

## Joint Impact of Philanthropy and Corporate Reputation on Firm Value

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DOI: <http://dx.doi.org/10.15294/jda.v12i1.21747>

Submitted: December 4<sup>th</sup>, 2019 Revised: February 02<sup>nd</sup>, 2020 Accepted: March 20<sup>th</sup>, 2020 Published: March 31<sup>th</sup>, 2020

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### Abstract

This study empirically examines joint impact of philanthropy and corporate reputation on firm value. The population used in this study were all non-financial companies listed on the Indonesia Stock Exchange (IDX) during 2015 - 2017. The number of samples was 38 companies taken for 3 years and selected through purposive sampling. This study uses secondary data in the form of annual reports, financial reports, and ongoing reports obtained from the IDX database and the company's official website. The results of data analysis showed that neither philanthropy nor company reputation had a significant influence on firm value. However, the interaction between philanthropy and corporate reputation has a positive and significant effect on firm value. This finding shows that the role of philanthropic activities and corporate reputation is very important for the survival of the company. A good relationship between the company and its stakeholders, especially the community in the form of philanthropic activities and the reputation that has been built by a company, will increase the value of a firm, which is reflected by the share price formed by the demand and supply of the capital market that reflects the public's assessment of the company's performance.

**Keywords:** *philanthropic, firm value and corporate reputation*

### How to cite (APA 6th Style)

Daromes, F.E., & Gunawan, S.R. (2020). Joint impact of Philanthropy and Corporate Reputation on Firm Value. *Jurnal Dinamika Akuntansi*, 12(1), 1-13. doi:<https://doi.org/10.15294/jda.v12i1.21747>

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## INTRODUCTION

Firm value is important and one of the main goals of each company (Ng and Daromes, 2016). According to Brigham and Houston (2015), the general purpose of a company is the added value of the company which is used as a measure of company success, because with added value the company must support prosperity for the company's owners and shareholders. Companies that are only focused on the economic aspects might still be able to attract the attention of investors but the company is expected to provide benefits that only focus on economic aspects, but also on environmental and social aspects. Giving philanthropy can be done by the company by taking the initiative to do charity activities or social care in the form of donating funds to the surrounding community.

Philanthropy is becoming more and more important because of the concept of Sustainability Development Goals (SDGs) which was initiated by the World Commission on Environment and Development (WCED), which is "you can meet the needs of the present but don't sacrifice the needs of future generations (Brundtland, 1987). The results of the company's philanthropic research conducted by the Public Interest Research and Advocacy Center (PIRAC) state that

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there is an increase in the desire of philanthropic institutions to contribute in the field of research and development in Indonesia. The results of a survey conducted by PIRAC on 28 philanthropic institutions throughout April - July 2016 found that each institution had contributed nearly IDR 1 billion to educational and research institutions to carry out various research programs. This shows that, companies in Indonesia are starting to realize their environmental and social responsibilities and the long-term benefits of this philanthropic giving program that can increase firm value.

Philanthropy helps companies to protect resources and support from stakeholders because it creates a good reputation in the eyes of stakeholders (C. Fombrun & Shanley, 1990). Stakeholder theory states that companies must maintain relationships with stakeholders to get support, especially stakeholders who have strong support for operational activities such as labor (Freeman, 1984). With a good company reputation, it will affect the satisfaction of customers and company employees, increase customer loyalty and improve long-term company survival and of course firm value will increase. This is supported by the theory of legitimacy in which the company management system is oriented to the partisanship of the community (society), individual governments and community groups (Gray et al., 1995).

Previous research related to philanthropy and corporate value has shown inconsistent results. Research by Brammer and Millington (2008), Peterson (2018), and Su and Sauerwald (2015) find that there is a significant relationship between philanthropy and firm value. Other research findings reveal that there is a relationship that affects between CSR and corporate reputation (Yadav, Dash, Chakraborty, and Kumar, 2018; and Kelley, Hemphill, and Thams (2018). Meanwhile, research between philanthropy and firm value is examined by Campbell, Moore, and Metzger (2016), and Chai (2010) gave negative and insignificant results.

This study was conducted to examine whether there is a relationship between philanthropy and firm value moderated by corporate reputation. We argue that a corporate reputation derived from corporate philanthropy can be an intangible strategic resource that can increase firm value (Bergström and Diedrich, 2011; Fombrun, Gardberg, and Barnett, 2000; Godfrey, 2005; Lev, Petrovits, and Radhakrishnan, 2010; Surroca, Tribo, and Waddock, 2010). Corporate reputation will be the way people look at the company.

We build our research model based on relevant concepts and the arguments of the following theories. The relevant theory used is stakeholder theory. This theory argues that the company is not a stand-alone entity, but there are stakeholders who have an important role in the survival of the company. Companies must maintain relationships with stakeholders to get support, especially stakeholders who have strong support for operational activities such as labor (Freeman, 1984). Stakeholder theory considers the relationship that exists between the organization and the diversity of stakeholders, namely the extent to which the organization will consider stakeholders related to the influence of the strengths of these stakeholders. The higher the resources controlled by the stakeholders in the success of the organization, the more likely the organization to focus their attention on these stakeholders (Rankin *et al.*, 2012).

Further relevant theory is legitimacy theory is the basis for companies to express social and environmental responsibility through sustainability reports. According to Suchman (1995) in Kirana (2009), legitimacy can be considered as equating perceptions or assumptions that actions taken by an entity are actions that are desirable, appropriate or in accordance with a system of norms, values, beliefs and definitions that are developed socially. The rationale for this theory is that the organization or company will continue to exist if the community realizes that the organization operates for a value system commensurate with the value system itself.

Legitimacy can occur through company performance or through disclosure. An entity can disclose sustainability reports on its website with information about an environmental management system that has been implemented or that is related to an environmental issue that is important to the community (Rankin *et al.*, 2012). The company uses sustainability reports to describe environmental responsibility, so that the company can be accepted by the community. With the acceptance from the community it is expected to increase firm value so that it can

increase company profits. This can encourage or assist investors in making investment decisions.

The above theories assist us to explain the main concepts of our research which are related to corporate reputation, firm value and philanthropy. Philanthropy is part of Corporate Social Responsibility (CSR) which can be used as exemplary values and becomes the character of a company in the eyes of society (Godfrey, 2005; Ronald, Suwandi, and Daromes, 2019). Philanthropy is generosity or a form of compassion for fellow human beings. Provision of philanthropy will give confidence to the community that the company has good performance and quality. Companies can provide philanthropy to develop internal competencies and capabilities of the company (Branco and Rodrigues, 2006). Underlying philanthropy is giving back to society; companies must give something to the community because it has benefited from the community. Philanthropy is divided into two forms based on their nature, namely: Traditional philanthropy is charity-based philanthropy aimed at the interests of social services, such as direct assistance provided by benefactors to the poor. Secondly, Philanthropy for Social Justice that aims to bridge the gap between rich and poor people. This philanthropy seeks root causes of poverty, such as injustice in the location of resources and access to power in society.

Other main concepts namely firm value, which is investors' perception of the level of success of a company that is often associated with stock prices. High stock prices make firm value also high, and increase market confidence not only in the company's current performance but also in the company's future prospects. According to Brigham and Houston (2015), the company's value is the present value of free cash flow in the future at a discount rate according to the weighted average capital cost. Free cash flow is cash flow available to investors (creditors and owners) after taking into account all expenses for company operations and expenses for investment and net current assets. And the last concept is reputation.

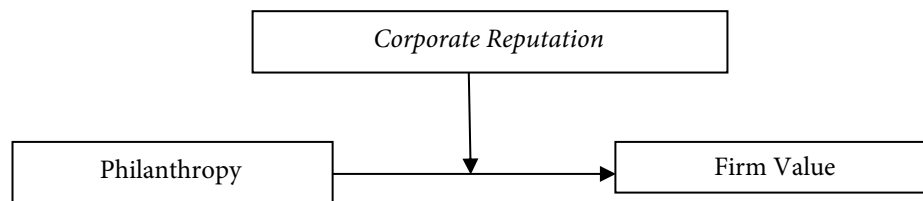
Reputation is a value given to individuals, institutions or countries. A positive corporate reputation can lead to a number of strategic benefits, including attracting potential employees (Turban and Cable, 2003), investors (Raithel and Schwaiger, 2014), customers Walsh, Bartikowski, and Beatty (2012) and can facilitate the ability to negotiate and contracts with other organizations (Rhee and Haunschild, 2006). According to (Fombrun and van Riel, 1997), corporate reputation as a perceptual representation of a company's past actions and future prospects that illustrates the overall attractiveness of a company when compared to other organizations. Corporate reputation can vary in a number of aspects such as treatment of employees, product quality, community involvement, and environmental issues. Views on corporate reputation can differ for various stakeholders, such as employees, consumers, investors, suppliers, communities, and others.

We use the argumentation above to make the following reasoning framework. Stakeholder theory holds that companies have a responsibility to stakeholders, which the company must provide benefits to stakeholders (shareholders, creditors, consumers, suppliers, government, society and other parties). This is supported by De Wit and Meyer (Duran and Radojicic, 2004) who argue that stakeholders have an important role in the organization, therefore the company must take into account all the interests and values of its stakeholders.

With philanthropy, companies can increase firm value to attract the attention of investors and other stakeholders. This is supported by Helena and Therese (2005) in Prastanto (2013) where the community is the most important stakeholder for the company and also the media, including holding an important role in communicating the company's activities to stakeholders. Therefore, companies now need to implement corporate social responsibility to increase value and maintain the corporate reputation in the eyes of its stakeholders.

According to the theory of legitimacy, the organization will try to create harmony between the values that exist in the company's activities and the norms that exist in the surrounding environment, where the organization is included in the part of that environment. In other words, this theory supports companies to do philanthropy. Companies can increase firm value through philanthropic activities, but the corporate reputation can affect the relationship between philanthropy and firm value. For companies with a bad reputation, corporate philanthropy can

be seen as an effort to benefit the company (Peterson, 2018). This is supported by Godfrey (2005) who argues that philanthropy can have negative consequences if giving charity is considered motivated by personal interests.



**Figure 1.** Theoretical Framework

## Hypothesis Development

### Effect of Philanthropy on Firm value

Philanthropy can increase firm value if this is supported by organizational goals (Smith, 1994) in (Branco and Rodrigues, 2006). In addition, philanthropy can also play an important role in building and developing good relationships with community stakeholders (Adams and Hardwick, 1998; Berman and Kotha, 1999; Wood and Jones, 2016).

According to the theory of legitimacy, legitimacy can be regarded as equating perceptions or assumptions that actions taken by an entity are desirable and acceptable actions in society (Suchman, 1995 in Kirana, 2009). To align the relationship between an entity and its environment, philanthropy can be one of the ways companies create good relationships with stakeholders. The philanthropic activities are expected to create firm value that will increase investor confidence to invest long-term in this company.

The results of Su and Sauerwald (2015) research that analyzed the relationship between philanthropy and firm value indicate that philanthropy and firm value have a positive relationship if the CEO long term pay becomes a moderating variable, while multiboard outside directors are negative in moderating this relationship. The results of this study also found that the relationship between philanthropy and firm value increased with increasing CEO tenure.

The company will always get demands from its stakeholders. An example is the demand from the community who always want companies to contribute to social and environment. The demand from shareholders is a guarantee from the company in improving company performance so that shareholders get maximum dividends and trust in long-term investing. Philanthropy is expected to meet the demands of stakeholders. With philanthropy, the company will be more accepted by the public and can increase the value of the company.

Thus, the hypothesis can be formulated as follows:

**H1: Philanthropy has a significant effect on firm value.**

### Effect of Corporate Reputation on Firm value

Corporate Reputation is the picture captured by the public about an entity, about how the quality of their products, services, job characteristics, strategies, and their prospects compared to their competitors (Devine & Halpern, 2001). Some studies include (Dierickx and Cool, 1989); (Rumelt, 1987); (Weigelt and Camerer, 1988) who explained that a good corporate reputation has strategic value for its owner. The aftereffect is that the company will have superior competitiveness compared to its competitors and may also obtain higher profits.

The arguments above are supported by the statement of (Rose and Thomsen, 2004) which states that a good corporate reputation has the characteristics of intangible assets and can provide competitive advantage to the company, which in turn produces abnormal returns. The same thing was stated by (Wei et al., 2017) who explained that companies with a good reputation will tend to maintain their performance even in a crisis situation.

In the above reasoning lines as well as empirical evidence that has been submitted can be

withdrawn a conclusion that a good reputation is crucial because it can potentially create a value of a firm that in turn will increase firm value. Accordingly, based on the arguments above, we propose the following hypotheses

**H2: Corporate Reputation has a significant effect on firm value.**

#### **Moderation Role of Corporate Reputation on the Effect of Philanthropy on Firm value.**

Reputation has been identified as playing an important role in increasing firm value (Fombrun and Shanley, 1990). Previous research has stated that philanthropy can influence corporate perceptions in the eyes of stakeholders (Saiia et al., 2003). In the stakeholder theory it is said that the company is not an independent entity but there are stakeholders who support the company's sustainability.

The existence of social responses can promote good relations with key stakeholder groups on which the survival and prosperity of companies from organizations depend (Clarkson, 1995). Research on corporate reputation and philanthropy by Brammer and Millington (2008) has shown that philanthropy has a far greater influence on the reputation of industrial companies. The results of this study are in line with the findings of (Midiantari, 2019) who found a significant relationship between corporate reputation and firm value.

Philanthropy can provide positive benefits for the company, such as increasing the value of the company, but the company's current reputation greatly influences stakeholder assessments. Philanthropy is more likely to benefit the company, if the charity is considered to be altruistically motivated (Bright, 2006). For companies that have a bad reputation, philanthropy is considered as an effort to benefit the company. As a result, philanthropic activities will produce results that are contrary to company expectations (Peterson, 2018). Therefore, the company's existing reputation can moderate the relationship between philanthropy and firm value. Based on the explanation above, then the hypothesis can be formulated as follows:

**H3: Corporate reputation moderates the influence of philanthropy on firm value.**

## **METHODS**

### **Population and Sample research methods**

This research is an explanatory research type. This study aims to establish a causal relationship between the independent variable and the dependent variable. The independent variable in this study is philanthropy and the dependent variable is firm value. This study also has a moderating variable that is corporate reputation. The population in this study is non-financial companies listed on the Indonesia Stock Exchange during the period 2015-2017. The sample used in this study was selected by the purposive sampling method; the researcher chose a sample that met certain criteria in accordance with the research objectives.

### **Types and Sources of Data**

The type of data used in this study is documentary data. In this study, researchers used data in the form of financial statements and annual reports of companies published by the company in 2015-2017. Sources of data in this study were from financial reports and annual financial reports sourced from the Indonesia Stock Exchange website ([www.idx.co.id](http://www.idx.co.id)), Corporate Image Award website ([www.imacaward.com](http://www.imacaward.com)) and websites for each company in 2015 - 2017.

### **Operational Definition and Variable Measurement**

#### **Philanthropy**

Philanthropy is a form of responsibility undertaken by the company. Companies provide assistance directly through cash or goods/in kind for certain social issues (Kotler and Lee, 2005). Philanthropy includes various types of giving and support carried out by companies on social and charity issues (Wang, Choi, and Li, 2008) such as health, education, arts and culture, environment, humanitarian and disaster assistance, and lifestyle improvement (Godfrey, 2005).

Philanthropy is part of corporate social responsibility (CSR), so researchers take CSR data

in annual reports and ongoing reports published by companies. The amount of expenses incurred by companies is measured through expenses related to philanthropic aspects for one year. The researcher uses a logarithmic transformation of the total philanthropic costs incurred by the company. Philanthropic measuring devices use the total costs included in philanthropic activities as used by several researchers including (Brammer and Millington, 2008; Su and Sauerwald, 2015).

#### Firm value

Firm value can be reflected by the price of shares formed by the demand and supply of capital markets that reflect public assessment of company performance (Gaio & Raposo, 2011). In this study, firm value is measured using Tobin's Q, with the following formula:

$$\frac{BVA_{i,t} + MVE_{i,t} - BVE_{i,t}}{BVA_{i,t}}$$

Information:

- Q<sub>i, t</sub> = the value of Tobin's Q for company i in year t
- BVA<sub>i, t</sub> = book value of total assets for company i in year t
- MVE<sub>i, t</sub> = market value of equity for company i in year t
- BVE<sub>i, t</sub> = book value of equity for company i in year t

This firm value measurement tool has been used by several researchers such as Su and Sauerwald (2015), Bose, Podder, and Biswas (2017), Suwandi and Daromes (2016), and Kelvin, Daromes, and Suwandi (2017).

#### Corporate Reputation

According to Fombrun *et al.* (2000) and Daromes and Monica (2019), Jao *et al.*, (2020) corporate reputation as a perceptual representation of a company's past actions and future prospects that illustrates the overall attractiveness of a company when compared to other organizations. Corporate reputation is measured using data from the Corporate Image Award (CIA) ([www.imacaward.com](http://www.imacaward.com)). The Corporate Image Award is an award for a good image that was successfully built by the company. The Corporate Image Index (CII) measurement consists of quality, performance, responsibility and attractiveness. Determination of the winners for each category is determined based on the CII score which is the average of each group of respondents, with a management weight of 50%, investors 20%, journalists 20%, and the public 10%. In this study, researchers used the corporate reputationscore in the Indonesia Corporate Image Award (IMAC).

## RESULTS AND DISCUSSION

### Descriptive statistics

Descriptive statistics function to describe or give a picture of the object under study through sample data or population (Sugiyono, 2007). Data presented in descriptive statistics are usually in the form of centralized data measures (Kuswanto, 2012). The values that can be known from descriptive statistics are the minimum, maximum, average and standard deviation values.

Table 1. Descriptive Statistics

Variables	N	Min	Max	Mean	Std. Deviation
Firm Value	114	17,75	26,51	22,0668	2,22837
Philanthropy	114	0,01	2,97	0,7837	0,56072
CII	114	-0,98	1,19	0,2666	0,51876

Source: SPSS Data Processing Results (2019)

The results of the descriptive statistical analysis show that firm value in the sample company has the lowest value of 17.75 and the highest value of 26.51 with an average value of 22.0668 and a standard deviation of 2.28237. Based on the results of the analysis, the average value of the company in the sample company is high when compared to the average philanthropy and corporate reputation. The lower standard deviation value compared with the average value indicates that the deviation of the company's value data is smaller than the average value so that the nature of firm value data in this study is spread and the average value can be said to be able to present the overall data properly.

The lowest value of philanthropy in the sample companies shows 0.01 and the highest value is 2.97 with an average value of 0.7837 and a standard deviation of 0.56072. This shows that the average philanthropy in Indonesia is relatively low at 0.7837. However, philanthropy is higher when compared to corporate reputation, which on average is only 0.2666. Based on the table above, the standard deviation value is lower than the average value which means that the deviation of philanthropic data in this study is spreading and the average value can present the overall data well.

Corporate reputation in the sample companies shows the lowest value of -0.98 and the highest value of 1.19 with an average value of 0.2666 and a standard deviation of 0.51876. This shows that corporate reputation in Indonesia is still relatively low at 0.2666. The standard deviation value that is greater than the average value indicates that the deviation of corporate reputation data is greater than the average value so that the nature of the data from this study is less diffuse.

### Regression Analysis

In testing the hypothesis, this study uses multiple linear regression analysis, with the following results:

**Table 2.** Moderation Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (constant)	0,636	0,041		15,664	0,000
F	-0,028	0,002	-0,113	-14,917	0,000
CII	0,012	0,009	0,011	1,422	0,158
F*CII	0,044	0,000	1,024	133,706	0,000

Source: SPSS Data Processing Results (2019)

The regression equation produced in table 2 is:

$$Y = 0.636 - 0.028F + 0.012CII + 0.044F * CII + e$$

An explanation of the results of the regression are:

1. A constant value of 0.636 means that if philanthropy and the interaction between philanthropy and corporate reputation are constant, then firm value will tend to increase.
2. Philanthropic regression coefficient of -0.028 has the meaning that if philanthropy increases with the assumption that other variables are constant, then firm value will tend to decrease.
3. The corporate reputation regression coefficient value of 0.012 means that if the corporate reputation increases with the assumption that other variables are constant, then firm value will tend to increase.
4. The value of the regression coefficient of interaction between philanthropy and corporate reputation is 0.044 meaning that if the interaction between philanthropy and corporate reputation increases with the assumption that other variables are constant, then firm value will tend to increase.

### Determination Coefficient Test (R<sup>2</sup>)

Coefficient of determination is used to measure the extent to which the independent variable can explain the variation of the dependent variable. This coefficient of determination

is between zero and 1 ( $0 \leq 1$ ). The coefficient of determination used in this study is adjusted R square.

**Table 3.** Determination Coefficient Test ( $\overline{R^2}$ )

Model	R	R Square	Adjusted R Square
1	0,266	0,071	0,044

Source: 2019 SPSS Data Processing Results

Coefficient of determination test results for model 1 shows the adjusted R square value of 0.044. This shows that 4.4% of variation in firm value can be explained by variations in philanthropy moderated by corporate reputation. While the remaining 95.6% (100% - 4.4%) is explained by other variables outside this model.

#### F test

The F test is also called the ANOVA test which aims to show whether the independent variables contained in the regression model have a simultaneous influence on the dependent variable.

**Table 4.** Statistical Test Results F

Independent Variable	Dependent Variable	F	Sig.
Philanthropy Corporate Reputation Corporate reputation as moderation	Firm Value	6574,753	0,000

Source: 2019 SPSS Data Processing Results

The statistical test results F (F-test) showed that the influence of philanthropy and corporate reputation as moderation simultaneously on firm value with a significance value of 0,000 < 0.05. This indicates that philanthropy and corporate reputation as moderation simultaneously affect the value of the company. Thus, this regression model can be said to have been built well.

#### T test

T test or partial test aims to determine the effect of each independent variable on the dependent variable. There is a criterion for returning the decision in this test is if the significance > 0.05 means that partially the independent variable has no significant effect on the dependent variable. Meanwhile, if the significance < 0.05 means that partially the independent variable significantly influences the dependent variable.

**Table 5.** Statistical Test Results t

Model Structure	Standardized Beta	Sig.
(Effect of Philanthropy on Firm Value with corporate reputation as a moderating variable)		
Filantropi (F)	-0,113	0,000
Corporate Reputation (CII)	0,011	0,158
Corporate Reputation as moderation (F.CII)	1,024	0,000

#### Discussions

Some statistical tests as shown above provide the following understanding. Philanthropy has a negative and significant influence on firm value. In Table 5 it can be seen that the standardized coefficient of regression is -0.113 with a significance probability of 0.000 > 0.05. Although statistically has a significance value, nevertheless the research direction shows a negative direction. This means that the higher the level of philanthropy, firm value will tend to decrease and be significant. The public is becoming increasingly critical and concerned about the



company's ethics in carrying out its business practices.

The pressure of legitimacy from the community has become one of the drivers of companies doing philanthropy. According to Deegan (2002), legitimacy can be obtained if there is a match between the existence of a company that does not interfere or in accordance with the existence of a value system that exists in society and the environment. When there is a shift towards mismatch, then the legitimacy of the company can be threatened. This shows that changes that occur in social values and norms become a motivation for organizational change and also a source of pressure for company legitimacy (O'Donovan, 2002). Through the allocation of funds into this philanthropic program, the company hopes this program can provide several benefits for the company, one of which can increase the value of the company. Based on the results of descriptive statistical analysis, the average philanthropy is 22.0668.

This shows that philanthropic activities carried out by companies in Indonesia are relatively high. However, in this study it was found that philanthropy has a negative influence on firm value and is significant. This can happen because philanthropy is more likely to benefit the company, if the charity is considered to be altruistically motivated (Bright, 2006). The public will tend to be of the view that the company is doing philanthropy only for the personal benefit of the company so that the results will be contrary to the expectations of the company as described by Peterson (2018).

Companies that carry out philanthropy tend to be considered by the public as an act to seek public attention. As a result, philanthropic activities will produce results that are contrary to company expectations (Peterson, 2018). This is what causes philanthropy to negatively affect firm value.

Likewise, statistical testing is related to the effect of a corporate reputation on firm value. Statistical testing positively estimates that a corporate reputation influences firm value, but it is not statistically significant. This shows that the reputation built by the company will have a positive impact on stakeholders in reacting to the company's stock price, however, it does not have a great effect on them for firm value which is proxied through the price of the shares offered.

The meaning that can be taken from the test above is that the reputation the company has built is not enough to have an effect on the formation of firm value. In other words, in addition to building reputation, another mechanism is needed to support the formation of a firm value, for example, real actions in the form of corporate social behavior, charitable and compassionate actions that are consistently and sustainably experienced by the public and stakeholders at large.

This argument is confirmed from other results from the above statistical tests, namely the results of testing interactions of philanthropic and corporate reputation on company value, namely that corporate reputation moderating the influence of philanthropy on firm value has been analyzed in Table 5. T test results indicate that there is a positive and significant effect where the standardized coefficient beta variable is 1.024 with a significance level of  $0.000 < 0.05$ . In this study shows that corporate reputation can moderate the influence of philanthropy on firm value.

Corporate reputation is one of the most important elements in the business world. Corporate reputation is the stakeholder's view or assessment of the consistency of company behavior, how the company runs and is run. Corporate reputation assessment is based on four aspects, namely quality, performance, responsibility, attractiveness (Kompasiana, 2012). Philanthropy can improve 4 aspects of corporate reputation assessment. With philanthropy, the company will fulfill its social and environmental responsibilities, the company has the opportunity to grow and develop (going concern), become a company that can be trusted and the company can become a dream workplace. The higher level of corporate reputation can strengthen the influence of philanthropy on firm value

Based on the results of descriptive statistical testing, the average corporate reputation of 0.2666. This shows that the average corporate reputation in Indonesia is low. Corporate reputation in this study has a very large role in strengthening the influence of philanthropy on firm value because with a low average corporate reputation of an average of 26.66%, corporate

reputation is still able to strengthen the influence of philanthropy on firm value significantly by 0,000. Therefore, corporate reputation can moderate the relationship between philanthropy and firm value.

## CONCLUSIONS

This study empirically examines joint impact or interaction between philanthropy and corporate reputation on firm value. Based on the analysis of data that has been done before, the conclusions from this study can be drawn as follows, namely Philanthropic has a negative effect on firm value. This study shows that the higher the level of philanthropy, firm value will decrease. On the contrary, corporate reputation has a positive effect on firm value, but it is not statistically significant. Other results confirm that corporate reputation plays a role in moderating the influence of philanthropy on firm value. The results showed that the corporate reputation as a variable that supports the comparison of philanthropy to firm value. With the company's reputation, the influence of philanthropy on firm value has a positive and significant influence.

The theoretical implications of this research contribute to stakeholder theory proposed by Freeman (1984) and Donaldson and Preston (1995) state that companies that can make their stakeholders better, then this company will get time. Philanthropy carried out by companies will be a form of corporate concern for social and environment. Thus, the company will avoid the risk of business outage or limited resources and can increase the value of the company.

The results of this study also reinforce the theory of legitimacy that has been advanced by Gray *et al.* (1995) and Wibisono (2007) which state that corporate social responsibility has benefits to enhance the company's reputation, maintain the company's image and strategy. Philanthropy is a form of CSR that can be used to maintain the legitimacy of the community and will create harmonious relationships. With a harmonious relationship, the company will create a good reputation in the eyes of its stakeholders. This reputation will strengthen the influence of philanthropy on increasing firm value.

This research is expected to be useful for companies, help companies to find out ways to better enhance firm value and provide an understanding of the importance of social and environmental responsibility that is not only focused on economic interests. Through philanthropy, the company will get long-term benefits of going concern company, and a good corporate reputation.

For investors, this research can be useful in making decisions to invest in companies such as what can provide long-term benefits and not only in the short term. Companies that conduct philanthropy will provide more security guarantees to investors in investing because companies that have high social and environmental responsibility will have high going-concern guarantees as well.

The results of this study are also expected to provide benefits to the government. This research can be a reference and an innovation for updating or making regulations for companies to pay more attention to social and environmental issues related to sustainable development in Indonesia.

This research has several limitations that need to be considered for further researchers to be able to develop this research, that is, this study has a substructure that does not meet the assumptions of normality and philanthropic measurement only comes from the company's annual report. To answer the limitations of this research, future research needs to consider these things, namely future research should increase the number of research samples and should use philanthropic data from other sources, not only from annual reports. Future studies can also use philanthropic measurement tools in addition to logarithmic transformations.

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