

The Effects of Capital Structure and Corporate Social Responsibility towards Firm's Value

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Abstract---Every company must have a long-term goal, namely to prosper the shareholders. This method is taken by maximizing the value of the company. The purpose of this study was to determine the effect of capital structure and disclosure of corporate social responsibility on the value of the company. This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2017. The population size of this study is 155 manufacturing companies listed on the Indonesia Stock Exchange for the period 2015-2017. The sample collection technique in this study was 83 manufacturing companies listed on the Indonesia Stock Exchange. The type of data used is secondary data originating from the official website of the Indonesia Stock Exchange and the website of each company. The results of this study prove that partially the capital structure and disclosure of corporate social responsibility affect the value of the company. While simultaneously the capital structure and disclosure of corporate social responsibility have an influence on the value of the company. Suggestions for future researchers are to add research model variables that have an influence on company value.

Keywords : Company value , Capital structure, Corporate social responsibility disclosure

INTRODUCTION

Firm Value (FV) is an investor's perception of a firm that is often associated with stock prices. Higher stock prices make higher the FV. The high value of the company will increase investor confidence to invest in the company because it will be able to provide a large dividend for investors. As for creditors, the FV relates to the liquidity of the firm, the firm is considered capable of returning loans provided by creditors (Gyska, 2017: 2).

The following is a FV data (Tobin Q values) of manufacturing companies are listed in IDX in the 2015-2017. The decline of FV was found in several types of manufacturing companies from various sectors. Especially in 2016, if it compared to 2015, FV decreased by 35% .

Years	Firm Value
2015	1.756
2016	1.171
2017	1.509

Data that has been processed.

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The decline in company value occurred among others in the cigarette industry sector, namely PT. Handaya Mandala Sampoerna Tbk experienced a significant decline in share prices by 96% compared to 2015. As well as in the automotive sub-sector and components, PT. Indo Sukses International Tbk, which experienced a decline in share value of 94% in 2016. The same amount of decline occurred in the munuman and food sub-sector of PT. Mayora Indah Tbk, which experienced a decline in share price of 94% PT. Mayora Indah Tbk is ranked 44th out of 50 Leading Company companies in Market Capitalization (idx.co.id). The low value of Tobin's Q indicates a decline in the quality of the company which is largely seen from the stock price.

One of the ways to increase company value can be achieved through setting the optimal composition of capital sources, capital structure. Capital structure (CS) is a long term financing consisting of long-term debt, preferred stock, and common stock. CS can be interpreted as a balance or comparison between the amount of long-term debt with own capital (Riyanto, 2008). Efficient capital costs will be obtained from the optimal capital structure.

Achieving the goals of a company requires synergy and mutual relations between the company and the environment. Every company has an obligation to maintain good relations with the company's social environment, through corporate social responsibility (CSR) programs. Investors highly value CSR practices implemented by companies, because CSR activities will improve the company's reputation, which in turn will drive the value of the company.

Capital structure and CSR are two things that can affect stock prices or company value. Various studies on the effect of capital structure and disclosure of CSR on the value of the company have been carried out.

In the research Nanda Gyska (2017) states that the capital structure variable (CS) has a significant effect on firm value in companies registered in LQ 45 for the period 2013-2016. Ashari Putri (2017) states that the capital structure variable does not have a significantly effect on the FV of various Industry Manufacturing companies listed on the IDX in 2012-2015).

Research by Intan Nur Mulyati (2018) states that disclosure of Corporate Social Responsibility (CSR) has a positive effect on corporate value, and profitability that is proxied using ROA can strengthen the effect of CSR disclosure on the value of manufacturing companies listed on the IDX in 2014-2016. It is inversely proportional to the research conducted by Dita Puspita (2016) that disclosure of CSR does not have a significantly effect on the FV of mining companies listed on the IDX in 2010-2015.

The purpose of this study is to examine the effect of capital structure and disclosure of CSR on firm value

II. THEORITICAL FRAMEWORK

The Relationship of Capital Structure with Corporate Value According to Modigliani-Miller in Husnan and Pudjiastuti (2015: 279) states that tax is one aspect of relevance, in the decision to determine funding sources. This is due to the fact that the interest paid (because of using debt) can reduce taxable income. This, to a certain extent can save tax payments. Savings in tax payments will increase net income after tax, and then can increase the FV. According to research conducted by (Anggriawan et al., 2017), it is explained that the CS partially has a positive and significant effect on FV so that it is concluded that even more people in the company use investors to determine their investment.

The goal that always wants to be achieved by each company is to get the highest profits and be able to increase and maintain the value of the company so that it can prosper the internal company and external parties (investors). In addition to MM Theory with the existence of taxes, there are also supporting theories on capital structure that can affect the value of the firm. According to Myres (2001), there is a Trade-off Theory, explaining that if the position of the capital structure is at its optimal point, each company adds debt, it will increase the FV. Conversely, if each position of the capital structure is above the optimal point, any additional debt will reduce the FV. According to Brigham and Houston (2010: 155) the target of a company's capital structure is defined as a structure that maximizes the company's stock price. Companies should be able to analyze the situation and try to determine the optimal structure will certainly be useful.

Determination of capital structure will involve an exchange between risk and return (Saudi, 2018). If the risk taken by a high company associated with a large amount of debt tends to reduce stock prices, the higher expected return rate due to a larger debt will increase it. So, the company will try to find a capital structure that produces a balance between risk and return that will maximize stock prices.

Based on theoretical, and basic logic studies, the alternative hypotheses proposed :

H1: Capital structure has a positive effect on firm value.

The Effect of Corporate Social Responsibility Disclosures on Corporate Values According to (Khanifar, 2012) since the emergence of the Triple Bottom Line proposed by John Elkington in 1997 through his book "Cannibals with Forks, The Triple Bottom Line of Twentieth Century Business". Elkington developed the triple bottom line concept with economic prosperity, environmental quality and social justice.

Elkington gives the view that if a company wants to survive, the company must pay attention to "3P". In addition to pursuing profit (profits), companies must also pay attention and be involved in fulfilling people's welfare (people) and contribute actively in preserving the environment (planet).

According to research conducted by (Bafawi and Prasetyo, 2017) explaining that Corporate Social Responsibility Disclosures partially have a positively influence on FV This is consistent with the theory that companies are not entities that only operate for their own benefit but must provide benefits to their stakeholders. The value of the firm will increase if the company issues information about disclosure of its CSR activities.

CSR activities are firm alignments with the community. When people become customers, they have a positive assessment of the company, so they will be loyal to the products they produce. So this will be able to increase the FV which is reflected through the stock price that will increase. Based on theoretical, and basic logic studies, the alternative hypotheses proposed in this study are as follows.

If a company carries out disclosure of social responsibility on an ongoing basis then the market will be able to give a positive appreciation that will be shown by the increase in the company's stock price and also cause an increase in the value of the company. By carrying out social responsibility, the company will issue a number of costs where these costs will later become a burden and reduce the income earned by the firm and will also reduce the level of profits obtained by the company. But if the company carries out its social responsibility continuously and consistently, the company's partners on the external side of the company will be better. This will affect the increasing consumer loyalty to the company.

Corporate Social Responsibility not only adds costs but can be useful as a marketing tool for companies if CSR is carried out continuously. (Nuryaman, 2013: 113).

H2: Disclosure of corporate social responsibility has a positive effect on firm value.

III. RESEARCH METHODOLOGY

This research was conducted at manufacturing companies listed on the Stock Exchange in Indonesia (IDX) 2015-2017 by downloading financial statement data from the official website of the IDX, namely www.idx.co.id and downloading sustainability report data from each company website. The object of research in this study is the object of research is the company's financial statements with capital structure (CS) and disclosure of corporate social responsibility (CSR) as attributes or characteristics of the company's financial statements. The subjects in this study are Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2015-2017.

The sample withdrawal method is done using the purposive sampling method. According to Nuryaman and Christina (2015: 110) Purposive sampling method is a technique for determining the sample with a specific purpose or purpose. Of the 155 manufacturing companies listed on the IDX selected 83 research samples.

IV. RESULT AND DISCUSSION

The following is a table that shows data on average of capital structure, disclosure of CSR, and company value (Tobin Q) on the Indonesia Stock Exchange (IDX) 2015-2017: the average capital structure (CS) fluctuates, the value of CSR disclosure always increases and Tobin Q values of manufacturing companies are listed in IDX in the 2015-2017 period decreased in 2016.

Table 1: Descriptive statistics

No	Years	CS	CSR	FV
1	2015	0.952	0.449	1.756
2	2016	0.994	0.450	1.171
3	2017	0.957	0.453	1.509

Note :

CS = Capital structure

CSR = Corporate social responsibility

FV = Firm value

The highest capital structure (maximum) comes from PT. Alkindo Naratama Tbk which is equal to 6.2487733. The average value of the capital structure variable is 1.0699387, smaller than the standard deviation of 1.1819649. These results indicate high data variability for capital structure variables in the sample, or can be said to have a large deviation indicating poor distribution of data on capital structure variables.

Variable disclosure of corporate social responsibility in 2015-2017 shows that the lowest value (minimum) is 0.1026300, which comes from PT. Ultra Milk Industry and Trading Company Tbk .. While the highest disclosure of corporate social responsibility (maximum) comes from PT. Indo Acitama Tbk. in 2012 which was equal to 0.8190623.

The average value on the disclosure variable of corporate social responsibility is 0.4464112 greater than the standard deviation of 0.2424057. These results indicate a low variability of data for disclosure variables of corporate social responsibility in the sample, or can be said to have a small deviation indicating good data distribution on disclosure variables of corporate social responsibility.

The company value variable in 2015-2017 shows that the lowest (minimum) value is -0.6179673, which comes from PT. Indofood CBP Sukses Makmur Tbk. While the highest company value (maximum) comes from PT. Chitose International Tbk. 19.2450458.

The average value of the company value variable is 1.4788750 smaller than the standard deviation of 3.4614016. These results indicate high data variability for firm value variables in the sample, or can be said to have a large deviation indicating poor distribution of data on firm value variables.

Table 2: Results of regression models formed based on the results of the study are as follows:

Dependent Variable:
 Firm Value

Method: Least Squares				
Date: 03/15/19 Time: 16:17				
Sample (adjusted): 249				
Included observations: 174 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.171897	0.090399	1.901537	0.0589
CS	0.135956	0.086044	2.580083	0.0024
CSR	0.302818	0.123026	2.461411	0.0041

Notes :
 C= Constanta
 CS= Capital structure
 CSR= Corporate social responsibility

Based on table 2, it can be seen that the significance value of the DER variable is 0.0024 <0.05 (significance level). Besides that, it can also be seen from the results of the comparison between 2.580083 while 1.97190 means > 2.580083 > 1.65361. Then it can be concluded that accepted and rejected, meaning that partially DER variable has a positive and significant effect on firm value.

Table 2 showed, it can be seen that the significance value of the CSR variable is 0.0041 <0.05 (significance level). Besides that, it can also be seen from the results of the comparison between 2.461411 while 1.98373 means > namely 2.461411 > 1.65361. Then it can be concluded that Ha is accepted and Ho is rejected, meaning that partially the corporate social responsibility disclosure variable has a positive and significant effect on firm value (Hussain et al., 2019).

The results of the analysis of the partial hypothesis test (t test), the value of the capital structure is 0.0024, where the value is smaller than the significance level of the study, which is 0.05 (0.0024 <0.05). In addition, it can also be seen from the results of the comparison between tcount and t table, which shows the value of tcount of 2.580083 and t table of 1.65361. Based on these results it can be seen that t count > t table is 2.580083 > 1.65361, so it can be concluded that Ho is rejected Ha accepted, meaning that partially the capital structure variable has a positive and significant effect on firm value.

Based on the theory put forward by Miller in Suad and Pudjiastuti (2015: 181) that interest as a tax deduction benefits the use of funding with debt. With the use of debt, creditors get limited returns so that shareholders do not need to share profits when the business is developing, and creditors do not have voting rights so that shareholders can control the company with a small inclusion of funds. But according to the trade-off theory, companies will be indebted to a certain extent, where the tax savings (tax shields) from the additional debt approach the cost of bankruptcy. Assuming the capital structure target point that does not exceed the optimal point is reached, the use of debt (leverage) will increase the value of the company. Conversely, if each position of the capital structure is above the optimal point, any additional debt will reduce the value of the company.

According to Brigham and Houston (2010: 7) Every company has an optimal capital structure, which is expressed as a combination between debt, preference, and ordinary equity which causes maximum stock prices. Companies that want to maximize value will estimate their optimal capital structure, use it as a target, and collect new capital in a way that is designed to maintain the actual capital structure to always be right on target.

The increase in capital structure with the comparison of own capital funding with foreign capital will affect the value of the company positively and significantly so that it can be interpreted that increasing debt in the current research period can increase the rate of return on capital used.

The results of this research are in line with the theories described and in line with the research conducted by Elis Safarida (2017) and Nanda Gyska (2017). The results of research conducted by both show that the capital structure has a positive and significant effect on company value. But the results of this research contradict the results of study conducted by Ugi Dwiki Purwanto (2018) which shows that the capital structure does not affect the value of the company. Thus hypothesis 1 (H1) is accepted

Based on the results of the partial hypothesis test on disclosure of CSR, which is proxied by CSR index, the CSR disclosure value is 0.0041, where the value is smaller than the research significance level of 0.05 ($0.0041 < 0.05$). Besides that, it can also be seen from the results of the comparison between t count and t table, which shows the value of t count of 2.461411 and t table of 1.65361. Based on these results it can be seen that $t_{count} > t_{table}$ is $2.461411 > 1.65361$, so it can be concluded that H_0 is rejected H_a accepted, meaning that partially the disclosure variable of corporate social responsibility has a positive and significant effect on firm value.

Disclosure of Corporate Social Responsibility (CSR) is a mechanism for companies or organizations to voluntarily integrate attention to the environment and social environment into their operations and interactions with stakeholders. The value of the company will increase if the company pays attention to economic, social and environmental dimensions. Most consumers will leave products that have an image

V. CONCLUSIONS

Capital structure has a positively effect on the value of firm listed on the IDX . Capital structure will increase the value of the company if used does not exceed the optimal point, so that a higher rate of return due to large debt will increase the value of the firm.

The disclosure of Corporate Social Responsibility partially has a positively effect on the value of manufacturing companies listed on the IDX in 2015-2017. So the higher the value of CSR disclosure made by the company will increase the value of the company.

The capital structure and disclosures of CSR simultaneously have a positively effect on the value of manufacturing companies listed on the IDX in 2015-2017. So if the company pays attention to the amount of its capital structure by setting a good funding policy and the high level of CSR disclosure it will increase the value of the company.

The development of Corporate Social Responsibility Disclosures based on GRI G4 standards of manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017 has always increased. This condition can be interpreted that each year each manufacturing company listed on the Indonesia Stock Exchange during 2015-2017 has a high enough awareness to carry out its responsibilities in economic aspects, environmental aspects, and social aspects.

After looking at the results of research and making decisions, the following suggestions might be used as input or consideration for interested parties:For Manufacturing companies

In order to optimize the company's capital structure to decide well the funding policy that will be chosen by the company. The use of capital structure is considered not optimal when each addition of debt no longer maximizes stock prices in other words decreases the value of the company. If the company uses debt financing exceeds its optimal point, it will have a negative impact on company value and enhance corporate social responsibility activities by completing all corporate social responsibility disclosure indicators based on the GRI G4 index.For Investors

Before carrying out investment activities, it is recommended that each prospective investor analyzes all aspects relating to the company, including the financial aspects, environmental aspects, and social aspects of the company in order to consider the right investment policy decisions.For Further Researchers

It is recommended for future researchers to be able to add other variables outside of this research model that can affect company values such as profitability, Good Corporate Governance, Company Size, Dividend Policy and other research models. Researcher

Furthermore, it can also use other research subjects other than manufacturing companies listed on the Indonesia Stock Exchange.

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