution of funds, reflecting the comparison between long-term loans and owner's equity (Riyanto, 2001). The higher the debt, the risk and return will also increase so that Risk and return must be taken into account while determining the capital structure policy of the firm. Indicators to gauge capital structure, such as the debt to equity ratio (DER) and the debt to assets ratio (DAR), are used in practice, according to Harmono (2017).

Corporate social responsibility

According to Wibisono (2007), corporate social responsibility (CSR) is a long-term company commitment to act morally, promote economic growth, enhance employee well-being, and benefit the society at large. In its implementation, CSR is measured through several indicators based on the Global Reporting Initiative (GRI) generation 4. A total of 91 indicators are set by the GRI-G4 based on three main components, including economic, environmental, and social.

Firm Value

Company performance as well as capital market demand and supply may influence stock prices such that they accurately represent the company's worth from the perspective of investors (Harmono, 2009). Thus, it is possible to state that investors' perception of the company's value is reflected in the stock price. High stock prices leading to a high business value (Brealey, AR., Myers, SC. & Marcus, 2007). Tobin's Q is one of the metrics used to gauge business value. Harmono (2017).

Hypotheses

1. How profitability affects the value of the company
   Michael Spence's signaling theory states that strong growth from a company can send positive signals about its future prospects to investors, potentially influencing their response to the company. Good growth is often reflected in a business's capacity to turn a profit. A company's profitability, which gauges its capacity to turn a profit, also shows how well-managed the business is. Before making an investment, potential investors frequently take a company's financial performance into account. High profitability levels indicate good financial performance, which in turn leads to higher returns for investors. Return on Equity (ROE) and Return on Assets (ROA) are two profitability statistics that show a company's financial success. The financial success and value of the firm are positively correlated with greater ROA and ROE ratios. According to research by Mubyarto (2022), ROE has a positive and large influence on Tobin's Q, whereas ROA has a positive and significant impact on PBV (Price to Book Value).
2. The effect of capital structure on the value of the company
   According to Modigliani and Miller's (1963) trade-off theory, using debt up to an optimal point can increase the value of a company, but exceeding this optimal point may decrease the company's value. According to Kasmir (2019), the capital structure is an indicator used to evaluate the use of debt by companies in managing their assets. The capital structure is measured using the Debt to Equity Ratio (DER) and the Debt to

Assets Ratio (DAR). Greater funding from debt is indicated by a larger DAR ratio, which can make it challenging for businesses to get new loans because of the possibility that their assets won't be enough to pay off their debt. On the other hand, a larger DER raises the possibility of failure, which puts the business at greater risk. According to research by Febrina et al. (2022), the capital structure (DTE) significantly increases the value of the firm, but the capital structure (DTA) has no discernible effect on value.

3. The impact of profitability on a company's value can be mitigated by corporate social responsibility

   According to Michael Spence's signaling theory, high levels of profitability serve as a good signal to investors from growing companies. Hery (2018) asserts that profitability is a measure of a company's capacity to turn a profit in a variety of business-related areas. Companies with high profitability tend to provide more information about corporate social responsibility, as stated by Chumaidah et al. (2018). Companies capable of generating high profits typically use these funds to fulfill corporate social responsibilities, aligning with Freeman's Stakeholder theory (1984), which suggests that disclosing corporate social responsibility can enhance a company's value. Research by Monalisa et al. (2022) shows that Corporate Social Responsibility (CSR) disclosure moderates the significant positive impact of profitability (ROA) on a company's value (Tobin's Q). However, Fitriyani's study (2019) indicates that profitability (ROE) does not moderate the significant negative impact on a company's value (Tobin's Q).

4. The impact of capital structure on company value may be mitigated by corporate social responsibility.

   According to Modigliani and Miller's (1963) trade-off theory, a company's use of debt in its capital structure is permitted up to a certain amount since it offers tax advantages that increase the company's worth. The capital structure, which consists of debt, preferred stock, and ordinary equity, affects the amount of cash that the firm raises and, if too much debt is employed, may put creditors at danger. Decisions regarding the company's capital structure are crucial as they impact the company's value. Corporate Social Responsibility (CSR) is a strategy for companies to send positive signals to stakeholders and prospective investors about the company's future prospects. CSR disclosure can enhance the company's positive image and minimize social pressure and negative perceptions from stakeholders. This aligns with stakeholder theory, emphasizing the importance of CSR disclosure to stakeholders. Research by Hannawanti (2021) indicates that CSR moderates the significant positive study by Salim (2021) demonstrates that CSR does not mitigate the impact of DAR on a company's value (Tobin's Q), despite the influence of the capital structure (DER) on a company's value (Tobin's Q).

5. Simultaneously, profitability and capital structure affect the firm value

   According to Modigliani and Miller's (1963) trade-off theory, a company's use of debt in its capital structure is permitted up to a certain amount since it offers tax advantages that increase the company's worth. The capital structure, which consists of debt, preferred stock, and ordinary equity, affects the amount of cash that the firm raises and, if too much debt is employed, may put creditors at danger. Decisions regarding the company's capital structure are crucial as they impact the company's value. Corporate Social Responsibility (CSR) is a strategy for companies to send positive signals to stakeholders and prospective investors about the company's future prospects. CSR disclosure can enhance the company's positive image and minimize social pressure and negative perceptions from stakeholders. This aligns with stakeholder theory, emphasizing the importance of CSR disclosure to stakeholders.

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6. The business value is influenced by profitability and capital structure at the same time, with corporate social responsibility acting as a moderator.
   Michael Spence's signaling theory (1973) states that strong company growth gives investors a good indication, as seen by the high profitability levels. According to Hery (2018), profitability is a measure of a business's capacity to turn a profit. As a result, investors take profitability into consideration when making judgments about their investments as strong financial performance may raise stock prices and boost a company's worth. According to Modigliani Miller's 1963 trade-off theory, a company's value may be increased by using debt up to an optimal point. The capital structure, according to Kasmir (2019), is important in assessing the impact of debt usage on managing company assets. Balancing return and risk in the capital structure can increase stock prices and the company's value, influencing investor investment decisions. Corporate Social Responsibility (CSR) becomes a strategy for companies to increase investor and creditor trust as well as the company's value, in line with Freeman's stakeholder theory (1984). Research by Monalisa (2022) indicates that profitability, leverage, company size, and age, as well as CSR moderation on ROA and DER, significantly affect company value (Tobin's Q).

Research Methods

This study is categorized as explanatory research due to its focus on hypothesis testing to elucidate the position of the variables under examination and their interrelationships. Employing a quantitative approach, the research utilized secondary data.

The present study utilised archival document analysis to gather data. Specifically, the study examined sustainability reports and annual reports from coal sub-sector enterprises that were listed on the Indonesia Stock Exchange between 2018 and 2022. We used purposeful sampling and followed these guidelines: 1) Including businesses in the coal subsector that were listed on the Stock Exchange continuously between 2018 and 2022. 2) The selection of coal subsector businesses that continuously published yearly reports between 2018 and 2022. 3) Identification of coal sub-sector companies that disclosed Corporate Social Responsibility in their annual reports and/or published sustainability reports during the 2018-2022 period. 4) Exclusion of coal sub-sector companies that incurred losses during the 2018-2022 period.

The data analysis techniques include traditional assumption testing, hypothesis testing, and descriptive statistical analysis. The processing results of financial data from Coal Sub-Sector Companies listed on the Indonesia Stock Exchange for the 2018–2022 period are explained by descriptive analysis using the SPSS 25 program. The study focuses on profitability, capital structure, company value, and corporate social responsibility. The four tests that make up classical assumption testing are the autocorrelation, heteroscedasticity, multicollinearity, and normality tests. Partial significance testing (t-test), F-test, moderating regression analysis (MRA), and coefficient of determination (R2) evaluation are all part of the hypothesis testing process.

Tabel 1. Summary of Operational Variables

Type of Variable	Name	Variable Definition	Hypothesis (Expected Sign)	Source of Data
Independent	Profitability	Divided by total asset,	ROA and ROE has	Annual Reports

		earnings after interest and taxes (ROA). Dividend of total equity by earnings after taxes and interest (ROE). Earnings capacity: Returns on equity as well as returns on assets	significant influence of firm value	from the Indonesia Stock Exchange (IDX) in https://idx.co.id/id and company website
Independent	Capital Structure	The ratio of total debt to total assets (DAR). Dividend on total debt over total equity (DER). Capital Structure: ((ratios of debt to equity and debt to asset))	ROA and ROE has significant influence of firm value	Annual Reports from the Indonesia Stock Exchange (IDX) and company website
Moderating	Corporate Social Responsibility	Corporate social responsibility disclosure index divided by items disclosed by the company. CSRDi, or corporate social responsibility	Firm value is impacted by profitability and capital structure, although CSR mitigates this effect.	Annual Reports and sustainability reports from the Indonesia Stock Exchange (IDX) and company website
Dependent	Firm Value	Market value of all debt and equity added together, divided by total asset Firm value : *((Tobin's Q))*		The Indonesia Stock Exchange's (IDX) annual reports as well as the business website

Source: Data processing by reaserchers, 2024

Tabel 2. Descriptive Statistics

Coal Mining Company				
Variabel	Mean	Std.Dev	Min	Max
ROA	,1736	,15841	,01	,62
ROE	,2877	,28130	,01	1,25
DAR	,3889	,15105	,16	,71
DER	,7546	,57418	,16	2,49
CSR	,3604	,18198	,07	,84
TOBIN'S Q	1,3934	,78890	,68	4,26

Source: Data processing by reaserchers, 2024

Results and Discussion

Normality Test

Tabel 3. Normality Test Results Before Releasing Outlier Data

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		55
Normal	Mean	.0000000

Parameters[a,b]		
	Std. Deviation	3.85298097
Most Extreme Differences	Absolute	.275
	Positive	.275
	Negative	-.199
Test Statistic		.275
Asymp. Sig. (2-tailed)		.000[c]

Source: Data processing by reaserchers, 2024

The normality test results show significance values of 0.000 < 0.05 so it can be said that the data is not normally distributed. Removing outliers is a way of overcoming normally distributed data (Ghozali, 2018). In this study, 5 outlier data were released so that 50 samples were tested.

Tabel 4. Normality Test Results After Releasing Outlier Data

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		50
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.36508879
Most Extreme Differences	Absolute	.089
	Positive	.089
	Negative	-.083
Test Statistic		.089
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Data processing by reaserchers, 2024

Derived from table 3 After issuing the outlier data, the significance value is at 0.200 > 0.05 so it can be said that the data is normally distributed.

Multicolinearity Test

Tabel 5. Multicolinearity Test Results

Model	Collinearity Tolerance	Statistic VIF
1 (Constant)		
ROA	.241	4.152
ROE	.251	3.982
DAR	.124	8.055
DER	.117	8.552
CSR	.816	1.226

Source: Data processing by reaserchers, 2024

Derived from table 5. It can be concluded that there are no symptoms of multicollinearity based on the results of the multicollinearity test, which show that the following variables have tolerance values of > 0.01 and VIF values of < 10: profitability (ROE), capital structure (DAR), capital structure (DER), firm value (Tobin's Q), corporate social responsibility (CSR),and profitability (ROA).

Heteroscedasticity Test

Tabel 6. Heteroscedasticity Test Results (Glacier Test)

Model		Sig.
1	(Constant)	.889
	ROA	.126
	ROE	.092
	DAR	.441
	DER	.847
	CSR	.414

Source: Data processing by reaserchers, 2024

Derived from table 6. Profitability (ROA), Profitability (ROE), Capital Structure (DAR), Capital Structure (DER), Corporate Social Responsibility (CSR), and Firm Value (Tobin's Q) all had significance values of > 0.05 in the heteroscedasticity test using the glacier test, indicating that there were no signs of heteroscedasticity.

Autocorrelation Test

Tabel 7. Autocorrelation Test Results (Durbin Watsons Test)

Model	dW	dL	dU	4-dU
1	1,854	1,3346	1,7708	2,146

Source: Data processing by reaserchers, 2024

Derived from table 7. presents the outcomes of the Durbin Watson Test for autocorrelation, conducted with N = 50 and K = 5. The Durbin Watson statistic yielded a value of 1.854. Referring to the DW significance table with a significance level of 0.05, the lower and upper critical values were determined as 1.3346 and 1.7708 respectively. The observed range, 1.3346 < 1.854 < 1.7708, aligns with the condition dL < dW < dU, indicating no evidence of autocorrelation.

Moderating Regression Analysis (MRA)

Tabel 8. MRA Test Results Phase 1

Model	Standardize Coefficientt Beta
(Constant)	
ROA	-1.296
ROE	1.845
DAR	-.448
DER	.138

Source: Data processing by reaserchers, 2024

Derived from table 8. The results of the MRA stage 1 test, obtained the following equation: Y = 1.792 - 6.4656 (ROA) + 5.175 (ROE) - 2.340 (DAR) + 0.189 (DER) + e

Tabel 9. MRA Test Results Phase 2

	Model	Standardized Coefficientts Beta	Sig.
1	(Constant)		.072
	ROA	3.841	.046
	ROE	-2.848	.143
	DAR	2.497	.072
	DER	-1.630	.165
	CSR	3.206	.005
	ROA*CSR	-7.262	.005
	ROE*CSR	6.604	.010
	DAR*CSR	-4.419	.035
	DER*CSR	1.739	.158

Source: Data processing by reaserchers, 2024

Derived from table 9. The results of the MRA stage 2 test, obtained the following equation: Y = -3.140 + 19.128 (ROA) - 7.986 (ROE) + 13.043 (DAR) - 2.239 (DER) + 13.898 (CSR) - 60.422(ROA*CSR) + 30.716 (ROE*CSR) - 45.005 (DAR*CSR) + 7.742 (DER*CSR) + e

Coefficient Determination

Tabel 10. Coeficient of Determination Test Phase 1

Model	R	R Square	Adjusted R Square
1	.672[a]	.425	.403

Source: Data processing by reaserchers, 2024

Derived from table 10. An Adjusted R Square value of 0.403 was obtained from the stage 1 coefficient of determination test results. Thus, it can be said that whereas 59.7% of the variation in the dependent variable is due to external causes, 40.3% of the variation in the independent variable affects it.

Tabel 11. Coeficient of Determination Test Phase 2

Model	R	R Square	Adjusted R Square
1	.768[a]	.590	.498

Source: Data processing by reaserchers, 2024

Derived from table 11. The Adjusted R Square score for the stage 2 coefficient of determination test was 0.498. Therefore, it can be said that while 50.2% of the dependent variable is impacted by other factors, the independent variable that CSR has reduced has a 49.8% effect on the dependent variable.

Partial Test (T Test)

Table 9 displays the findings of the phase 1 t test. It looks like this:

1. The effect of profitability on firm value

    The variable profitability (ROA) had a significance value of 0.007 and a coefficient

value of -6.456 based on the t test findings. On the other hand, the ROE received a coefficient value of 5.175 and a significance value of 0.000. The test findings support the first hypothesis (H1), which states that profitability significantly affects a company's worth. The conclusion drawn suggests that a high ROA level may not consistently convey a positive signal to investors. This is due to the fact that investors do not rely solely on ROA when making investment decisions, aligning with the principles of signaling theory. However, investors look more at ROE because ROE provides an idea of According to signaling theory, how well a business uses its equity capital to produce profits for stockholders. Because ROE expresses the rate of return on investment for shareholders directly, investors take it into consideration.

This research reveals that profitability measured by Return on Assets (ROA) has a significantly positive impact on firm value, whereas profitability measured by Return on Equity (ROE) shows a significant negative impact on firm value. These findings are in opposite with those of Putri (2019), who asserted a substantial negative impact of ROE on firm value, and Monalisa (2019), who reported a significant positive impact of ROA.

2. How capital structure affects the value of a company

The capital structure variable (DAR) has a significance value of 0.195 and a coefficient value of -2.340 based on the t test findings. A coefficient value of 0.189 and a significance value of 0.662 were found in DER. The test findings indicate that there is no substantial impact of the capital structure on the company's value, hence rejecting the second hypothesis (H2). The study's findings indicate that debt management has no bearing on a company's high or low value. When making investment selections, investors don't take a company's capacity to handle debt into account. However, how the money will be utilized to add value to the business worries investors more. It becomes more challenging for a business to obtain new loans if it is heavily indebted because of the concern that it won't be able to pay off its debt with its equity and assets. This is a common situation for businesses that cannot afford to prosper.

The research aims to investigate whether capital structure, specifically Debt to Assets Ratio (DAR) and Debt to Equity Ratio (DER), has an effect on firm value. Contrary to the findings of Hirdinis (2019) and Febrina & Hermanto (2022), who assert that DER has a significant positive impact on firm value and DAR has a small positive effect, this study suggests that neither DAR nor DER significantly influences firm value.

Table 10 displays the findings of the phase 2 t test. It looks like this:

1. Corporate social responsibility serves as a moderating element in the relationship between profitability and business value

Derived from Table 10. obtained a significance value of ROA*CSR of 0.005 and a coefficient value of -60.422. While the significance value of ROE*CSR is 0.010 and the coefficient value is 30.716. The test results show that CSR moderates the impact of 144% profitability on the company's worth, indicating the acceptance of hypothesis three. ROA*CSR negatively affects Tobin's Q, indicating that higher CSR disclosure in line with greater costs incurred can reduce the profit received by the company so that it can provide negative signals for investors in line with signalling theory. Investors consider more about the profit generated by the company in making investment decisions compared to how high the CSR disclosure is because the disclosure of CSR by coal companies has not been maximized. While ROE*CSR has a major positive impact on Tobin's Q, demonstrating the business's capacity to make money off of its capital. When combined with CSR disclosure, this will send out encouraging signals and entice investors to make more investments in the business. As a result, investors will see the firm more favorably as it may use its capital to fulfill its social obligations in line with

legitimate theory and stakeholder theory, in addition to using it to make profits. As a result, the organization considers both short- and long-term objectives that will raise the company's worth.

This research demonstrates that profitability, proxied by ROA moderated by CSR, exerts a negative and significant effect on company value. Conversely, CSR moderation shows a positive and significant influence on the relationship between ROE and company value. These findings diverge from studies by Monalisa (2019) and Fitriyani (2019), which suggest that while CSR moderates negative impacts, it does not significantly alter the association between profitability (ROE) and firm value. Specifically, Monalisa's research highlights CSR's role in moderating the pronounced positive impact of profitability (ROA) on firm value.

2. The impact of capital structure on business value, controlling for corporate social responsibility

Derived from Table 10. obtained a significance value of DAR*CSR of 0.035 and a coefficient value of -45.005. While the significance value of DER*CSR is 0.158 and the coefficient value is 7.742. The test findings indicate that while CSR does not mitigate the effect of DER on firm value, it does moderate the effect of DAR on business value. So the fourth hypothesis (H4) is accepted when using the DAR indicator. While when using the DER indicator, the fourth hypothesis (H4) is rejected. DAR*CSR has a substantial negative impact, meaning that the more CSR is implemented, such as charity activities, scholarship programs, and waste treatment, the more costs will be incurredIf the internal funds owned by the company cannot cover company operations including CSR disclosure, of course, the company will use funds sourced from external parties (debt) in line with the theory of pecking orders. This can increase the proportion of debt to assets which will have an impact on the high risk of non-payment of all company obligations. While DER*CSR moderates positive influences insignificantly in accordance with stakeholder theory and legitimate theory. This shows that the company's high or low level of debt compared to its equity does not hinder the application of social responsibility (CSR). Investors will continue to invest in the company without considering CSR disclosures. This is due to the lack of maximum disclosure of coal companies' CSR. It is shown from the average CSR disclosure of 0.35 which means that from eleven companies over five years an average of 30 items out of 91 items that became the GRI G4 standard.

This research indicates that CSR can moderate the significant negative impact of capital structure (DAR) on company value. Conversely, the influence of capital structure (DER) on company value moderated by CSR shows a positive but not significant effect. These findings contradict research by Mullya Sari et al. (2018), which demonstrates that CSR disclosure does not mitigate the impact of DAR on corporate value. Additionally, research by Monalisa (2019) suggests a minimal negative impact on firm value resulting from the interaction between capital structure (DER) and CSR.

Simultaneous Test (Test F)

Tabel 12. F Test Phase 1

	Model	F	Sig.
1	Regression	9.279	.000[b]
	Residual		
	Total		

Source: Data processing by reaserchers, 2024

Derived from Table 11. The significance value of 0.000 was achieved for the F stage 1 test results. This demonstrates that the significance value is less than 0.05, indicating that the firm value is influenced by the variables ROA, ROE, DAR, and DER all at the same time. The tests' findings indicated that the fifth hypothesis (H5), according to which the company's worth is concurrently impacted by both profitability and capital structure, is accepted. This is consistent with signaling theory, which holds that a high rate of profit generation will send a positive signal to investors since profitability and profit generation efficiency are inversely correlated. Furthermore, this research aligns with the trade-off hypothesis, which posits that the ideal debt-to-value ratio influences the growth of the organization. The high stock price will be affected if the capital structure strikes a balance between risk and return, meaning that the capital structure becomes crucial for investors in determining their investment decisions. If the company has a high rate of profit generation and a healthy proportion of debt, investors will be interested in investing its capital which in turn can provide significant corporate value.

This research demonstrates that profitability and capital structure collectively exert a significant influence on firm value. Furthermore, research by Spanisholia, Agassi, and Ulum (2023) suggests that profitability and leverage jointly influence a company's value. This study supports and reinforces their findings.

Tabel 13. F Test Phase 2

	Model	F	Sig.
1	Regression	6.398	.000[b]
	Residual		
	Total		

Source: Data processing by reaserchers, 2024

Derived from Table 12. The results of the F stage 2 test obtained 0.000 as the significance value. As a result, it can be said that the variables ROA, ROE, DAR, and DER after regulated CSR all (simultaneously) effect the firm value since the significance value is less than 0.05. According to the tests' results, the sixth hypothesis (H6)—which holds that the company's value is influenced by simultaneous changes in capital structure, profitability, and CSR—is accepted. By revealing CSR, businesses may lessen societal pressure and improve their reputation with investors and the society at large. According to legitimate theory and stakeholder theory, a company's value will increase in proportion to its level of CSR disclosure. Companies that are able to create high profits and a healthy proportion of debt are more likely to disclose CSR. This can certainly increase investor confidence in the company and have an impact on investment decisions that are in line with signalling theory. If many investors are interested, the number of requests for shares will increase. An increase in the demand for shares influences the rise in the stock price, which raises the company's worth.

This research demonstrates that profitability and capital structure, when moderated by corporate social responsibility, have a significant influence on company value. Furthermore, this study aligns with Monalisa's (2019) findings, which indicate that a company's value is significantly affected by both profitability and leverage when influenced by corporate social responsibility.

Conclusion

Firm value is significantly impacted by profitability because profitability can provide both positive and negative signals that investors can refer to in making investment decisions. The value of the firm is not significantly impacted by the capital structure. This suggests that investors do not take debt management into account when making judgments about

investments; instead, they are more concerned with how well funds are being used to create value for the firm.

Corporate social responsibility moderates the effect of profitability on firm value. The higher the profit level, the company tends to reveal more CSR. Thus increasing the company's trust and image in the eyes of investors.

The impact of capital structure, as measured by DAR as a proxy, on business value is mitigated by corporate social responsibility. In the meanwhile, the result of capital structure proxied with DER on firm value cannot be moderated with Corporate social responsibility. In terms of capital structure, investors tend to consider DAR more than DER because DAR provides a direct picture of how much assets are funded by debt, including CSR disclosures in it. The capital structure and profitability of the business have a big impact on its worth. When a business is very profitable and has a healthy amount of debt to sustain it, investors will be drawn to it, which will raise the company's valuation.

Firm value is significantly impacted by profitability and capital structure, which are tempered by corporate social responsibility. The company's reputation will improve in the eyes of investors and the general public if it can produce large profits and maintain a healthy level of debt, all backed by responsible CSR disclosure.

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