Effects of Profitability towards Enterprise Value

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Effects of Profitability towards Enterprise Value with Corporate Social Responsibility Performance and Brand Value as Mediating Variables

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Abstract

Currently, many companies are taking many actions to put their most vigorous efforts into enterprise value creation, which enables the company to achieve its highest market capitalization. They plan and do many strategies, such as value-added creation by creating intangible values through CSR activities, creating CSR performance, and brand value creation through brand valuation. This research seeks to determine whether companies' profitability, ROA, and ROE affect the enterprise value. Therefore, two mediating variables, CSR performance and Brand Value, have been set to analyze whether one impacts another. To do research, the researcher utilizes secondary data, which is the data that has been collected by someone other than the researcher. The finding shows that companies' profitability has no impact on the enterprise value and CSR performance.; On the other hand, the results show a strong relationship between brand value and enterprise value, and brand value is a mediating variable between companies' profitability and enterprise value.

Keywords: Enterprise Value; Brand Value; CSR Performance; Profitability.

1. Introduction

Nowadays, it is becoming a massive action for most companies to put their most vigorous effort into enhancing enterprise value rather than market capitalization. Enterprise value components are capitalization, debts, and cash (equivalent) of the company. It covers more than market capitalization, which covers only stock prices times outstanding shares spread on the market. This makes enterprise value more realistic and reliable for an investor for the "company-taking-over" purpose.

The effort that most companies make is to increase work performance, sales revenue, company image creation, initiative on CSR, and doing brand value through brand valuation (Safina, 2021). The purpose is to prevail company sell at low prices, reduce price elasticity, and many more. This will separate the company from others stuck in selling products at commodity prices. In addition, a good brand impacts company activity by reducing operational cost where operational cost is tight to profitability. Therefore, many managerial thoughts are pursuing profitability-effectiveness and efficiencies, which are symbolized with ROA and ROE to gain enterprise value but let intangible value be "unprioritized".

CSR is believed to have many exceptional roles in developing the image of a "responsible company," attracting investors to decide investment purpose, a tool of competitive advantage creation (Esen, 2013; Lai et al., 2010; Martin & Moser, 2016; Mock et al., 2013; Nyuur et al., 2019; Saeidi et al., 2015). And as a strategic way to influence financial performance and develop the company's brand value. Most companies publish their CSR report and Annual Financial Report all in one on their company website and BEI website. The primary purpose is to create high enterprise value and strong future financial performance; therefore, actions such as brand valuation and CSR activity are imperative.

Events such as CSR awards and brand events held by certain institutions are becoming regular events in Indonesia. For example, as Indonesia's business magazine works with Brand Finance, SWA magazine has been routinely running its 100 most valuable brands event for the last few years. SWA and Brand Finance are well-known institutions in Indonesia. SWA is a business magazine with over thirty-five years in business. Brand Finance is one of the world's leading independent brand valuation and strategy consultancies headquartered in London, UK., which branches spread in over twenty countries. Therefore, the secondary data taken from these sources are very reliable to analyze.

This paper will seek whether true profitability affects enterprise value, CSR performance and brand value? Whether CSR performance and

Brand value altogether affect the enterprise value?

2. Literature Review

2.1. *Profitability*

In Finance Management, Return on Assets (ROA) and Return on Equity (ROE) is profitability indicators. They are in ratio forms and are widely informed to stakeholders and investors through the company's annual report that can be accessed on the company's and Indonesia Stock Exchange's websites. ROA and ROE are a reflection of how effectively a company converts an investment into profit. The higher the ROA and the ROE show higher the profit produced by the company. On the other hand, the lower ROA and ROE show less profitability produced by the company. A high ratio of ROA and ROE make investors feel more confident and convenient with their investment decision. Later, investment effects and able to accelerate enterprise value.

2.2. *Enterprise Value*

Stock price influences enterprise value. The stock price reflects current and potential future earnings that can be produced by the company (Kirk et al., 2013). Every company needs to improve its profitability to create high enterprise value. Low profitability makes the company suffer in day-to-day business, bewildering, and will not end to high enterprise value.

2.3. *CSR performance*

Research shows a linkage between CSR and profitability (Ekatah et al., 2011; Naseem et al., 2020). This means companies with excellent CSR performance can create a competitive advantage and can increase revenue through a high quantity of sales (Cubilla-Montilla et al., 2019; Kádeková et al., 2020; Martin & Moser, 2016; Naseem et al., 2020; Šontaitė-Petkevičienė, 2015). Furthermore, a company that focuses more on social responsibility can enlarge its customer significantly, increase its sales volume, and increase its pricing power (Martin & Moser, 2016). CSR's role is a medium for the company to communicate and socialize the company's organization to the public and stakeholders in the most objective way (Stocker et al., 2020). Next, CSR performance as a reflection of "doing well while doing good" is used by investors to make their investment decision (Lys et al., 2015; Martin & Moser, 2016). Practically, investors are more likely to be interested in companies which can disclose their CSR performance in the widest-range arrays (Martin & Moser, 2016; Singh & Verma, 2017, 2018; Stocker et al., 2020; Swarnapali, 2020).

The research shows that published CSR performance is closely associated with the stock price, affecting market capitalization. CSR reveals company concerns to their society and transparency to their stakeholders, and these will encourage the company to produce continuous profit and expand (Amran & Ooi, 2014; Calabrese et al., 2013; Kilian & Hennigs, 2014; Wang, 2014). On the other hand, unhappy stakeholders can potentially disrupt the company; for instance, an investor can withdraw their investment and shift it to others (Kyere & Ausloos, 2021). Close-fitting with CSR and sustainability is Global Reporting Initiative (GRI). GRI is an independent organization that vigorously communicates climate change impact and human rights through high-standard guidance such as GRI 4. GRI headquartered is in the Netherlands. GRI 4 material is used to assess the CSR performance index checklist.

2.4. *Brand Value*

Strong brand value develops and creates the possibility of selling at a premium price for a company's product and service, increasing market share, increasing and improving revenue, and minimizing price-elasticity (Chowdhury et al., 2020). Moreover, it improves quantity on sales volume (Chovanová et al., 2015), creates recognition, optimistic to product and service reliability (Setiadi et al., 2018), loyalty among consumers, and creates cost-saving and cost efficiency, meaning a strong brand value gives a contribution to a bigger profit margin for a company (He & Calder, 2020; Mohd et al., 2007).

It is quite often that the market price of a company that will be taken over or acquired possesses higher value than the figure published on the company's financial and accounting statement (Mojsovska-Salamovska & Todorovska, 2016). It is caused by an intangible value that does not come forth on a financial dan accounting statement. Previous studies argue that there is a positive correlation between brand value and stock performance. Simply, brand value is an indicator used by investors in assessing risks and company performance (Kuo et al., 2016). In the consumer's sight, brand value is a signal of quality. It reduces any uncertainty in the buyer's side and mind to buy the product or service offered by the company. In this case, brand value facilitates purchase transactions (Helm et al., 2009). Stakeholders –investors expect a company with a good or superior reputation because they can drive brand equity creation (Lai et al., 2010; Tuan, 2012).

2.5. *Proposed Model and Hypotheses*

A business will not sustain nor survive without profitability. High company profitability leads and attracts investors to allocate their money for investment because high profitability serves high returns (Alarussi & Alhaderi, 2018). This condition will lead investors to invest in a well-managed company and produce excellent profit (Lindorff et al., 2012; Ozdora Aksak et al., 2016; Yadav et al., 2017). It is an effect of trust on a company's performance (Lins et al., 2017).

CSR performance has a positive effect on financial performance (Saeidi et al., 2015), improves company financial performance, and contributes to market value (Šontaitė-Petkevičienė, 2015). Furthermore, investors use CSR performance to predict future earnings and cash flow (Martin & Moser, 2016). In addition, CSR performance that concerns society refrains the company from potentially conceiving an internal cost caused by the "social harm" effect (Porter & Kramer, 2019). Upon this effort to aim highly, enterprise value will be shrunken.

This theory then enables the researcher to reach hypotheses 1 (H1) to hypotheses 3 (H3):

H_1: Profitability influences to Enterprise-Value.

H_2: Profitability effect on CSR performance.

H_3: CSR Performance effects on Enterprise-Value.

Particular purchase decisions lead to potential profitability, and in many situations, consumers are willing to spend more money and buy and pay a "brand" at a premium price (Singh & Verma, 2017). Consumers feel more confident and save with high brand value products or services they bought (Heinberg et al., 2018). This led to the connection of profitability influences brand value; therefore, Hypothesis 4 is formulated:

H_4: Profitability influences Brand-Value.

Brand value positively correlates to stock performance (Kirk et al., 2013; Kuo et al., 2016; Srinivasan et al., 2012), while stock prices are a component of enterprise value. The link between these theories enables the researcher to formulate hypothesis 5:

H_5: Brand value affects Enterprise-Value.

Since consumers frequently put the company's CSR as a consideration prior to buying, it came to resolve that CSR influences profitability, mainly in the sales division (Ozdora Aksak et al., 2016). A product or service that is sold at a premium price can raise company profitability. CSR, through can also lower the price-sensitivity level, creating profitability being more conspicuous because it servicing people, communities, societies, making closer to customer and develop customer's loyalty (Cheng et al., 2014; Wedysiage et al., 2021). Profitability through sales is part of the enterprise value component. From the existence theory then, H6 is formulated:

H_6: CSR performance mediates profitability and enterprise value.

A strong brand is a generator of company profitability (Mojsovska-Salamovska & Todorovska, 2016). Brand value positively correlates to stock performance (Kirk et al., 2013; Kuo et al., 2016; Srinivasan et al., 2012), while stock prices determine enterprise value. Through brand value, profitability affects enterprise value. It shows links to profitability, brand value, and enterprise value. Therefore, the researcher is able to formulate hypothesis 7:

H_7: Brand value mediates profitability and enterprise value.

3. Methods

This research consists of one independent (profitability), one dependent variable (enterprise value), and two intervening variables (CSR performance and Brand Value). Here, a company's financial profitability indicator presents in Return on Assets (ROA) and Return on Equity (ROE). While indicator of enterprise value is a ratio of the enterprise value, which was Enterprise Value = Market Capitalization + Total Debt – Cash. CSR performance was three factors: economics, environment, and socially adapted from the Global Reporting Initiative. Those three factors are then formulated through the CSR index formula: CSR Index = $(\sum xij) / nj$; where CSR Index is the index score for each dimension, xij is the dummy variable, 1=if item i was disclosed; 0=if item I was not disclosed; thus $0 \leq CSRI \leq 1$. nj is a total item for firm j, $n \leq 91$.

Brand value indicator is brand value calculation taken from Brand value resulting through a Brand Valuation. The brand value was taken from a brand valuation conducted by Brand Finance which was published in Swa magazines 11th edition 2017, 12th edition 2018, and 10th edition 2019. The secondary data was taken from business magazine SWA, companies' annual financial reports, and CSR reports. Mediating effect explains the relationship between one variable to another variable and occurs when one variable influence other variables (Joe F. Hair et al., 2014). This paper uses and processes secondary data where sources are taken from a reliable one. Population sampling is used in this research.

Data is divided into "sectors," which is important because profitability has different "behavior" from one industry to another. All collected data are then processed by Statistic Tool known as PLS-SEM Smart-PLS version 3.3. One reason is able to analyse multi-variables in one process altogether simultaneously and able to accommodate various complicated research-model, grow in multiple social sciences disciplines, it can be run complicated research models with smaller samples (Joe F. Hair et al., 2014; Joseph F. Hair et al., 2019; Khan et al., 2019; Kock & Hadaya, 2018; Nitzl, 2014; Sarstedt et al., 2020). PLS-SEM is the most appropriate method representing this research analysis and can answer the most critical issues in this research. Many scholars emphasized their secondary data research by using PLS-SEM (Nitzl, 2014; Nitzl & Chin, 2017).

Construct reliability and validity (Cronbach Alpha, Rho, Composite Reliability yield minimum 0.7, and Average Variance Extracted (AVE) yield 0.5 from running one-time Partial Least Square Algorithm. Once yield surpasses the minimum requirement, then bootstrapping is executed with 5000 subsamples, two tails test type, and a significance of 0.05. Bootstrapping results present whether hypotheses are accepted or rejected. Hypotheses are accepted when a P-value is ≤ 0.05, and hypotheses are rejected when the P-value is ≥ 0.05.

4. Results

4.1. *Descriptive Analysis*

The finding will be presented in description and multivariate understanding. Fact-finding is that in the accumulative year 2017-2019, the consumer goods sector holds the highest enterprise value. The means sits at 10.15, and the standard deviation at 1.0241 explains investors need budget preparation at USD 10.15 million to take over the consumer goods sector. The service sector has the lowest enterprise value at 1.45 (USD 1.45 million), the opposite of consumer goods. From 2017 to 2019 consumer goods sector performance has consistently engaged with the highest enterprise value, and the service sector was the lowest one. Banking is a sector behind consumer goods, where the mean value in 2019 sat at USD 7.61 million. This explains investors will have to prepare a budget of USD 7.61 (USD 7.61 x 1,000,000,000) in order to the takeover Banking sector in 2019. The USD 7.61 million was only a mean value, but the price of takeover is varied for each bank; it depends on which bank the investor is willing to take over.

Sector of Mining, Oil and Gas possesses stable enterprise value year after year. The mean of enterprise value of this sector is USD 4.74 million (USD 4.74 x 1,000,000,000) with deviation standard 1.7950 in 2017, USD 4.93 million (USD 4.93 x 1,000,000,000) deviation 1.9727 in 2018, dan USD 5.42 million (USD 5.42 x 1,000,000,000) deviation 1.4390 in year 2019.

Table 1. Enterprise Value 2017-2019

Sectors	Number	2017-2019		2019		2018		2017	
	Company	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Mining, Oil & Gas	4	5.03	0.2219	5.42	1.4390	4.93	1.9727	4.74	1.7950
Transportation	4	2.25	0.2292	2.05	1.3135	2.60	1.6007	2.11	1.0393
Consumer Goods	4	10.15	1.0241	9.33	5.3623	10.68	6.7944	10.43	7.8620
Retail	4	7.49	0.5597	6.58	10.4035	7.84	11.3700	8.05	11.7289
Banks	15	7.52	1.0681	7.61	11.0894	8.34	11.7009	6.60	9.1921
Poultry & Agri	5	2.33	0.3000	2.38	1.6405	2.07	0.9099	2.53	1.3444
Constructions	4	2.67	0.2252	2.36	1.6440	2.92	2.0651	2.72	1.5458
Telecommunications	6	7.52	1.3327	6.46	9.6343	8.57	12.8837	7.52	10.9864
Services	3	1.45	0.1240	1.18	0.5397	1.58	0.4794	1.59	0.7675
Miscellaneous	2	2.93	0.2960	2.42	1.8140	3.19	2.4880	3.19	2.3825
TOTAL	**51**	**49.34**	**5.3809**	**45.79**	**44.8802**	**52.72**	**52.2648**	**49.48**	**48.6440**

Table 2. Profitability ROA

Sectors	Number Company	2017-2019		2019		2018		2017	
		Mean	Std Dev	Mean	Std Dev	Mean	Std Dev	Mean	Std Dev
Mining, Oil & Gas	4	5.13	0.3262	4.21	4.0040	5.46	4.0981	5.73	3.3638
Transportation	4	3.64	0.7462	2.47	1.5042	4.38	3.2347	4.09	2.8796
Consumer Goods	4	15.38	0.6101	15.50	6.7727	15.08	8.1161	15.55	8.0117
Retail	4	11.68	2.2287	11.95	10.3190	10.25	7.8171	12.85	13.2704
Banks	15	2.49	0.1474	2.65	1.6051	2.51	1.3885	2.30	1.2465
Poultry & Agri	5	3.75	0.3288	2.36	2.8065	3.73	3.5690	5.17	2.9630
Constructions	4	4.61	0.3817	4.15	1.7608	4.92	0.8736	4.77	1.0612
Telecommunications	6	5.97	0.7615	5.43	5.4263	4.78	5.9468	7.71	7.2379
Services	3	4.93	0.6229	4.37	6.1754	5.15	5.0352	5.27	6.4835
Miscellaneous	2	7.00	0.2842	6.29	6.0850	6.77	6.7700	7.94	6.5350
TOTAL	**51**	**64.58**	**6.4377**	**59.36**	**46.4591**	**63.02**	**46.8493**	**71.37**	**53.0525**

Table 3. Reliability Result

	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (AVE)
Brand Value	0.968	0.971	0.979	0.940
CSR Performance	0.990	1.024	0.994	0.981
Enterprise Value	0.994	0.995	0.996	0.987
Profitability	0.952	0.967	0.962	0.809
Required Yield	0.7			0.5

Table 4. Direct effect ressult

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Remarks
Brand Value --> Enterprise Value	0.806	0.802	0.114	7.082	0.000	Supported
CSR Performance --> Enterprise Value	0.014	0.015	0.045	0.302	0.763	Rejected
Profitability --> Brand Value	0.346	0.364	0.175	1.981	0.048	Supported
Profitability --> CSR Performance	-0.005	0.002	0.132	0.04	0.968	Rejected
Profitability --> Enterprise Value	0.011	0.033	0.076	0.147	0.883	Rejected

Consumer goods possessed the highest average ratio of ROA, 15.38%, with a standard deviation at 0.6101, which explains that in the years 2017-2019, consumer good is the most productive sector that has consistent superior ability on profit creation from its assets, while ROA achievement of other sectors fluctuates. Despite consumer goods, heavy-industrial industries such as Mining, Oil and Gas, Transportation, and Construction sectors are own highest average index of CSR performance with the lowest standard deviation. Highly CSR performance possessed by these sectors may cause by their responsibility and obligation to prevent any form of pollution (water, air, and sound or noise pollution), exploration risks, environmental and ecologically destructive, or scarcity in natural sources.

Table 3 was derived from Smart-PLS analysis. It shows the reliability and validity of variables used in this research. Cronbach alpha, Rho A, and Composite Reliability require a yield minimum of 0.7 whilst all variable use exceeds the requirement of 0.7. Average Variance Extracted (AVE) requires a minimum yield of 0.5, and all variable use has already exceeded 0.5. They are sitting in yield 0.9. It is clear that all respected variables: Profitability, CSR performance, Enterprise Value, and Brand Value, exceed the minimum suggested yield. It is a confirmation that those are valid and reliable variables.

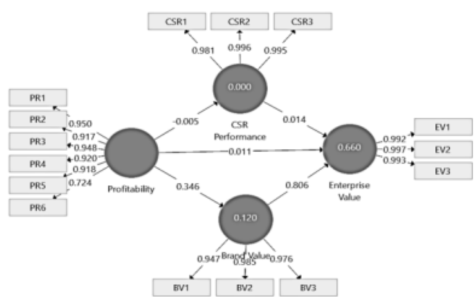

Figure 1. Path Model Result

Referring to the hypothesis testing results, the P-value of hypothesis 1 is 0.883, which means that hypothesis 1 is rejected. It can be stated that profitability has no significant effect on enterprise value. This may happen because, frequently, corporate market prices comprise higher value if compared to figure published in a company's financial and accounting statement (Mojsovska-Salamovska & Todorovska, 2016). Therefore, the basic reason for hypothesis 1 rejection is paradoxical between market-based and accounting-based. Table 2 shows that the banking sector possesses high enterprise value but less in profitability. As per the descriptive analysis explanation, it can be seen that profitability has no impact on enterprise value. Therefore, the researcher argues that hypothesis 2 is rejected due to the P-value, which is 0.968. It is pretty far from 0.05.

In previous research, the success or failure of CSR depends upon some "x" factors such as company location, country, and whether the CSR runs in a developed country or in an emerging market. CSR runs in a developed country may achieve a successful result, but what is done well in a developed country may not be successful as what is done in an emerging country. Furthermore, CSR can be executed in some cases once the company experiences excess cash flow (Crisóstomo et al., 2011). It is possible that as this research was held in Indonesia, which is considered an emerging country, different results may appear. According to a few authors, CSR does not imply value creation for shareholders (Fernández-Guadaño & Sarria-Pedroza, 2018) and also has no implication to financial performance variables and no implication to enterprise value (Allouche & Laroche, 2005; Han & Chen, 2018). The possible reason is that there may be too many factors taking control of CSR when CSR is linked to financial performance in terms of profitability or stock price (Allouche & Laroche, 2005; Preston & O'Bannon, 1997). Again, CSR may bring different results once it runs in a developed country and runs in an emerging country (Crisóstomo et al., 2011).

In addition, most investors will not dispute investment decisions once they assure that the object of investment is profitable, offer good profit with minor risks, and has good investment, and strategic, just because the company did less support CSR. The investors chose to resolve rather than step out of their investment plan. Based on the theory and statistic result in a p-value of 0.763, then hypothesis 3 is rejected. Strong brand value creates premium price offers for product and service, improve market share, increase revenue, reduce price-elasticity (Chowdhury et al., 2020), generate greater sales quantity (Chovanová et al., 2015), create consumer loyalty, create confidence in consumers to buy a product which possesses high brand value (Heinberg et al., 2018), these are potential profit for the company, and it then creates a cost-saving to company. Shortly, strong brand value delivers a more outstanding profit margin contribution to the company (He & Calder, 2020; Mohd et al., 2007).

Brand value is an antecedent of financial performance (Basgoze et al., 2016) which a high strong brand represents. It can be reflected in high sales volume achievement, sales volume increment, high- profitability, and high market valuation to firm financial (Mizik, 2014). The brand is not only for economic value creation, but it creates a business to grow, superior performance, creates loyal customers, and the ability to create monopolistic competition at the market (Budac & Baltador, 2013; Farooq et al., 2015; Larkin, 2013; Mojsovska-Salamovska & Todorovska, 2016; Sinclair & Keller, 2017; Tuan, 2012; Wang & Sengupta, 2016). Considering that the statistical P-value is at 0.048, it accepts hypothesis 4. Therefore, it accepts when profitability affects brand value. An investor is not only concerned with the ratio of ROA dan ROE to which they are present in the financial report, but they also put "benefits" such as high-quality intangible assets into their consideration. High-quality intangible assets are highly meaningful as they directly impact the stock market (Kirk et al., 2013; Kuo et al., 2016). Stock market return increases when the brand value gets up (Srinivasan et al., 2012). These theories explain the positive correlation between brand value and stock performance (Kirk et al., 2013; Kuo et al., 2016; Srinivasan et al., 2012).

Brand value is a part of a company's stock market capitalization, and this means any disruption in the value of a brand will disrupt market capitalization, but any improvement in the value of a brand will improve market capitalization. Market capitalization is an essential component of a company's enterprise value, enterprise value = market capitalization – total debt + cash, to leverage and increase market value and maximize future returns (Mizik, 2014). Brand value can heighten stock market value through its role in increasing sales and service volume, market share, and firm financial value (Basgoze et al., 2016). Market share dan firm financial value are

Table 5. Indirect Effect

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Remarks
Profitability->CSR Performance->Enterprise Value	0.000	0.000	0.006	0.011	0.991	Rejected
Profitability->Brand Value->Enterprise Value	0.279	0.294	0.15	1.858	0.063	Rejected

components that build enterprise value. Market capitalization is a component of enterprise value (EV=MC – Debt + Cash). Therefore, the higher the market capitalization, the higher the enterprise value. This encourages that brand value affects the enterprise value of the company. With a P-value of 0.000 (***significance 0.01), hypothesis 5 is accepted. In this case, brand value affects enterprise value.

Some previous studies argue that CSR performance has a positive correlation to financial performance (Saeidi et al., 2015), helps to improve financial performance, contributes to market value (Šontaitė-Petkevičienė, 2015), can predict future earnings and cash flow (Martin & Moser, 2016), ability to avoid the company from a social harm effect (Porter & Kramer, 2019), but the author argues and is having the same opinion to Crisostomo that CSR is a matter of 'relatively', means it possibly results different when executed in a developed country and in emerging market (Crisóstomo et al., 2011). In addition, even once the company is profitable, good reputation but possess less performance of CSR; still, the investor will not change their investment decision (Lee et al., 2009). The author argues that based on previous theories and due to the P-value sitting at 0.991, so hypothesis 6 is rejected. It states that CSR performance is not mediating variable to profitability and enterprise value.

Brand value is considered a quality signal that can minimize any uncertainty from the buyer side in executing their purchase. In this case, brand value facilitates purchasing transactions (Helm et al., 2009). An increment in purchasing transaction leads to an increment in sales volume, improve market share, improve and increase the company's revenue. An increment in revenue drives overall company profit (Mojsovska-Salamovska & Todorovska, 2016). High profit creates a high market share and leverages market capitalization (Mizik, 2014). However, time lack is unavoidable since previous years' activity always influences enterprise value. It states that the P-value sits at 0.063 and is supported by previous theory, so Hypotheses 7 is rejected, which means the brand value is not slightly a mediating variable between profitability and enterprise value.

5. Discussion

An investor who invests in a well-managed company will enjoy satisfactory profitability (Lindorff et al., 2012; Ozdora Aksak et al., 2016; Yadav et al., 2017), facing two angles of profitability: market-based and accounting-based. Market-based carry intangible asset elements, but not with accounting-based. It was paradoxical between market-based and accounting-based. ROA and ROE were calculated, and those ratios are the product of accounting-based, which then widely circulated and reported in profit/loss reports and in the company's annual report. It is obvious that those ratios (ROA and ROE) were calculated only through accounting procedures, while enterprise value comprises intangible assets. An intangible asset is one of the enterprise value builders, but it does not appear in the financial report; thus, it makes brand value just being as hidden-value and dispensable. A bigger lack between book value and market value occurs once intangible assets do not calculate (Mizik, 2014; Skalický, 2016).

The element that influences enterprise value is a stock price, which reflects current and potential future earnings that a company can generate (Kirk et al., 2013). The up and down of stock price depends on company performance. Low stock price refrain achievement of good enterprise value. Previous research argues that numerous factors can create a positive relation between CSR and profitability, such as company location, country, and industry. The argument is that CSR, profitability, and firm performance may lead to different outcomes between one conduct in an emerging market and one conduct in a developed country (Crisóstomo et al., 2011). CSR profitability in developed countries may show positive outcomes but not in an emerging market.

Friedman in (Crisóstomo et al., 2011) argues that CSR is unable to improve company financial performance because the allocation budget of CSR, which derive from cash flow, will utilize to improve the company's profit and not for CSR. Friedman perceives a company's responsibility is no other than to improve profit for shareholders. CSR will only be executed once the company experiences excess in cashflow (Crisóstomo et al., 2011). With CSR, the company is likely to identify risk, so that looks obvious that CSR can create firm financial performance if there are supporting variables such as enterprise risk management or with another mediating effect like competitive advantage, reputation, and customer satisfaction (Saeidi et al., 2015). It is revealed that CSR can increase a firm's financial performance but not directly (Naseem et al., 2020). CSR also does not influence any value creation for shareholders (Fernández-Guadaño & Sarria-Pedroza, 2018), and it affects none to enterprise value (Han & Chen, 2018). Furthermore, as long as a company possesses high profitability, a good reputation, good market capitalization, and a high profitability return on the paper. An investor will not change their investment decision due to a particular company performing less in CSR performance (Lee et al., 2009). Other scholars also argue CSR has no direct relationship with financial performance (Allouche & Laroche, 2005). A different point of view, profitability is generated and measured using accounting performance. Accounting is past financial performance, while CSR performance is future operations (Lee et al., 2009). Further, even CSR performance can give feedback to an investor about future economics, including investment risk; however, this still cannot be captured by the traditional financial valuation method (Lee et al., 2009).

CSR performance does not influence and affect enterprise value in Indonesia is attributed to several reasons. This research was conducted in Indonesia, so we have a different result from what was held in other developed countries; investors will probably not shift their decision-making in taking over a company with high profitability just because the company performs low CSR performance. Ultimately CSR may be different according to the country itself (Crisóstomo et al., 2011). Strong brand value leads to a premium price for product and service selling, increases market share and company revenue, and reduces price elasticity (Chowdhury et al., 2020). Moreover, leverage sales quantity (Chovanová et al., 2015), and strong brand value is able to deliver a higher profit margin for the company (He & Calder, 2020; Mohd et al., 2007). Consumers feel more confident in buying a product with high brand value (Heinberg et al., 2018). A strong brand drives economic value, business growth, improved market share, superior performance, customer loyalty, and monopolistic competition. Moreover, reduced operational cost promotion, advertising, minimalizing product return, and minimized customer complaints improve profitability in the future (Budac & Baltador, 2013; Farooq et al., 2015; Larkin, 2013; Mojsovska-Salamovska & Todorovska, 2016; Sinclair & Keller, 2017; Tuan, 2012; Wang & Sengupta, 2016). It is a generator for company profitability (Mojsovska-Salamovska & Todorovska, 2016).

Investors' concerns are not only on ROA dan ROE but also on other benefits, such as high-quality intangible assets, which directly affect and impact the stock market (Kirk et al., 2013; Kuo et al., 2016). For example, the stock market return goes up when brand value is up (Srinivasan et al., 2012); it also shows a positive correlation between brand value and stock performance (Kirk et al., 2013; Kuo et al., 2016; Srinivasan et al., 2012). Market capitalization and firm financial value are components that develop enterprise value. Enterprise value, capitalization – debt + cash means that high market capitalization will automatically improve enterprise value. On the other hand, low market capitalization hamper down expected enterprise value. Herewith brand value is strongly influenced by enterprise value.

An increment of revenue will stimulate an increment of profitability where high profitability creates a high market share and affects market capitalization (Mizik, 2014; Mojsovska-Salamovska & Todorovska, 2016). A previous study by a few scholars shows a positive correlation between brand value, profitability, and stock performance. Two reasons cause it: first, brand value is an indicator used by the investor to assess company performance and risk (Kuo et al., 2016). second, the investor often invests and holds stock from the most trusted company or stock of a well-known company. They limit stock from "un-popular" companies (Srinivasan et al., 2012). Brand value not only delivers an effect on market share but also affects company value and can deliver a more significant return with fewer risks (Basgoze et al., 2016). Since many activities influenced enterprise value in its previous years, so time lack is becoming crucial. This research requires further continuous research because variables are rapidly changing; for instance, brand value is constantly changing, so it needs subsequent ongoing research. This research finds that profitability has impacted none with an enterprise value directly.

Profitability has no direct impact on enterprise value. Profitability came from accounting valuation, which focused on the past of company activity. It is harsh to put or estimate the value of an intangible asset into their financial report in both Profit/Loss Statement and Balance Sheet.

6. Conclusions

Based on the findings and discussions earlier, the following key point can be drawn. First, it shows that companies' profitability, as seen in the ROA and ROE values, has no direct relationship with Enterprise Value. It requires mediating variable, which is Brand Value. A high ratio of both ROA and ROE owned by companies reported through their financial year report to stakeholders and investors did not guarantee that a company can achieve or possesses high Enterprise Value if they do not have any high intangible assets (Brand Value). Second, profitability has no direct impact on Companies' CSR performance, while CSR performance has no direct impact on Enterprise Value. Third, profitability directly relates to Brand Value, and Brand Value has an impact and relationship to Enterprise Value. Fourth, in terms of the mediating variable presence, the CSR performance did not appear as a mediating variable between profitability and Enterprise Value.

On the other hand, Brand Value acts as a mediating effect between profitability and enterprise value. This means to create an enterprise value, a company must create a way to satisfy brand value, and brand value creation must be taken as the first step. Brand value is an important thing as it has a closed tight relationship with Investors interested in investment decisions will make by investors. This research has a limitation; hence it needs continuous research because enterprise value, brand value, and any other variables such as ROA and ROE can rapidly change following each company's business programs, strategies adopted and adapted, development, and competition in each sector. At the same time, the CSR index can also expect to change due to the strategy and expectation of the importance of intangible assets owned by the companies.

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