



## Does Corporate Social Responsibility Disclosure Have Relevance To Profit And Book Value?

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### Abstract

*This study aims to examine and analyze the value relevance of accounting information with disclosure of Corporate Social Responsibility (CSR) as a moderating variable in banking sector companies. The population of this study is 11 banking companies listed on the IDX for the period 2015 - 2018. With a total sample size of 44 and this sampling technique using purposive sampling method. The research hypothesis is tested using multiple linear regression with the Moderated Regression Analysis (MRA) approach. The independent variables in this study are profit value and book value. CSR disclosure as an independent variable and a moderating variable. While the dependent variable is the stock price. The results of this study indicate that the value of earnings and book value have value relevance to accounting information. Meanwhile, CSR as an independent variable or a moderating variable has no value relevance to accounting information. The results of moderation in CSR disclosure are not able to strengthen the profit value and book value.*

*Keywords: Book Value, Profit, CSR Disclosure, Value Relevance*

## A. INTRODUCTION

Companies use the capital market as a place to raise funds to finance the sustainability of their business activities. Besides, the capital market is also used to raise funds from the public by investing the funds in companies whose activities are healthy and can provide a fairly profitable return. The capital market is a vehicle that provides investment options for investors. The formation of an efficient capital market can be seen from the important role of accounting information. Accounting information is the basis for a company's decision-making. Meanwhile, the capital market is said to be efficient if the stock price reflects all relevant information (Natarsyah, S, 2000; Setyawasih, R, 2007; Mar'ati, F. S, 2012). So that relevant accounting information will determine decision-making for activities in an efficient capital market. Accounting information is said to have value relevance if the accounting information can be used as a reference for predicting the company's market value. Thus, the value relevance of accounting information illustrates the role of accounting information as a basis for making investment decisions (Barth, et al., 2001; Scott, 2009; Cahyonowati, N., & Ratmono, D, 2012; Puspitaningtyas, Z, 2012 ). Thus, accounting information that can influence decision-making is relevant.

Ohlson Model (1995) has been widely used to examine the value relevance of accounting information. The use of the model *Ohlson* reflects how the relationship between the book value and other information that could affect share prices. Thus, the *Ohlson* model provides a testable equation regarding the role of financial and non-financial information in determining the market value of a company ( Bughsan, 2005; Agusti, RR, & Rahman, AF 2011; Supriyanto, S. (2015).

Book value and earnings value can be used as a tool to measure company performance, so earnings value and book value are often chosen to be the main

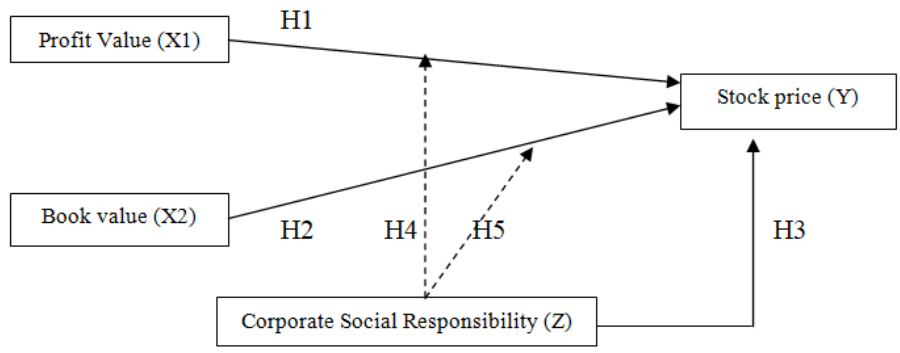
variables in accounting information contained in financial statements ( Utomo, N. A, 2016; Sopini, P, 2017). ). Profit value and book value have relevant value for accounting information if they are statistically related to a decrease or increase in share prices. Disclosure of corporate social responsibility is a process that provides information to raise issues around social accountability and this can be accounted for in the media such as an annual report or sustainability report (Gray, et al., 2001; Wulandari, AA AI, & Sudana. , I. P, 2018; Anjani, N., & Astika, IB P, 2018). CSR disclosure is the disclosure of information on a company's social activities which is expected to influence investors' perceptions of the company and affect the company's financial performance.

Based on the description above, the problem can be stated as follows: do the value of profit and book value have relevance to the value of accounting information, and can the disclosure of corporate social responsibility moderate book value and profit value? The purpose of this study is to determine the relevance of profit value and book value with the disclosure of corporate social responsibility as a moderating variable. Research is expected to provide empirical evidence of the impact of the disclosure of Corporate Social Responsibility in assessing the company's investor perceptions.

**B. LITERATURE REVIEW**

Profit is considered to contain information if the stock market reacts to earnings announcements (Suwardjono, 2008; Agustina, L., & Kianto, F, 2012; Delvira, M., & Nelvirita, N, 2013). If accounting profit for the company shows a change in growth, investors will be interested in investing in the company (Purwanti, S., Chomsatu, Y., & Masitoh, E, 2015; Paradiba, L., & Nainggolan, K (2015). Book value per share shows the net assets owned by shareholders by owning one share (Hartono, 2003; Husaini, A, 2012; Hidayah, N, 2015). Disclosure of Corporate Social Responsibility is the disclosure of corporate social activities which is expected to be able to influence public perceptions of the company and affect the company's financial performance (Kristi, A. A, 2013; Sindhudiptha, I. N. S. Y., & Yasa, G. W, 2013). The share price is the price of a share on the stock exchange for a certain period carried out by market players, besides that the share price is also determined based on the demand and offering of the shares concerned in the capital market (Jogiyanto, 2008; Kusuma, PA, & Priantinah, D, 2012; Sambelay, JJ, Van Rate, P., & Baramuli, D. N, 2017)

Based on the background and literature review that has been submitted, the hypothesis built in this study was:



**Figure 1: Research Framework**

- H1 : Earnings value has the value relevance of accounting information
- H2 : Book Value has value relevance to accounting information
- H3 : Disclosure of Corporate Social Responsibility Has the Value Relevance of Accounting Information as an Independent Variable or as a Moderating Variable
- H4 : Relevance of Profit Value with Disclosure of Corporate Social Responsibility (CSR) as a Moderating Variable
- H5 : Relevance of Book Value with Disclosure of Corporate Social Responsibility (CSR) as a Moderating Variable

**C. RESEARCH METHOD**

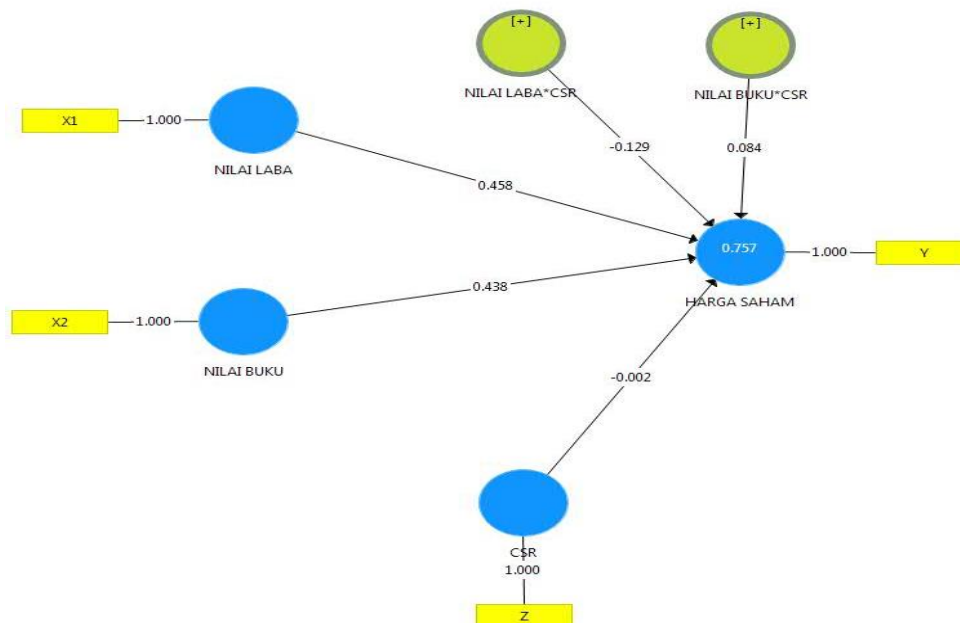
This research is a quantitative type, used secondary data. Sources of data were taken from reports of financial companies sector banks are listed on the Stock Exchange Indonesia. The population of the research is the banking sector companies listed on the Indonesian Stock Exchange (BEI) in the period 2015 - 2018. Engineering samples in this study using purposive sampling with criteria research is a publicly-traded company listed banking sector in BEI period 2015-2018, publish annual reports during the observation year, publish Sustainability Report during the observation year, and companies that do not use foreign currencies in reporting financial statements (using Rupiah).

The data analysis technique used is multiple regression analysis with Multiple Regression Analysis (MRA). This analysis technique is used by adding the multiplication variable where the independent variable is the moderating variable. Hypothesis testing using Partial Least Square (PLS) with SmartPLS 2.0 software.

In the study of this, the authors used the 3 (three) variables. Dependent variable namely the price of the stock, independent variable namely profit value and book value and the disclosure of Corporate Social Responsibility (CSR) as moderation variable.

**D. RESULTS AND DISCUSSION**

**1. Evaluation of the Measurement Model**



**Figure 2. SmartPLS output**

The *loading factor* describes how much the indicators are related to each construct. The path diagram above shows that all indicators have a *loading factor* of 1,000, which means that all indicators are valid because the *loading factor* value meets the criteria, namely the value of the construct *factor loading* must be above 0.70 and these results indicate a good relationship between the indicators and each construct.

Table 3. Results of *Cronbach's Alpha* Value and *Composite Reliability*

	AVE	Composite Reliability	R Square	Cronbach's Alpha	Communality
Profit Value (X1)	1,000	1,000		1,000	1,000
Book Value (X2)	1,000	1,000		1,000	1,000
CSR (Z)	1,000	1,000		1,000	1,000
Profit Value * CSR (ME1)	1,000	1,000		1,000	1,000
Book Value * CSR (ME2)	1,000	1,000		1,000	1,000
Stock Price (Y)	1,000	1,000	0.757	1,000	1,000

*Cronbach's Alpha* and *Composite Reliability* values above 0.7 indicate high reliability of the measuring instrument, so the gauges of each construct are highly correlated. The third check of *convergent validity* is looking at the AVE value. AVE values above 0.5 are highly recommended.

Table 4. Cross Loading Value

	Profit Value	Profit Value * CSR	Book value	Book Value * CSR	Stock price	CSR
Profit Value (X1)	1,000	-0.050	0842	-0.002	0833	-0.093
Profit Value * CSR (ME1)	-0.050	1,000	-0.002	0849	-0.076	0.001
Book Value (X2)	0842	-0.002	1,000	0.100	0832	0.018
Book Value * CSR (ME2)	-0.002	0849	0.100	1,000	0.022	-0.123
Stock Price (Y)	0833	-0.076	0832	0.022	1,000	-0.048
CSR (Z)	-0.093	0.001	0.018	-0.123	-0.048	1,000

Table 5. Correlation results between constructs

	AVE
Profit Value (X1)	1,000
Book Value (X2)	1,000
CSR (Z)	1,000
Profit Value * CSR (ME1)	1,000
Book Value * CSR (ME2)	1,000
Stock Price (Y)	1,000

From the results of cross-loadings, all indicators have a high correlation with each construct. According to Yamin (2011), an indicator can be said to have good reliability if the value is greater than 0.70. Each indicator shows a result of 1,000

## 2. Structural Model Evaluation

Table 6. Results of the R-Square Value

	R Square
Profit Value (X1)	
Book Value (X2)	
CSR (Z)	
Profit Value * CSR (ME1)	
Book Value * CSR (ME2)	
Stock Price (Y)	0.757

R Square shows the results of 0.757, which means that the independent variables, namely the value of earnings, book value, and CSR simultaneously affect the dependent variable or stock price by 75.7%. While the rest (100% - 75.7% = 24.3%) is influenced by other variables outside this regression equation or variables that are not studied.

Table 7. Value of Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic ( O / STDEV )
Profit Value - >Share Price	0.458	0.471	0.197	2,320
Book Value - >Share Price	0.438	0.436	0.186	2,355
CSR - >Share Price	-0.002	0.020	0.097	0.024
CSR * Profit Value - >Share Price	-0.129	-0.138	0.253	0.508
CSR * Book Value - >Share Price	0.084	0.115	0.251	0.335

Profit value can affect stock prices with a value of T Statistic > 2.0, which is 2,320, and Book Value can influence stock prices with a value of T Statistic > 2.0, which is 2,355. While the significance value of the effect indicated by the value of T Statistics on the construct of Corporate Social Responsibility (CSR) is 0.024 < 2.0, which means that CSR has no effect on stock prices as an independent variable. The results of the moderating variable of earnings value with CSR disclosure of 0.508 < 2.0 cannot strengthen the relationship to stock prices and the moderation results of book value with CSR disclosure of 0.335 < 2.0 cannot strengthen the relationship to stock prices.

The test results are presented in Table 7 using the SmartPLS analysis showing that the value of earnings affects stock prices with a statistical value of 2,320 > 2.0. The results of this study identify that the value of earnings has value relevance to accounting information in banking sector companies listed on the IDX for the period 2015 - 2018. In other words, a decrease or increase in the value of earnings affects stock prices.

The test results are presented in Table 7 using SmartPLS analysis. The results show that book value affects stock prices with a statistical value of 2.355 > 2.0. The results of this study identify that book value has value relevance to accounting information in banking sector companies listed on the IDX for the period 2015 - 2018. In other words, a decrease or increase in book value affects stock prices.

### **3. Disclosure of Corporate Social Responsibility has the value relevance of accounting information as an independent variable and as a moderating variable**

The test results are presented in Table 7 using the SmartPLS analysis showing the results that CSR has no effect on stock prices with a statistical value of 0.024 < 2.0. The results of this study identify that CSR does not affect stock prices in banking sector companies listed on the IDX for the period 2015 - 2018. In other words, a decrease or increase in CSR does not affect stock prices.

### **4. The relevance of Profit Value with Disclosure of Corporate Social Responsibility as Moderating Variables**

The test results are presented in Table 7 using SmartPLS analysis. The results show that CSR disclosure as a moderating variable does not strengthen the relationship between the value of earnings and stock prices with a statistical value of 0.508 < 2.0. The results of this study identify that CSR disclosure does not strengthen the relationship between profit value and share price in banking sector companies

listed on the IDX for the period 2015 - 2018. In other words, CSR disclosure is not able to increase the relevance of the value of earnings to share prices.

#### **5. The relevance of Book Value with Disclosure of Corporate Social Responsibility as Moderating Variables**

The test results are presented in Table 7 using the SmartPLS analysis. The results show that CSR disclosure as a moderating variable does not strengthen the relationship between book value and stock price with a statistical value of  $0.355 < 2.0$ . The results of this study identify that CSR disclosure does not strengthen the relationship between book value and share prices in banking sector companies listed on the IDX for the period 2015 - 2018. In other words, CSR disclosure is not able to increase the relevance of book value to stock prices.

### **E. CONCLUSION**

Based on the results of hypothesis testing and the discussion that has been done, it can be concluded several things, namely: 1) Profit value affects stock prices, 2) Book value affects stock prices, 3) Disclosure of Corporate Social Responsibility (CSR) has no effect on price stocks both as an independent variable and as a moderating variable, 4) There is no relevance of earnings value with the disclosure of Corporate Social Responsibility as a moderating variable, and 5) There is no relevance of book value with the disclosure of Corporate Social Responsibility as a moderating variable.

The results of the study are into finding that disclosure of CSR does not have relevance to value profit and the value of the book. However, the result is not generalized because the results could be different with some conditions among others sampled over a lot and more homogeneous. For it is advisable to research further to add the sample study or take samples for the type of company to another.

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