

CHAPTER I

INTRODUCTION

1.1 Background of Study

When an owner establishes a company, it always comes with several objectives or purposes. The most common purpose is to maximize the profit of the company, or to maximize the prosperity of the owners and shareholders and to maximize the firm value of the company, this quotation is also stated in the previous research conducted by Susanti, 2010. Every company has its way to reach the objectives or purpose of the company. In general, the prosperity of the owner is in the same line as the value of the company, the higher the value of the company the more prosperous the owner and it applied vice versa. The firm value represents the addition of the company equity and debt and it reflects the amount that investors are willing to pay if the company is sold. (Kusumadilaga, 2010). Firm value is important to investors as it is the indicator to access the company in the market. Firm value can affect the investors' decisions. Thus, each owner must create a good image of the company and assure the investors to invest in the right destination. A good firm value puts a good image on the company and may attract investors to invest in the company.

There is a number of factors that influence the firm value of the company, including internal factors and external factors. The firm of tax payments, firm size,

company growth, uniqueness, financial risk, profitability, dividend payments, and non-debt tax shield are all internal factors. Inflation, interest rates, foreign exchange rate fluctuations and capital market conditions have played a role in external factors. (Analisa, 2011).

It is mentioned that one of the factors that affect the firm value is company growth. A good company growth gives a signal for the development of the company. From the investor's point of view, the growth of the company shows that the company has a favorable aspect and the investor will decide to invest in the company (Kusumajaya, 2011). This research will focus to analyze the internal factor that affected firm value which is company growth, and the growth will be indicated by the growth of the asset.

In this era of industrialization, many companies are too focused on the growth of the company or the profitability of their company. The contribution to society is not in the focus list of the company, the contribution to society may be restricted to the working field and providing goods and services. But these days, society demands the companies to do more as the current situation is the imbalance between the company and the society and it also brings a negative impact to the society as for the example is pollution.

These days, Corporate Social Responsibility (CSR) is treated as an investment and not an expense (Wibisono, 2007). CSR refers to the relationships between the corporation and all stakeholders, including customers, employees, investors, suppliers, government, and even their competitors. It is also known as the 3P concept; profit, people and planet. This concept was introduced by Solihin,

2009. Society expected the owner of the company to have an objective to not only gaining profit but also be aware of the welfare of the people and sustainability of the planet.

From the previous research conducted by Jo and Harjoto, 2011. It shows a positive parallel between CSR and financial performance. It is stated that there is a strong positive impact for firms that engage in CSR on firm value. Cheung et al and Choi (2009), Kwak and Choe (2010), also stated that CSR has a positive and significant relationship to financial performance. The research conducted by Lindgreen, Swaen and Johnston, 2009 also has the same conclusion. They conclude that by reaching out to its stakeholders with CSR, the corporation could increase its revenues and profits, which in turn improves its chance of surviving in the long run.

To conclude everything, CSR and firm value has a strong relationship. But some research concludes CSR and firm value do not have any relationship or significant impact on each other. Research done by Nelling and Webb (2009) shows that CSR is driven more by unobservable firm characteristics than by financial performance. Mulyadi, Anwar and Apria (2011), also conclude that there is no significant impact of CSR on firm value. Therefore, the writer is interested in analyzing **“The Impact of Asset Growth and Corporate Social Responsibility to Firm Value of Mining Companies listed in Indonesia Stock Exchange”**

Table 1.1 Phenomena Table

Company	Year	Asset Growth	CSR	Firm Value
Aneka Tambang Tbk	2017	0.00109193	0.3846154	1.29963441
	2018	0.10968506	0.3516484	1.21741141
	2019	-0.09342	0.3736164	1.32521972
Adaro Energy Tbk	2017	0.03996943	0.571428	7817.418841
	2018	0.03619059	0.5604396	7433.941821
	2019	0.02214352	0.5604396	8029.824308
PT. Bumi Resources Minerals Tbk	2017	-0.19428722	0.1648352	110.4395213
	2018	-0.20292919	0.2967033	120.0934672
	2019	0.03220831	0.3076923	119.776296

Source: Prepared by Writer (2021)

The data above shows the information about asset growth, corporate social responsibility and firm value on mining companies listed in Indonesia Stock Exchange for the year 2017 – 2019.

1.2 Problem Limitation

There are two major limitations in this study that could be addressed in future research. First, the research focused on the significant impact that Asset Growth has on Firm Value and the significant impact that Corporate Social Responsibility has on Firm Value. Second, the research will focus on mining companies listed on Indonesia Stock Exchange.

1.3 Problem Formulation

Referring to the background of the study above, the following problems can be identified:

1. Does Asset Growth have a significant impact on Firm Value on mining companies listed on Indonesia Stock Exchange?
2. Does Corporate Social Responsibility have a significant impact on Firm Value on mining companies listed in Indonesia Stock Exchange?
3. Does Asset Growth and Corporate Social Responsibility have a significant impact on Firm Value on mining companies listed in Indonesia Stock Exchange?

1.4 Objectives of the Research

The purpose of the research is to analyze the significant impact of Asset Growth and Corporate Social Responsibility have on Firm Value. Referring to the problem formulation, the objectives from this research are:

1. To analyze the significant impact that Asset Growth has on Firm Value on mining companies listed in Indonesia Stock Exchange
2. To analyze the significant impact that Corporate Social Responsibility has on Firm Value on mining companies listed in Indonesia Stock Exchange
3. To analyze the significant impact that Asset Growth and Corporate Social Responsibility have on Firm Value on mining companies listed in Indonesia Stock Exchange

1.5 The Benefit of the Research

1.5.1 Theoretical Benefit

The researcher expected that this research can be useful for many users to support the knowledge in this accounting analysis and to develop more on the

writings. Hopefully, this can also be additional information or source in future references.

1.5.2 Practical Benefit

The benefits from this research are companies can be more aware of the importance of Social Corporation Responsibility and get more knowledge about the significant impact that Asset Growth has on Firm Value. This can also give benefit to some investors as a reference before investing in one company.

