International Journal of Research and Review
Vol.7; Issue: 5; May 2020
Website: www.ijrrjournal.com
Research Paper E-ISSN: 2349-9788; P-ISSN: 2454-2237

The Effect of Corporate Social Responsibility (CSR) on Corporate Value with Profitability as Intervening (Case Study Company in Sri Kehati Index Listed in BEI 2009 - 2018)

Betharia Simanjuntak[1], Isfenti Sadalia[2], Iskandar Muda[3]

[1,2,3]Master of Management Universitas Sumatera Utara, Indonesia

Corresponding Author: Betharia Simanjuntak

ABSTRACT

Sri Kehati index is a stock index in Indonesia that uses CSR (corporate social responsibility) as one of its main assessment components, and the performance of the Sri Kehati index exceeds the performance of the LQ 45 and IHSG indexes, this reflects CSR disclosure being an important matter for companies that go public. CSR is one of the research variables that is often associated with the creation of good company value, but to find out whether the company is considered by investors there are other variables such as the level of profitability of the company, this is very interesting to know the relationship between the three. CSR disclosure uses the disclosure method using GRI-G4 (Global Reporting Initiative), for corporate value disclosure using Tobin's Q. approach.
The study was conducted on companies listed on the Sri Kehati index and listed on the Indonesia Stock Exchange from 2009 to 2018. Samples were 10 (ten) companies with secondary data in the form of annual reports obtained from the Indonesian Stock Exchange or the company's website. The study uses Panel Data Regression Analysis techniques to test hypotheses in research with the help of eviews application. The results of the study note that the disclosure of the value of CSR has a significant positive effect on firm value but positively not significantly on company profitability (in this case ROA). ROA has a significant positive effect on firm value, and as an intervening variable ROA strengthens the relationship of CSR value disclosure to firm value.

Keywords: *CSR, ROA, Corporate Value, Eviews, Panel Data Regression.*

INTRODUCTION

The company will always try to maintain its business excellence and increase its business; this is also with business sustainability. One of the methods used for the purpose of increasing the company's business is to increase profits so that the business will be better in the future. The company also maximizes production and huge efficiency on the production line and hopes this will have a positive impact on business profitability. Profit or profit becomes one of the goals in the company and the company's ability to collect profits which is then measured by profitability. To measure the company's financial performance can be done by calculating the level of profitability, this is done considering the attractiveness of the business is one important indicator in business competition. Indicators of business attractiveness can be measured from the profitability of businesses that can be used are Return On Assets (ROA), Return On Equity (ROE) and Net Profit Margin (NPM).

Today companies are required to be able to develop not only to compete for companies within the country, but must be able to compete globally. To be able to compete the company must be able to develop faster and bigger. To be able to grow faster and larger companies can not rely on the results of the previous period of operations or referred to as operating profits, but are required to get additional capital from other parties to be able to develop in accordance with the planned portfolio and can increase global competitiveness. One way that companies can use is a public go which is a mechanism that companies do to raise funds as additional capital through the sale of shares or bonds or other securities to the public in the capital market.

With the capital market mechanism, the company's goal becomes not only as a collector and profit maker but also becomes greater. Companies must build trust in the public which can be an opportunity as an investor to the company. One of the variables that serves as a benchmark for the trust of potential investors is the corporate value. Increasing company value is a long-term goal that should be achieved by companies that reflect their share prices because investors of a company can be observed through the movement of stock prices that are traded in the stock market for companies that have gone public (Widoatmodjo, 2009). This is reflected in the higher stock prices, the higher the value of the company which shows the company's prospects in the future.

CSR (corporate social responsibility) is one of the research variables that is often associated with the creation of good corporate value. Corporate Social Responsibility (CSR) has actually become a global phenomenon and has also affected business development in Indonesia. CSR is openness in disclosing activities carried out by the company relating to social activities, where disclosure is not limited to financial information, but can provide information about the impacts caused by company activities, especially those related to the environment and social problems. Companies are required to provide information on activities carried out as mentioned above transparently as a form of social responsibility. The forms of responsibility undertaken by companies vary by managing the company's waste and energy use, planting trees together with the community around the company's environment to reduce negative impacts, establishing training centers, providing scholarships for disadvantaged communities, contributing to the affected people and others. CSR programs can be interpreted as a company's commitment to building a corporate image in the eyes of the public both the surrounding community and investors.

Companies are required to pay more attention to stakeholders. Although the application of CSR in Indonesia has begun to develop, but until now, disclosure of CSR information in annual reports is still voluntary. In Statement of Financial Accounting Standards (PSAK) No. 1 The ninth paragraph states that industries in which the environment has an important role can present additional reports on the environment and report the value added (value added statement). The PSAK does not explicitly require companies to report on their social responsibilities. Grouping, measurement and reporting are also not yet regulated. Reporting on social responsibility is left to each company. Based on Law No. 40 of 2007, article 74 concerning limited liability companies states that a company which carries out business activities in the field and or related to natural resources is obliged to carry out social and environmental responsibility. The meaning of the article requires the implementation of social and environmental responsibilities which includes the fulfillment of relevant laws, the provision of social and environmental responsibility budgets, as well as the obligation to report them and disclose CSR programs that have been implemented to all stakeholders. This CSR activity can be said to provide added value to the company in the eyes of investors. Because in making a decision to invest in a company, investors can not only be seen from the financial performance or see the profits generated by the company, but rather a business.

The relationship between CSR and corporate value today can be easily investigated, this is because the capital market provides a grouping of companies that use CSR as a way for their companies to become investors' choices. This grouping is also known as Index, while the Indonesian capital market index is also known as the Sri Kehati Index. The Sri Kehati Index is one of the indices that is an indicator of stock price movements on the Indonesia Stock Exchange (IDX) that uses the principles of sustainability, finance, and good governance, as well as environmental stewardship as a benchmark. The Sri Kehati Index considers the financial and social benefits that bring positive change, this is in accordance with the objectives of CSR carried out. The performance of the Sri Kehati Index is consistent with an average value of around 10 percent above other indices, such as the LQ45 Index and the Composite Stock Price Index (Jakarta Composite Index / JCI) (Sri-Kehati Index, 2020). This indicates a positive response from investors who are willing to pay a premium price of issuers' shares that are categorized as sustainable and responsible / constituents of the Sri Kehati index.

The profitability variable can describe a return on financial investment. Boaventura et al. (2012) states that a company has a goal to achieve maximum profit. Achieving maximum profit by a company is considered as a success that the company can achieve. If the company has the ability to optimize its profitability, then optimal profit can increase the interest of investors to invest. The better a company can create profits, the more investors will consider the company. The importance of profit to increase investors' interest to invest illustrates the importance of profitability in a company.

The implementation of Corporate Social Responsibility cannot be done if a company does not get a balanced profit. Implementing debt policies without being matched by high profits can create risks on the part of investors. Debt policy risk can certainly affect stock prices, so a balanced profit is needed to be able to carry out debt policy. Positive action is also needed so that the company can increase and maintain its level of profitability. So that further research needs to be done, whether CSR and profitability disclosure variables can together increase the value of the company. This is important to know because in principle CSR depends on profitability, and it is known that each of these variables can also significantly affect investors in the company's value.

Previous research has provided a description of the research gap related to the effect of CSR disclosure value on company value, either by being moderated or through company profitability. Susanti's research (2012) broadly concluded the effect of CSR disclosure on firm value is positive and significant according to research conducted by Mandasari (2013), Putra (2017), Rahmantari (2019), Setyo (2017), Oktaviami (2014)) and Nurhayati (2012). In another study by Hendrayani (2017), conclusions revealed that the value of CSR had a positive and not significant effect on firm value.

Research related to the effect of profitability on firm value in the context of CSR assessments has also been conducted by several researchers. Rahmantari (2019) concluded that profitability had a negative and significant effect on firm value in pharmaceutical companies. Hendrayani (2017) concluded that profitability had a positive and significant influence on firm value in the company, this is in accordance with other studies by Nurhayati (2012). In another study Oktaviami (2014) concluded that profitability had a positive and not significant effect on firm value.

Research related to the effect of CSR disclosure on firm value through profitability has been carried out by several researchers, both profitability as a mederation variable or intervening. Susanti (2012) generically concluded the effect of

CSR value disclosure on company value through profitability is profitability does not strengthen or weaken the relationship between CSR disclosure and company value or it can be concluded that it is not significant according to research conducted by Putra (2017), Rahmantari (2019) and Oktaviami (2014). In other studies Mandasari (2013) outline generates the conclusion of the influence of CSR disclosure on firm value through profitability. Profitability strengthens or weakens the relationship between CSR disclosure and firm value or can be concluded to have a significant influence according to research conducted by Setyo (2017) and Hendrayani (2017).

Based on the background stated above, that there are differences of opinion regarding the effect of CSR on stock prices, the authors are interested in conducting further research on stock prices that will be influenced by CSR with profitability as an intervening variable. This study uses the ones listed on the Sri Kehati index which were listed on the IDX during 2009-2018. The reason for choosing this sector is because previous research shows that there is an influence of CSR with stock prices, CSR on profitability, profitability on stock prices. However, profitability as an intervening variable in the effect of CSR on stock prices is still less tested by some researchers

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

Corporate Social Responsibility is defined as the commitment of the company or the business world to contribute to sustainable economic development by taking into account corporate social responsibility and focusing on a balance between attention to economic, social and environmental aspects (Untung, 2008).

Profitability

Profitability can be interpreted as the company's ability to generate profits at a certain level of sales, assets, and share capital. Profitability is divided into five groups to assess the company's financial performance. The ratio used to influence stock prices is profitability ratios. The profitability of a company can be measured by linking the profits or profits derived from the company's main activities with the wealth or assets owned to generate company profits. The higher a profitability the higher the company's ability to generate profits (Wild, Subramanyam, & Halsey, 2005).

Corporate Value

Corporate Value or also known as firm value (company value) is an important concept for investors, because it is an indicator for the market to assess the company as a whole. To achieve company value, investors generally turn over management to professionals. Company value is the price that potential buyers (investors) are willing to pay if the company is sold. The company's value is an illustration of the community's trust in the company after going through a process of activities for several years, from the time the company was founded until now.

RESEARCH METHODS

This research is a quantitative descriptive study which is a study to explain the causal relationship between research variables through testing certain hypotheses, where there are independent variables (independent) and dependent variables (bound). Quantitative research in question is research conducted by collecting data (secondary data) obtained from annual reports (annual reports) on publicly traded companies listed on the IDX, then processed and analyzed to obtain a scientific information behind the annual report.

The population in this study were all companies / listed companies on the IDX that were included in the Sri Kehati Index list in the period 2009 - 2018. The sample selection was carried out using the requirements so that the samples in this study were 10 companies listed on the IDX that were included in the Sri Index Kehati.

Data collection techniques used are non-participant observation, namely by collecting, recording and reviewing secondary data derived from the annual report of the company in which there is disclosure of business activities in the period and audited financial statements of companies incorporated in the Sri Index Kehati and published by the Indonesia Stock Exchange (BEI) for the 2009-2018 period.

RESULT AND DISCUSSION

CSR Against Company Value

The conclusion of the panel data regression hypothesis is in accordance with the Table, where based on the Hausman test, it is known that the influence of CSR disclosure variables on firm value is best approached with a random effect model. The results of the table provide information that the value of the probability of a relationship is 0.00 smaller than α (0.05) so it can be concluded that this model of CSR disclosure has a positive and significant effect on firm value. This describes the R-squared value of 0.22 indicating that the model formed has a weak relationship in explaining the variation of the dependent variable, or also means that there are other variables that affect the firm's value. The representation of the R-squared value in the random effect model approach does tend to be low because in its iteration the REM model provides an opportunity for the possibility of other variables affecting the dependent variable.

The results of this study are in accordance with the results of previous studies by Susanti (2012), Mandasari (2013), Putra (2017), Rahmantari (2019), Setyo (2017), Oktaviami (2014) and Nurhayati (2012) which generally produce conclusions of influence disclosure of the value of CSR to the value of the company is positive and significant. An increase in CSR disclosure will affect the value of the company because the higher the CSR disclosure that a company with high CSR disclosure means it has a high level of CSR activities, and this high CSR activity will attract the sympathy of the community and the company can be accepted in the community so that the public gives a good view of the company which will have an impact on the company's image and will increase the value of the company. Corporate Social Responsibility data is recorded in the company's annual report used as a sample has a very small disclosure ratio.

Research data also shows that sample companies are more likely to make disclosures on social and economic indicator groups, but disclosure on environmental indicators is very small. The small disclosure ratio is one of the causes of significant influence between Corporate Social Responsibility and the value of company shares. Disclosure of CSR values uses the GRI4 index, disclosures tend to be slight by companies, this is because the company focuses on managerial disclosures and future planning on its financial statements. Overall analysis above is the cause of the small R-squared value, where mathematical relationships tend to be weak to reveal the value of the company.

CSR Against Profitability (ROA)

The conclusion of the panel data regression hypothesis is in accordance with the Table, where based on the Hausman test, it is known that the influence of CSR disclosure variables on firm value is best approached with a random effect model. The results of the table provide information that the value of the relationship probability is 0.0923 greater than α (0.05) so it can be concluded that this model of CSR disclosure has a positive and not significant effect on firm value. This describes the R-squared value of 0.0288 indicating the model formed has a very weak relationship in explaining the variation of the dependent variable, or also means there are other variables that affect the firm's value.

The concept of CSR requires costs that are determined through company funding policies where costs must be based on management choices based on the balance of marginal costs and marginal revenue. In fact the implementation of CSR requires special funding from the company. One of the funding used as a source of CSR implementation comes from the company's satisfaction. This is reflected in the results of research in which the size of profitability is not influenced by CSR and even tends to have negative consequences if not managed properly. Without a balanced profit, surely the implementation of CSR cannot occur. This condition, of course, implies that CSR cannot directly affect profitability.

ROA Against Corporate Value

The conclusion of the ROA panel data regression hypothesis on Corporate Value is according to the Table, where based on the Hausman test, it is known that the influence of CSR disclosure variables on the value of the best company is approached by the fixed effect model. The results of the table provide information that the relationship probability value is 0.0000 less than α (0.05) so that it can be concluded that this model of CSR disclosure has a positive and significant effect on firm value. This describes the R-squared value of 0.9386 indicating that the model formed has a very rich relationship in explaining the variation of the dependent variable, or also means that there are other variables that affect the firm's value. This value is greater than the R-squared relationship between CSR disclosure and company value, this indicates ROA is more influential than CSR disclosure.

The results of this study are in accordance with the results of previous studies by Hendrayani (2017) and Nurhayati (2012) which generally produce conclusions about the effect of disclosure of ROA values on firm value is positive and significant. It is known that profitability is a financial ratio that can be used by companies to measure their ability to make a profit. The more investors who invest, it will directly affect the value of the company, this is proportional to the higher the ROA ratio, the higher the rate of profit which causes more investors to be interested in placing investment in the company. When ROA becomes high, the stock price also increases indirectly, the high profitability ratio is considered a good opportunity for investors.

CSR Affects Corporate Value Through Company Profitability (ROA)

The conclusion of the panel regression hypothesis of CSR disclosure to Corporate Value through profitability is in accordance with the Table, where based on the Hausman test, it is known that the influence of CSR disclosure variables on firm value is best approached with a random effect model. Table 4.21 provides information that the overall relationship probability value (value f) is 0.0000 smaller than α (0.05) so that it can be concluded that this CSR disclosure variable has a positive and significant effect on firm value through profitability (ROA). This describes the R-squared value of 0.9518 indicating the model formed has a very strong relationship in explaining the variation of the dependent variable, or also means that there are other variables that affect the firm's value. This value is greater than the R-squared relationship between CSR disclosure of firm value and ROA value of firm value, so the conclusion is that this model has a better relationship and this indicates ROA being a good intervening variable or strengthening the relationship of CSR disclosure to firm value .

The results of this study are in accordance with the results of previous studies by Setyo (2017), Hendrayani (2017) and Mandasari (2013) in general to conclude the influence of CSR disclosure on firm value through profitability is profitability strengthens the relationship between CSR value disclosure and firm value concluded a significant effect. The results of the analysis prove that profitability is able to strengthen the relationship between CSR and corporate value.

Based on data analysis, it can be seen that with high profitability the company can do CSR well. The better the company's image, the more indirectly it can increase investor interest in the company. A good image can increase their trust in the company. The high level of trust can affect the company's success and certainly in the process of achieving maximum profitability. When the company does not have enough profit, of course the company cannot carry out CSR programs properly. This condition causes CSR cannot directly affect the value of the company. Due to the purpose of CSR disclosure, one of them is as a corporate strategy to improve the company's image. ROA as a profitability variable serves to improve the relationship, which has been explained previously that increasing ROA indirectly increases the company's ability to develop corporate CSR, and overall these actions aim to attract investors and obtain business sustainability as reflected in the value of the company.

Managerial Implications

1. Public Company

By using the results of the research it is expected that companies that go public can take managerial actions by using the results of the study as consideration. Here are some managerial implications used by companies:

1. In law, companies are required to carry out CSR, this regulation forces companies to set aside part of their profits for social and environmental sustainability. This revealed that the company was burdened by this. The results show that disclosure of good CSR values will increase the value of the company, and this will not only increase invitations, but will affect the absorption of the company's products. From this gap, it can be seen that companies tend to do CSR without good planning and do not express it properly in their financial statements.
2. The improvement that can be done is to establish a CSR department in the company, so that it can focus on managing CSR fund posts and in accordance with the company's business sustainability targets.
3. Disclose CSR values according to GRI standards. After managing CSR funds, the company is also obliged to make disclosures in the financial statements with standards that are constantly updated, referring to GRI.

2. Investors

By using research results, it is expected that investor companies can take managerial actions using the results of research as material for consideration. Here are some managerial implications used by investors:

1. Good CSR disclosure by a company can be a benchmark for investors to buy the company's shares.
2. The variable CSR disclosure is not available in one of the tools to influence the price movement of company shares. Conversely, the sentiment that comes from news to the company greatly affects the movement of stock prices, this reflects how the company's value. The news may not be balanced properly, so it tends to be detrimental to the investment made.
3. It is necessary for a good picture related to the condition from the side of the company. This mechanism was carried out by Sri Kehati through her consultant who assessed separately according to the criteria used by Sri Kehati. Investors need to act by not only using the report as a basis for decision making but also providing input, so that the results obtained can be used either as a determinant of investment policy or as good news to bring good sentiment to the company.

CONCLUSION AND SUGGESTION

Conclusion

Based on the results of research and discussion that has been done in this study, the researchers draw the following conclusions:

1. The study used a sample of 10 companies that were registered

continuously from 2009 to 2018. The research was conducted by multiple panel data regression using eviews 10 tools.

2. Variable X is then referred to as the disclosure of CSR values that has a positive and significant effect on firm value, so that the increase in CSR value disclosure is reflected in the increase in firm value.
3. Variable X is then called the disclosure of CSR values that has a positive and insignificant effect on ROA, so the increase in disclosure of CSR values is not reflected in the increase in ROA value.
4. Variable Z, then called ROA, has a positive and significant effect on firm value, so the increase in ROA is reflected in the increase in the value of the company.
5. Variable X, then called CSR disclosure, has a positive and significant effect on firm value and the relationship is strengthened by ROA as an intervening variable, so that increased disclosure of CSR values and increased ROA value is reflected by increasing company value.
6. Based on the results of the study note the value of CSR disclosure and profitability are factors that influence the value of the company, where profitability (ROA) as an intervening variable is known to strengthen the relationship between the disclosure of CSR value to the company's value.

Suggestion

Based on the results and discussion, there are a number of suggestions that can be made delivered:

1. Public company

CSR is one variable that is not only the cost but also the opportunity for the company to become bigger. Companies should focus more on managing it by forming a department that manages it to display more accurate disclosures in financial reports or company publications.

2. Investors

Investors and potential investors in making investment decisions are advised to pay attention to financial statement information so that the decisions made can provide the best results.

3. Next Researcher

From the results of the study note that the value of R-Squared is weak, so it is possible to have other variables that can work together with the variable disclosure of CSR and profitability that affect the value of the company. Future studies should focus on finding these variables so that investors can use to reveal the value of the company that will be used as an investment.

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How to cite this article: Simanjuntak B, Sadalia I, Muda I. The effect of corporate social responsibility (CSR) on corporate value with profitability as intervening (case study company in Sri Kehati Index listed in BEI 2009 - 2018). International Journal of Research and Review. 2020; 7(5): 310-319.

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