Analysis of The Effect of Company Size Leverage Company Value and Corporate Sustainability Index on Profitability (Case Study of a Sustainable Company Best 2022)

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ARTICLE INFORMATION

ABSTRACT

This study aims to determine influence Size Company, Value Company, *Price to Book Value*, and *Corporate Sustainability Index* to Profitability in Sustainable Companies Best 2022. The objects analyzed are 30 Mining Companies, 10 Plantation Companies, and 18 Food and Beverage Companies that have high CSI value in 2022 which can be found at https://databoks.katadata.co.id/. A total of 58 samples were obtained from 3 companies. The company namely Food and Beverage Companies, Mining Companies, and Plantation Companies. The analysis model used in this research is ROA = f (SIZE, DER, PBV, CSI). Research result show that X_1 has no effect to variable Y, while variables X_2, X_3, X_4 influential on variable Y. For research furthermore recommended to explore other possible factors influential to profitability. Factors this could be innovation, quality, management, strategy marketing, or condition economy.

Keywords: Company Size, Leverage, Price to Book Value, Corporate Sustainability Index, Profitability.

INTRODUCTION

The Corporate Sustainability Index (CSI) is a measurement performance continuity company from aspect economic, social and environmental. The index used for pushing practice business sustainable. CSI was introduced by the Indonesian Stock Exchange (BEI) in 2011 in collaboration with *National Center for Sustainability Reporting* (NSCR). Application Very CSI important Because with the existence of CSI can measure to what extent the company apply practice sustainable business in aspect economic, social and environmental. Investors are taking notice, too aspect *Environmental, Social, Governance* (ESG) in research something company. *Sustainability* index show commitment company to ESG aspects. The application of CSI is very important Because can describe commitment companies in Indonesia towards ESG aspects. With the existence of this index company show to holder interest that they don't play inside operate sustainable business.

Profitability and CSI have linkages in a number of aspect especially in context sustainability and impact to performance finance company. there is a number of benefit potential with exists related profitability with *Corporate Sustainability Index* is important to remember that impact continuity to profitability Possible nature period length and depends on the number of factors included sector industry, market, and business strategy Specific company. sustainability often seen as investment period length that can be bring mark add to the company in a way whole.

Currently the company driven to build reputation positive with implementation initiative and commitment principle continuity *(sustainability)* in business strategy company. In crisis climate and demands consumers, companies must be responsible answer in operate operations that have a good impact on environmental and social. This research uses data contained in the kadata which is company registered in a way public on the Indonesian Stock Exchange at three sector industry that is plantation *(plantation),* Mining *(mining),* and Food and Drink *(food and beverage).*

Issue continuity company *(corporate sustainability)* the more important noticed in the business world At the moment. Indonesia also recognizes this how importance continuity *(sustainability)* and has take various steps to integrate principle continuity in various sector. In this research you can give deep understanding about impact practice continuity to performance finance. This research can become effective tool understand and measure impact practice sustainability on performance finance so that can give guide for company, stakeholders interests, and policy government in support development continuity.

LITERATURE REVIEW

Size, Leverage, PBV, CSI
Size company is one of the common variables used to explain about variation disclosure in report yearly to explain about variation disclosure in report annual company. There is mentioned phenomenon that the effect of total assets is almost consistent and consistent significant influential to quality disclosure (Purwanto, 2011). Size company can be

measured using parameters such as total assets, sales, and capitalist market, that is used to categorize company as big company or small. The more big size company, then the more stable and capable overcome possible challenges appear in its operations. A number of research show that size company can influence profitability (Aminah & Efriadi, 2023).

Leverage is a ratio used to measure to what extent the company use debt to finance his assets. *Leverage* is also called as ratio solvency or ratio debt. Company that owns level high *leverage* expected average equity holder share. Company that owns level high *leverage* expected give information more detailed through disclosure sustainability (Afifah et al., 2022). Disclosure reporting sustainability by *leverage* be measured with *Debt Equity Ratio* (DER).

Price to Book Value (PBV) is market ratio used to measure stock market value to mark his book. This ratio gives description how much Far something company capable create mark company relatively to amount of capital invested. According to Dewi (2020), PBV is high reflect positive market expectations to prospect company in the future, so push company increase performance continuity. PBV is assumed can reflect prospect growth company in the future.

The Corporate Sustainability Index (CSI) is a measurement performance continuity company from aspect economic, social and environmental. The index used for pushing practice business sustainable. *Corporate Sustainability Index* aim push public companies in Indonesia to run business in a way sustainable and improving performance continuity. Research conducted by (Susanti et al., 2023) state that measured profitability with Return on Assets (ROA) having an effect positive and significant to publication report continuity. These results show that company perform tall tend disclose more Lots information in report its sustainability.

Framework Theoretical
This research model consists of from 5 variables ; SIZE, DER, PBV, CSI, ROA. following framework proposed research :

$$ROA = \beta_0 + \beta_1(SIZE) + \beta_2(DER) + \beta_3(PBV) + \beta_4(CSI) + e$$
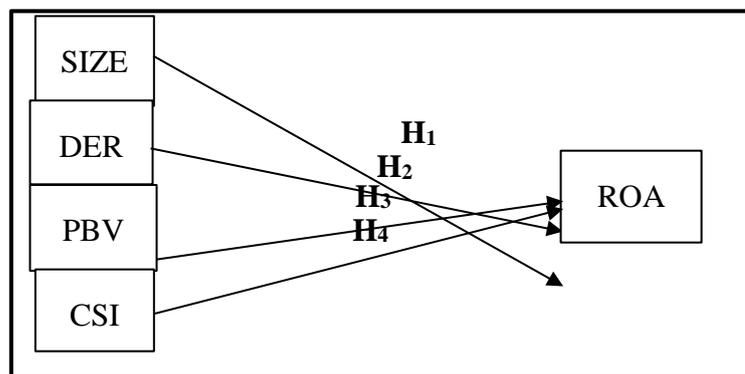
Figure 1. Proposed research model

Connection SIZE to ROA

In theory continuity *(sustainability)*, the influence of SIZE on ROA can be interpreted with consider impact economic, social and environment from activity company. Large companies Possible own impact more sustainability big Because scale operational they more big . Continuity often involve engagement and partnership with various holder interests, incl government, society, and non- governmental organizations. Profitability is not only be measured in financial parameters but also involving consideration social and environmental. A capable company align growth economy with impact positive impact on the environment and society can reach sustainable profitability and can accepted by all holder interest. Research conducted by (Hafindatama, 2020) regarding "Influence profitability, Leverage, Company Size and Industry Type to *Assurance* Report Sustainability (Empirical Study of Companies Listed on the Indonesian Stock Exchange)" states size company own impact significant to decision to implement *assurance* on the report continuity.

$H_1 : ®_1 > 0$

Connection DER to ROA

In theory continuity *(sustainability)*, the influence of DER on ROA can be seen through not quite enough answer social and impact environment from policy finance company. The use of leverage must be supportive growth sustainable company. If debt is used to develop initiative sustainable business to enter new supportive markets objective sustainability, then will create opportunity positive growth. Use of DER in theory sustainability must be in line with principle sustainability and responsibility answer social. Important for company to be sure that policy finance they support effort to achieve profitability period length and purpose continuity in a way simultaneously, without exclude impact social and environmental possibilities arise.

$H_2 : ®_1 > 0$

Connection PBV to ROA

In theory continuity *(sustainability)*, influence *Price to Book Value* (PBV) to ROA can be interpreted through not quite enough answer social and environmental company. Companies that comply continuity can experience impact positive to market perception and PBV. Positive relationship with holder interests, incl public local, consumer and institutional finance can play role important in PBV assessment. Support from holder interest can create mark period long.

$H_3 : ®_1 > 0$

Connection CSI to ROA

The Corporate Sustainability Index (CSI) is a measure used to assess continuity life something company, incl environmental, social and governance (ESG) companies that contribute to success financial period long. The company that got it ratings on CSI have a better reputation in the eyes consumers, investors, and partner business. A good reputation can be increase loyalty consumers and share market, which is ultimately can increase sales and profitability. Company with high CSI score tend interesting for sustainability investors. This can open access to additional capital or investment with

higher capital costs low, so can increase profitability through growth business or savings capital costs.

$H_4 : ®_1 > 0$

RESEARCH METHODS

This research uses approach quantitative, this research is aimed at testing hypothesis that has been formulated as well as analyze connection between related variables in a way statistics. This research consists of 5 variables. SIZE, DER, PBV, CSI as independent variables and the last one namely ROA as the dependent variable.

Object in this research is sustainable companies best in 2022 according to https://databoks.kadata.co.id/ . the company consists from 30 sector Companies mining, 10 Sector companies sub- sector agriculture plantations and 18 industrial sector companies goods food and beverage sub - sector consumption in 2022. Analysis method used in this research, namely method multiple linear regression with approach *Ordinary Least Square* (OLS) to identify influence of independent variables to the dependent variable.

Data used is *cross section* data. *Cross section* data is data that is collected in One time to Lots individual. In *cross section* data own diversity of each object

RESULTS

Table 1
Descriptive Statistics (58 Companies)

	ROA	SIZE	DER	PBV	CSI
Mean	0.149	23589.40	0.926	2.446	59.098
Standard Deviation	0.183	11019.79	0.947	2.694	12.270
Jarque - Bera (Probability)	32,781 (0.000)	204.537 (0.000)	163.889 (0.000)	1268.921 (0.000)	2.585 (0.275)

From table above, there is description general about data distribution and distribution convincing description generally obtained from the mean. Mean works as size data center, but not always describe distribution of data randomly accurate for each variable. General description about the mean of each variable may not deliver too picture convincing. The mean ROA value of 0.149 is not enough accurately describes the ROA of 58 companies in a way whole.

Table 2
Regression Results for 58 Companies

DEPENDENT VARIABLE (ROA)	C	FREE VARIABLES			
		SIZE	DER	PBV	CSI
Coefficient	-0.92	-517E-08	-0.060	0.031	0.004
t-Statistics	-0.84	-0.090	-2.752	3.995	2.166
Prob. Significance	0.404	0.928	0.008	0.0002	0.035
F (prob)		6.904 (0.000)			
R^2		0.347			
Durbin Watson		1.816			
Heteroscedasticity [a]		0.874 (Sig. F-Test = 0.285)			
Multicollinearity [b]		1.041	1.021	1.045	1.067
Normality [c]		52.086 (0.000)			

Information ;
   a) Using the Breusch-Pagan-Godfrey Test Model.
   b) Using Variant Inflation Factor.
   c) Using the Jarque -Bera test model

From table 2 shows results that autocorrelation test known not to occur autocorrelation. For the heteroscedasticity test, this did not occur symptoms heteroscedasticity or has been fulfilled. Multicollinearity test in the table above explained that the independent variables SIZE, DER, PBV, and CSI have VIF value < 10 means it doesn't happen multicollinearity or said get away.
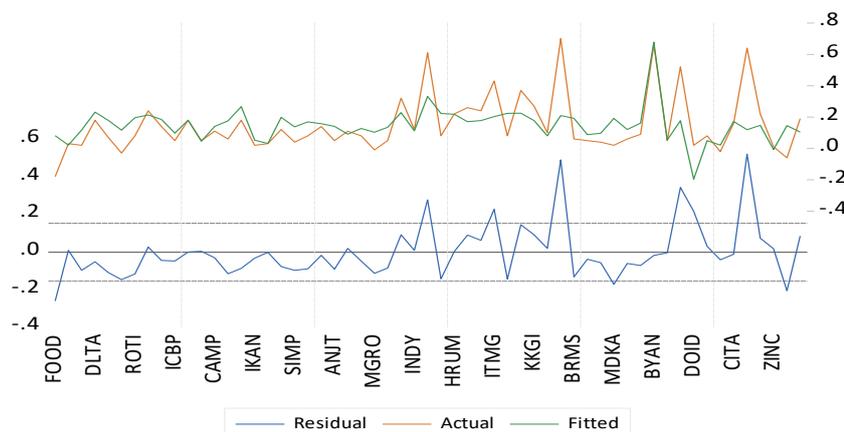
Figure 2 Residual (58 Companies)

Based on normality test results are presented in picture above, value probability The amount obtained is 0,000. Because of value probability the more small from 0.05 can concluded that the residuals are not normally distributed. There are problems in mark Jarque -Bera caused me do regression repeat with reduce amount company from 58 to 51 companies. This deduction is made Because a number of company has too much residual high, that can be influence validity of the research model. Consequence from

non-fulfillment assumption normality that is, the research model cannot used for hypothesis testing, in particular, t test and F test thus, modeling repeat become it's important to make sure accuracy results study.

Table 3
Regression Results (51 Companies)

DEPENDENT VARIABLE (ROA)	C	FREE VARIABLES			
		SIZE	DER	PBV	CSI
Coefficient	-0.128	3.49E-07	-0.050	0.027	0.003
t- Statistics	-1,674	0.926	-3,540	5,338	2,953
Prob. Significance	0.101	0.359	0.000 9	0,000	0.005
F (prob)		12,453 (0.000)			
R^2		0.525			
Durbin Watson		1,897			
Heteroscedasticity [a]		0.454 (Sig. F-Test = 0.887)			
Multicollinearity [b]	1,051		1,016	1,072	1,107
Normality [c]		3,383 (0.184)			

Information:
  a) Using the Breusch-Pagan-Godfrey Test Model
  b) Using Variant Inflation Factor
  c) Using the Jarque -Bera test model

In table on can see that does not show symptom autocorrelation in other words, this regression model passes in the autocorrelation test, so the assumption of independent residuals is considered fulfilled. Heteroscedasticity test in the table on of 0.455 > 0.05 then it can be concluded that the data does not occur symptom heteroscedasticity in data, so assumption homoscedasticity has fulfilled. Multicollinearity test on the table diats explained that all over independent variables have VIF value < 10, this indicates that didn't happen multicollinearity between these independent variables. Normality test with Jarque-Bea method is obtained Jarque -Bera Probability value is 0.184 of acquisition results the taken that Jarque -Bera probability value > 0.05 then can concluded that the residuals from the regression model normally distributed. In other word assumptions normality fulfilled, validate use of statistical techniques that require assumption inner normal distribution data analysis.

Based on table 3 shows t test results like :

● The SIZE variable has t- value Statistics of 0.926 with Prob (Significance) of 0.359 > 0.05 then it can be drawn conclusion that The SIZE variable has no effect significant to ROA variable.

● The DER variable has t- value Statistics of -3,540 with Prob (Significant) of 0.0009 < 0.05 then withdrawn conclusion that the DER variable is influenced significant to ROA variable.

- The PBV variable has t- value Statistics of 5.338 with Prob (Significant) of 0.000 < 0.05 then withdrawn conclusion that the PBV variable is influenced significant to ROA.

- CSI variables have t- value Statistics of 2.953 with Prob (Significant) of 0.005 < 0.05 then withdrawn conclusion that the CSI variable is influenced significant to ROA.

Based on table 4.3 above is known results simultaneous (F test) is known Probability F-Statistics value equal to 0.0001 < 0.05 then can withdraw conclusion that all over independent variables influence variable this dependent indicates that the regression model used in this research has strength good predictive and selected independent variables of course role important in influence variable dependent. coefficient test determination is known from The R-square value is 0.525 or 52.5%. From the coefficient test results determination can interpreted that the independent variable is capable describe variable dependent amounting to 52.5%. In other words, model regression used own quite good abilities in explain variability variable dependent based on existing independent variables.

DISCUSSION

Influence SIZE, DER, PBV, and CSI against ROA
Based on results analysis that has been done prove that's it hypothesis First in this research is not accepted. Because of the results from this research shows that SIZE has no effect positive to ROA. This is because companies focused on sustainability usually more efficient in managing company assets. Therefore that is, hypothesis The first (H1) says that size company influential significant to profitability rejected, because of the calculation data show that size the company has no effect significant to ROA. This efficiency occurs Because companies the apply practices best in management source power and technology friendly environment. Hence, size the company does not become factor main in determine ROA. Sustainable company often adopted technology green and innovation that can be increase efficiency operational and reduce cost. This innovation can implemented by the company big nor small, so size the company does not always relate in a way direct with ROA.

Based on results analysis that has been done prove that's it hypothesis second in this research is accepted. From this research, the DER value shows negative relationship to ROA. DER reflects comparison between debt and equity company. if DER is negative to ROA, meaning when debt decreases, equity increase. In this study, the average DER was 0.951. this means that for every One unit equity, there is 0.951 advice debt, that is show that equity more dominant compared debt. In other words, the company more Lots driven by equity (shares) rather than debt.

Based on results analysis that has been done prove it that's it hypothesis third in this research is accepted. High PBV often reflect positive market assessment to ability company in managing assets and achieving continuity. Evaluation These positives are related with efficiency operational, good risk management, excellence competitive and

access to more capital cheap. All This factor contributes to increasing ROA. This research is supported by stakeholder theory and the ESG framework. Based on stakeholder theory and ESG, high PBV often reflects positive market assessment to ability company in managing assets and achieving continuity. Evaluation This positive reflects efficiency operational, good risk management, excellence competitive, and more access to capital cheap.

Based on results analysis that has been done prove that's it hypothesis fourth in this research is accepted. This research is also supported by stakeholder theory and the ESG framework that provides a solid basis for understanding why the Corporate Sustainability Index (CSI) can influential positive on Return on Assets (ROA) in context continuity. Focus on interests holder diverse interests, good risk management, improvement trust investors, access to more capital cheap, efficient operations, and better asset management altogether can contribute to increasing ROA through increase in CSI.

CONCLUSION

In this research, found that there is a number of variables that have influence and no influence to profitability in the company sustainable best 2022. Research show that size the company has no effect significant to profitability. In other words size the company does not always reflect efficiency operational. Large companies Possible own more Lots source power, but can also have more bureaucracy large and reducing internal efficiency profitability. Large companies Possible own more investment big in infrastructure and technology, which can reduce profitability period short although can produce profit period long. On the other hand, if company small Possible more focus on immediate core operations produce profit. DER variable in this research has an effect significant to Profitability in Sustainable Companies Best Year 2022. Variable *Price to Book Value* also has an influence positive significant to Profitability. Variable *Corporate Sustainability Index* influential significant to Profitability in Sustainable Companies Best Year 2022.

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