

The Effect of Debt to Equity Ratio, Cash Holding, Firm Size, and Corporate Social Responsibility Disclosure on Corporate Value

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Article Info:

Keywords:

Debt to Equity Ratio (DER), Cash holding (CH), Firm Size (FS), Corporate Social Responsibility disclosure (CSR), Company Value.

Article History:

Received : July, 15 2021
Revised : February, 07 2022
Accepted : February, 11 2022

Article Doi:

<http://dx.doi.org/10.12244/jies.2021.5.1.001>

Abstract

The aim of this study is to examine the Debt to Equity Ratio, Cash holding, Firm Size, and Corporate Social Responsibility disclosure on corporate value of mining corporation listed in indonesia stock exchange on 2017 - 2018. This research using purposive sampling techniques based on determined criterias. Data collection used in this study is literature study with quantiative approach. The population of this research is all of mining corporation listed in indonesian stock exchange with 51 companies for the sample. The independent variables in this research are Debt to Equity Ratio (DER), Cash holding (CH), Firm Size (FS), and Corporate Social Responsibility disclosure (CSR) also Corporate Social Responsibility Value (PBV) as dependent variable. This research data analysis using multiple linear regression using Eviews 11 application. The result shows that Debt to Equity Ratio, Cash Holding, Firm Size, dan CSR have significant effects on corporate value simultantly and Debt to Equity Ratio have significant effects on corporate value partially.

INTRODUCTION

In the country's economy, companies act as the economic basis of the economic elements as a whole. The mining industry is industry that is widely listed on the Indonesia Stock Exchange (IDX). The number of mining companies creates fierce competition between mining companies. Companies are increasingly aggressively improving their company performance in order to achieve their goals. Firm value is very important to note, because firm value is a reflection of company performance that affects investors' perceptions in decision making.

The profit generated by the company is related to the Debt to Equity Ratio (DER) which shows the relationship between the amount of long-term debt provided by creditors and the amount of own capital provided by the owner of the company, or simply states how much the company is financed by debt. According to Arfan [1], the higher the ratio, the greater the risk faced by creditors, because a high debt to equity ratio indicates the higher debt a company has. One of the main reasons companies operate is to generate beneficial profits for shareholders. Management of Cash Holding appropriately can help companies in achieving profit. A high ratio shows the efficiency and effectiveness of the company in its management, so that the company's performance has an impact on increasing company value. The greater the value of a company, the greater the opportunity for the company to obtain funds that can be used for company operations.

Corporate value can shape the image of the company. Firm size describes the state of the company. The larger the size of the company, the easier it is for the company to obtain funding sources. Companies that have a large size have the opportunity obtain large amounts of funding sources, because the asset value used as collateral is greater, so that external parties

such as banks have higher trust in large companies. Companies that have large sizes have easy access to the capital market and allow flexibility and the company's ability to create debt or raise larger funds. According to Anthony [2], obtaining new funds makes it easier for the company to develop its business so that the company's value will be better in the eyes of investors. Over the past few times, companies that disclose Corporate Social Responsibility have attracted a lot of attention. Corporate Social Responsibility can reduce the information gap between companies and stakeholders. Seeing this fact, many companies are trying to attract institutional investors through the practice and disclosure of Corporate Social Responsibility as a symbol of the company's concern for its social environment which is communicated in various media.

LITERATURE REVIEW

Agency Theory

Agency theory two explains conflicting economic behaviors, namely the principal and the agent. An agency relationship is a contract, in which one or more people order another person to perform service on behalf of the principal and authorize the agent to make the best decisions for the principal. If the principal and the agent have the same goal, the agent will support and carry out everything the principal orders. Conflict occurs when an agent does not carry out the principal's orders for his own benefit.

Corporate value

Corporate value is a certain condition that has been achieved by a company as a reflection of public trust in the company after going through a process of activities for several years, namely from the time the company was founded to the present. The increase in the value of the company is an achievement, which is in accordance with the willingness of the owner, because with the increase in the value of the company, the welfare of the owner will also be increased.

Debt to Equity Ratio

Information on capital structure in agency theory represents the relationship between management and creditors and investors. Therefore, a research model that utilizes the relationship between interested parties can be built through the relationship between the function of the capital structure and its influence on firm value. " This model has implications regarding management performance with regard to funding policies. In this case, it indicates the extent to which management determines its capital structure through accumulating profits in the form of retained earnings or even distributing profits as dividends in the hope that investors will buy shares of the company. According to Harmono [3], the magnitude of the capital structure composition indicates the extent to which management. is able to manage the optimal capital structure by considering the efficient average cost of capital.

Cash Holding

Cash holding is defined as cash owned by a company, which is short-term in nature. Cash Holding is used to measure how much the company's ability to keep the increase in cash in a company stable. Cash Holdings measures the effectiveness of management in its use of cash and its benefits to the company's finances.

Firm Size

According to Dewi and Wirajaya [4], company size is considered capable of influencing firm value, because the larger the size or scale of the company, the easier it will be for the company to obtain funding sources both intenal and extemal. If the company has large total assets, the management is more flexible in using the existing assets in the company. This freedom that management has is proportional to the worry that owners have over its assets.

Corporate Social Responsibility

Responsibility Corporate Social Responsibility is a concept that an organization responsibility for all of its stakeholders, communities and the environment in all aspects of the company's operations covering economic, social and environmental aspects. Therefore, corporate social responsibility is closely related to "sustainable development", that is, an organization, especially a company, in carrying out its activities must base its decisions not solely on the impact in the economic aspect, but must also consider the social and environmental impacts arising from its decisions. either for the short term as well as for the long term.

Previous Reseaches

Research by Handriani [5] shows that company size has a positive effect on firm value. Research by Indriyani, Eka [6] shows value that Firm Size has a negative effect on firm

Research by Hizkia [7] shows that the debt to equity ratio has a significant effect on firm value. Research by Hidayat [8] shows that the debt to equity ratio has no effect on firm value.

Research by Wartoyo [9] shows that the Cash Holdings ratio has a positive but not significant effect. Research by Sutrisno [10] shows that cash holding has an effect on firm value.

Research by Nascem [11] shows that CSR has a significant effect on firm value. Research by Usman [12] shows that disclosure or corporate social responsibility has no significant on firm value.

Conceptual Framework and Hypotheses

Based on case studies and previous researches, it can be included that: a) FS, DER, and CSR have a significant effect on firm value b) CH has no significant effect on firm value. The relation depicted in Figure-1. Then it can be concluded that the framework and hypothesis are as follows:

H1: That the Debt to Equity Ratio has an effect on the Value of Mining Companies Listed on the Indonesia Stock Exchange.

H2: Whereas Cash Holdings Ratio has an effect on the Value of Mining Companies Listed on the Indonesia Stock Exchange.

H3: That Firm Size affects the Value of Mining Companies Listed on the Indonesian Stock Exchange.

H4: Disclosure of Corporate Social Responsibility affects the Value Mining Companies Listed on the Indonesia Stock Exchange.

THE RESEARCH METHODOLOGY

This study uses a quantitative method with the object of research for mining companies listed on the Indonesian stock exchange for the period 2016-2018, the sample was taken by purposive sampling method with the following criteria: 1) The company must be listed on the Indonesia Stock Exchange and provide complete consecutive financial reports on The Stock Exchange. Indonesia during 2016, 2017, 2018. 2) Companies must be included in the mining company group 3) Mining companies that disclose Corporate Social Responsibility during 2016, 2017, 2018. 4) Financial reports have been audited for 2016, 2017, 2018. 5) The financial statements do not show any losses in the income statement. The research objects are: Debt to Equity Ratio, Cash Holdings Ratio, Firm Size, Corporate Social Responsibility. The research sample was 17 from 40 companies for years, with a total observation of 51 companies. The data is collected from the Indonesian stock exchange and analyzed with Eviews version 11.

THE RESULT

Research Object Description

The object of this research is mining companies listed on the Indonesian stock exchange in the period 2016-2018, a total of 40 mining companies listed on the Indonesian stock exchange, and 17 companies that match the criteria with a total of 51 observations reflecting the Debt Equity Ratio, Cash Holdings Ratio, Firm Size, Corporate Social Responsibility.

Descriptive Analysis

Sugiyono [13] states that descriptive statistics are used to analyze by describing or describing the collected data as it is without making any generalized, conclusions generalizations. In this research, the descriptive statistical test will only look the menu, minimum, maximum and standard deviation.

Debt to Equity Ratio

DER has an 1.050131, the highest value was 5.976200 average value of Delta Dunia Makmur Tbk in 2016 and the lowest 0.030000 Elnusa Tbk in 2018. The standard deviation value is 1.141511.

Cash Holdings Ratio

Cash Holding has an average value of 0.148682, the highest value is 0.579700 Harum Energy Tbk in 2017 and the lowest is 0.005100 Citatah Tbk in 2017. The standard deviation value is 0.138298.

Firm Size

Firm Size has an average value of 20.16647, the highest value is 28.62000 Ratu Prabu Energi Tbk in 2018 and the lowest is 15.25000 Elnusa Tbk in 2016. The standard deviation value is 3.575374.

Corporate Social Responsibility

CSR has an average value of 0.141790, the highest value is 0.384600 Timah (Persero) Tbk in 2017 and the lowest is 0.022000 J Resources Asia Pasifik Tbk in 2017 and 2018, Mitrabara Adiperdana Tbk 2017, Ratu Prabu Energi Tbk 2016, Adaro Energy Tbk 2018, the standard deviation is 0.116915.

Estimation of Panel Data Regression Model

There are 3 approaches to estimate panel data regression models, which is common effect, Fixed effects, and random effects. The common effect is shown by the common effect regression panel data in table 2, the fixed effect is shown by the fixed effect regression panel data in table 3, and the random effect is shown by the random effect regression panel data in table 4.

Selection of Panel Data Regression Model

Panel data model regression selection consists of the Fixed Effect Test (Chow Test), the Random Effect Test (Hausman Test) and the Lagrange Multiplier, follows:

Fixed Effects Test (Chow test)

The Chow test compares the Pooled Least Square (Common Effect) Model and the Fixed Effect Model. The hypothesis is as follows:

H0: Common Effect Model

H1: Fixed Effect Model

HO is rejected if the P-value is smaller than the α value. Conversely, HO is accepted if the P-value is greater than the α value. The α value used is 5% (0.05). The results of the Chow test in Table 5 show that the p-value of the F test is 0.0000 with a significance level of 5% ($\alpha = 0.05$). Then the p-value (0.0000) $< \alpha$ (0.05). Thus HO (Common Effect Model) is rejected and Fixed Effect Model is accepted.

Random Effects Test (Hausman Test)

The Hausman test selects the most appropriate Fixed Effect or Random Effect model. The hypothesis:

H0: Random Effect Model

H1: Fixed Effect Model

The basis for rejection of the null hypothesis is to use a probability value (p-value). Comparison is used if the p-value $> \alpha$ then Ho is rejected. If P value < 0.05 , then HO is rejected, the method chosen is the fixed effect. If the p value is 0.05, the method we choose is the random effect. Based on table 6, it shows that the probability value (prob) for random cross-section of 0.4385 is greater than 0.05. Then it can be concluded that Ho is accepted and the panel data regression model selected from this test is the Random Effect.

Lagrange Multiplier (LM-Test)

Lagrange Multiplier (LM) is used to determine whether the Random Effect model or the Common Effect model is more appropriate.

H0 : Common Effect Model

H1: Random Effect Model

The basis for rejection of the null hypothesis is to use a probability value (p-value). Comparison is used if the p-value $< \alpha$ then Ho is rejected. From the results of the Lagrange Multiplier Test in Table 7 shows that the value Prob. Breusch-Pagan (BP- value) of 0.0000 with a significance level of 5% ($\alpha = 0.05$), Prob. BP-value (0.0000) $< \alpha$ (0.05). Thus HO (Common Effect Model) is rejected, meaning that the accepted model is the Random Effect Model.

Panel data regression model formulation

Based on the model testing, the model used in panel data regression in this study is the Random Effect model, as shown in Table 9. The selected model is shown in Table 4 and represented in Table 9, with a regression model: corporate value = 1.628514 - 0.215469 DER - 0.269156 CH - 0.010416 FS - 0.233752 CSR.

Debt to Equity Ratio

DER has an average value of 1.050131, the highest value was 5.976200 average value of Delta Dunia Makmur Tbk in 2016 and the lowest 0.030000 Elnusa Tbk in 2018. The standard deviation value is 1.141511.

Cash Holdings Ratio

Cash Holding has an average value of 0.148682, the highest value is 0.579700 Harum Energy Tok in 2017 and the lowest The 0.005100 Cit atah Tbk in 2017. standard deviation value is 0.138298.

Firm Size

Firm Size has an average value of 20.16647, the highest value is 28.62000 Ratu Prabu Energi Tbk in 2018 and the lowest is 15.25000 Elnusa Tbk in 2016. The standard deviation value is 3.575374.

Corporate Social Responsibility

CSR has an average value of 0.141790, the highest value is 0.384600 Timah (Persero) Tbk in 2017 and the lowest is 0.022000 J Resources Asia Pasifik Tbk in 2017 and 2018, Mitrabara Adiperdana Tbk 2017, Ratu Prabu Energi Tbk 2016, Adaro Energy Tbk 2018, the standard deviation is 0.116915.

Classic assumption test

The selected model is the random effects model. I so that the classical assumption test is not required.

HYPOTHESES TEST

Coefficient of Determination

Based on table 9, the R2 (R-squared) value is 0.121874. Thus, it can be seen that the variable Debt to Equity Ratio, Cash Holding, Firm Size, and Corporate Social Responsibility disclosure can explain the corporate value for 2016-2018 of 12.18%, while the remaining 87.72% is influenced by other variables in outside of these variables.

F. Test (Simultaneous)

Based on table 9, the Fcount value is 3,596066 with a significance level of 0.01940. The regression model is possible because the significant level is <0.05.

T Test (Partial)

Debt to Equity Ratio has a prob value. (p-value) 0.0182 <0.05, then HO is rejected which means. DER has a significant negative effect on firm value, so the hypothesis (H1) is accepted. Cash holding has a prob value. (p-value) 0.7614 > 0.05, then HO is accepted, which means that cash holding has no significant effect on firm value, so the hypothesis (H2) is rejected. Firm Size has a prob value. (p-value) 0.8712 > 0.05, then HO is accepted which means. Firm size does not have a significant negative effect on firm value. So the hypothesis (H3) is rejected. and Corporate Social Responsibility disclosure has a prob value. (p-value) 0.8335 > 0.05, then HO is accepted, which means. Corporate Social Responsibility does not have a significant effect on firm value, so the hypothesis (H4) is rejected.

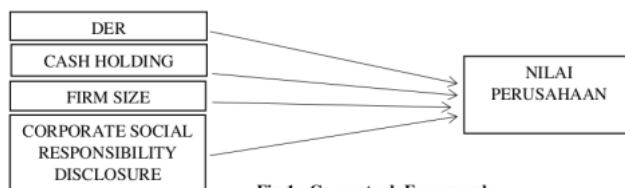


Fig-1: Conceptual Framework

Tabel-1: Descriptive Analysis Test Result

	CORPORATE_VALUE	DER	CASH_HOLDING	FIRM_SIZE	CSR
Mean	1.119020	1.050131	0.148682	20.16647	0.141790
Median	0.970000	0.687300	0.129100	19.95000	0.087900
Maximum	4.380000	5.976200	0.579700	28.62000	0.384600
Minimum	0.180000	0.030000	0.005100	15.25000	0.022000
Std. Dev.	0.854366	1.141511	0.138298	3.575374	0.116915
Skewness	1.710821	2.479349	1.451884	0.949653	0.638823
Kurtosis	6.212349	9.529363	4.860767	3.393515	1.908142
Jarque-Bera	46.80698	142.8452	25.27544	7.994707	6.002137
Probability	0.000000	0.000000	0.000003	0.018364	0.049734
Sum	57.07000	53.55670	7.582800	1028.490	7.231300
Sum Sq. Dev.	36.49705	65.15238	0.956311	639.1650	0.683454
Observations	51	51	51	51	51

Source: E-views Result

Tabel-2: Pooled Least Square Model (Common Effect)

Dependent Variable: CORPORATE_VALUE

Method: Panel Least Squares
Date: 09/20/20 Time: 13:57
Sample: 2016 2018
Periods included: 3
Cross-sections included: 17
Total panel (balanced) observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.067372	1.043001	1.982139	0.0535
DER	0.004786	0.118648	0.040340	0.9680
CASH_HOLDING	-0.211126	1.0104610	-0.2089410	0.8354
FIRM SIZE	-0.032756	0.041760	0.784382	0.4368
CSR	-1.843744	1.242441	-1.483969	0.1446
R-squared	0.049305	Mean dependent var		1.119020
Adjusted R-squared	-0.033365	S.D. dependent var		0.854366
S.E. of regression	0.868502	Akaike info criterion		2.648800
Sum squared resid	34.69758	Schwarz criterion		2.838195
Log likelihood	-62.54440	Hannan-Quinn criter.		2.721173
F-statistic	0.596408	Durbin-Watson stat		0.198454
Prob(F-statistic)	0.667034			

Source : E-views Result

Tabel-3: The Fixed Effect Model (Fixed Effect)

Dependent Variable: CORPORATE_VALUE

Method: Panel Least Squares

Date: 09/20/20 Time: 13:58

Sample: 2016 2018

Periods included: 3

Cross-sections included: 17

Total panel (balanced) observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.428236	5.929992	0.915387	0.3673
DER	-0.284866	0.096875	-2.940561	0.0063
CASH_HOLDING	-0.282915	1.033416	-0.273766	0.7861
FIRM SIZE	-0.195780	0.290276	-0.674460	0.5052

CSR	-0.139780	0.659059	-0.212090	0.8335
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Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.929301	Mean dependent var	1.119020
Adjusted R-squared	0.882168	S.D. dependent var	0.854366
S.E. of regression	0.293276	Akaike info criterion	0.677493
Sum squared resid	2.580316	Schwarz criterion	1.472950
Log likelihood	3.723939	Hannan-Quinn criter.	0.981460
F-statistic	19.71662	Durbin-Watson stat	0.198454
Prob(F-statistic)	0.000000		2.0898.36

Source: E-views Result

Tabel 4: The Random Effect Model (Random Effect)

Dependent Variable: CORPORATE_VALUE

Method: Panel EGLS (Cross-section random effects)

Date: 09/20/20 Time: 13:59

Sample: 2016 2018

Periods included: 3

Cross-sections included: 17

Total panel (balanced) observations: 51

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.628514	1.357478	1.199661	0.2364
DER	-0.215469	0.087956	-2.449738	0.0182
CASH_HOLDING	-0.269156	0.881026	-0.305503	0.7614
FIRM SIZE	-0.010416	0.063896	-0.163021	0.8712
CSR	-0.233752	0.618543	-0.377907	0.7072

Effects Specification

	S.D.	Rho
Cross-section random	0.901485	0.9043
Idiosyncratic random	0.293276	0.0957

Weighted Statistics

R-squared	0.121874	Mean dependent var	0.206569
Adjusted R-squared	0.045515	S.D. dependent var	0.854366
S.E. of regression	0.292531	Akaike info criterion	3.936427
Sum squared resid	2.580316	Schwarz criterion	1.472950
F-statistic	3.596066	Durbin-Watson stat	1.299007
Prob(F-statistic)	0.019140		

Unweighted Statistics

R-squared	-0.096168	Mean dependent var	1.119020
Sum squared resid	40.00692	Durbin-Watson stat	0.127814

Source: E-views Result

Tabel 5: Fixed Effects Test (Chow Test)

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.338180	(16.30)	0.0000
Cross-section Chi-square	132.536669		160.0000

Source: E-views Result

Tabel 6: Random Effect Test (Hausman Test)

Correlated Random Effects - Hausman Test
Equation: Untitled Test cross-section random effects

Test Summary	Chi-Sq.	Statistic	Chi-Sq.	d.f.	Prob.
Cross-section random	3.766809				40.4385

Source: E-views Result

Tabel 7: Lagrange Multiplier (LM) Test Result

Lagrange Multiplier Tests for Random Effect
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

Test Hypothesis	Test Hypothesis		
	Cross-section	Time	Both

Breusch-Pagan	35.09341 (0.0000)	1.428653 (0.2320)	36.52207 (0.0000)
Honda	5.923969 (0.0000)	-1.195263 (0.8840)	3.343700 (0.0004)
King-Wu	5.923969 (0.0000)	-1.195263 (0.8840)	0.847752 (0.1983)
Standardized Honda	6.658532 (0.0000)	-0.956988 (0.8307)	0.675773 (0.2496)
Standardized King-Wu	6.658532 (0.0000)	-0.956988 (0.8307)	-1.226768 (0.8900)
Gourieroux, et al.*	-	-	35.09341 (0,0000)

Source: E-views Result

Tabel 8: The Summary Result of Model Selection

No.	Estimasi Model Regresi	Hasil
1	Uji Chow	Model Common Effects
2	Uji Hausman	Model Random Effects
3	Lagrange Multiplier	Model Random Effects

Sumber : Proses Data

Tabel 9: Random Effect Model

Dependent Variable: CORPORATE_VALUE
Method: Panel EGLS (Cross-section random effects)
Date: 09/20/20 Time: 13:59
Sample: 2016 2018
Periods included: 3
Cross-sections included: 17
Total panel (balanced) observations: 51

Swamy and arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.628514	1.357478	1.199661	0.2364
DER	-0.215469	0.087956	-2.449738	0.0182

CASH_HOLDING	-0.269156	0.881026	-0.305503	0.7614
FIRM SIZE	-0.010416	0.063896	-0.163021	0.8712
CSR	-0.233752	0.618543	-0.377907	0.7072

Effects Specification

	S.D.	Rho
Cross-section random	0.901485	0.9043
Idiosyncratic random	0.293276	0.0957

Weighted Statistics

R-squared	0.121874	Mean dependent var	0.206569
Adjusted R-squared	0.045515	S.D. dependent var	0.854366
S.E. of regression	0.292531	Akaike info criterion	3.936427
Sum squared resid	2.580316	Schwarz criterion	1.472950
F-statistic	3.596066	Durbin-Watson stat	1.299007
Prob(F-statistic)	0.019140		

Unweighted Statistics

R-squared	-0.096168	Mean dependent var	1.119020
Sum squared resid	40.00692	Durbin-Watson stat	0.127814

DISCUSSION

The Effect of Debt to Equity Ratio to value company

The result of the test for the variable debt to Equity Ratio to firm value has significance level of $0.0182 < 0.05$, so H_0 is rejected, which means that DER has a significant negative effect on firm value. The results of this study are in line with Hidayat's [8] study which states that the debt to equity ratio has a significant effect on the value of food and beverages companies listed on the Indonesia Stock Exchange.

The Effect of Cash Holding on firm value

The test result of the Cash Holding variable on firm value has a significance level of $0.7614 > 0.05$, so H_0 is accepted, which means that Cash Holding does not have a significant negative effect on firm value. The results of this study support the results of Wartoyo's research [9] which states that the Cash Holdings ratio has no significant effect on the stock prices of manufacturing companies listed the Indonesia Stock Exchange.

The Effect of Firm Size to firm value

The test results of Firm Size variable on firm value have a significance level of $0.8712 > 0.05$, so H_0 is accepted which means, Firm size does not have a significant negative effect on firm value. The results of this study support the results of Anthony's [2] research which states that firm size has no significant effect on the value of manufacturing companies listed on the Indonesia Stock Exchange.

The Effect of Corporate Social Responsibility to company value

The test results of the Corporate Social Responsibility variable on firm value have a significance level of $0.8335 > 0.05$, so H_0 is accepted, which means that Corporate Social Responsibility does not have a significant effect on firm value. The results of this study support the research results of Abdur Rouf [14] which states that Corporate Social Responsibility has no effect on the size of companies listed on the Dhaka Stock Exchange.

CONCLUSION AND SUGGESTIONS

Conclusion

The influence of Cash Holding, Firm Size, and Corporate Social Responsibility disclosure is only a small factor in the company's assessment and is not strong. Debt to Equity Ratio, is only one variable that has a significant effect. The results of this study can provide input to companies to consider debt to equity ratio as their management strategy.

Suggestion

For further researchers, it can expand the independent variables which are used as factors that can influence the dependent variable outside of the independent variables that have been used by researchers so that the results obtained later can largely explain the variation of the dependent variable, for example stocks listed in LQ45, so that there is a more perspective, broad in assessing the value of the company.

Apart from this for the population and sample, it can also be done at other types of companies other than mining, so that the results achieved can enrich studies in other companies. The sample selection in this study used a purposive sampling method so that the companies sampled were limited to predetermined criteria. This is a limitation because it reduces the sample used so that the results obtained are less representative of existing companies.

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