

**MEDIATING ROLE OF CORPORATE GOVERNANCE ON CORPORATE  
SOCIAL RESPONSIBILITY AND FIRM VALUE OF PUBLICLY LISTED  
FOOD, BEVERAGE AND TOBACCO COMPANIES IN THE PHILIPPINES  
MODERATED BY FIRM SIZE AND AGE**

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**ABSTRACT**

The study analyzed the relationship of Corporate Social Responsibility and Firm value of entities engaged in Food, Beverage and Tobacco industry in the Philippines, as mediated by Corporate Governance with firm's size and age as moderator. A causal-explanatory research was utilized which used secondary data, particularly financial statements, Sustainability Reports and Annual Corporate Governance Reports of the twenty-four (24) publicly listed Food, Beverage, and Tobacco companies for the periods 2015 to 2019. Corporate Social Responsibility (CSR) was measured using CSR disclosure index as mapped in GRI Sector provided by the Global Reporting Initiative (GRI), Corporate Governance (CG) was measured through Corporate Governance Mechanism, while firm value was measured by Tobin's Q.

Thus, Structural Equation Model was used to identify the Corporate Social Responsibility, Corporate Governance and Firm Value relationship. Results disclosed that CSR has a significant and positive impact on firm value, while on the other hand, CG have been found out to have an insignificant and positive impact on Firm value. Similarly, CSR Index disclosures showed to have an insignificant and positive impact on CG. But, results unveil that Corporate Governance has no mediating effect on CSR-Firm value relationship, hence it is insignificant when used as mediator for CSR and firm value. Conversely, findings uncovered that firm age and size have a moderating effect on CSR-FV relationship.

**Keywords:** Corporate Social Responsibility, Corporate governance, Firm Value, FirmAge, Firm Size, CSR Index, Tobin's Q, Corporate Governance Mechanism.

**INTRODUCTION**

Business organizations are drivers of innovation, creators of wealth, and harbingers of economic stability. The fundamental role of business had remained relatively constant strong investment potential but are also closely related to economic, social, and environmental issues (Malia,2020) as extent of company's growth indicates the

expansion of production as well as its societal consumption (Putri, M. M., Firmansyah, A., & Labadia, D. (2020).

Notably, equilibrium of profit and common good is a good strategy for long-term business survival (He, H. & Harris, L., 2020). It is crucial for a food and beverage companies to realize good financial performance, practice good corporate governance, and implement social responsibility programs for the welfare of

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its stakeholders, to improve company's reputation to shareholders and the general public, therefore increasing investors' interest which further impacts firm valuation. This research aims to fill the gap between the relationship of Corporate Social Responsibility and Firm Value

as mediated by Corporate Governance through the determination of the impact of CSR and CG on publicly listed Corporations under the Food, Beverage and Tobacco sector in the Philippines with relation to the factors of firm size and age to provide vital information not only to the companies in this sector but most importantly, to several stakeholders such as employees, customers, communities, and the society by addressing areas of concerns through CSR and CG initiatives.

**RESEARCH METHOD**

This study aims to analyze the mediating role of Corporate Governance towards Corporate Social Responsibility and firm value of publicly listed Food, Beverage, and Tobacco companies in the Philippines. The study is a causal-explanatory research that utilized secondary data. Annual Report, Annual Corporate Governance Report, Public Ownership Report and CSR Report were downloaded from the companies' website. CSR index as mapped in GRI Sector disclosure for food and beverage sector was used to measure CSR, CG mechanism was used to measure CG, and firm value was determined by Tobin's Q.

Also, the study evaluated the moderating effect of Corporate Governance that was measured by its firms' age and size determined by its date of establishment and the latter by its assets.

The population of the study are the publicly listed Food, Beverage, and Tobacco companies in the Philippines. Using the Philippine Stock Exchange

(PSE)'s website, twenty-four (24) companies fall into the category of the Industrial sector, with Food, Beverage, and Tobacco as subsector. Presented on the table next page are the lists of the companies

**FINDING AND DISCUSSION**

*Descriptive Statistic*

Descriptive statistics, including minimum and maximum, mean, and standard deviation, were generated for each of the variables which were included in the model as shown in the table below:

**Table 6**  
Descriptive statistics

N= 107	Mean	Median	Min	Max	Standard Deviation
CSR	0.547	0.489	0.318	0.936	0.159
Corporate Governance	0.534	0.520	0.333	4.383	0.391
Firm Value (Tobin's Q)	1.790	0.730	0.0000	22.532	3.450
Size	9.854	10.106	0.0000	11.272	1.471
Age	46.252	46.000	3.000	101.000	30.000

The table above displays the characteristics of data such as the number of observations, mean, minimum, maximum and standard deviation values of Corporate Social Responsibility, Corporate Governance, Tobin's Q, as well as the moderating variables of size and age. Shown on the table are the minimum and maximum values of the predictor, criterion, mediating and moderating variables. Corporate Social Responsibility Index is computed using the weighted disclosures using dichotomous variables, 0 for not disclosing the standard and 1 for disclosing the standard. Accordingly, Corporate governance has a minimum value of 0.333 and has a maximum value of 4.383, while Tobin's Q which is used to measure the firm value has a minimum value of .0000 and has a maximum value of 22.532. On the other hand, age, as a moderating variable ranges from 3.000 to 101.000 while size ranges

from 0.0000 to 11.272 respectively.

**Correlation between Variables**

Correlation matrix shows the relationship of each variable. Presented below is the generated correlation matrix using SmartPLS 3.

**Table 7**  
Correlation matrix of variables

	Age	CG	CSR	Firm Value	Size
Age	1				
CG	-0.060	1			
CSR	0.065	0.052	1		
Firm Value	-0.257	0.037	0.104	1	
Size	0.099	0.133	0.163	0.219	1

The table above shows that through its index, the Corporate Social Responsibility has a positive correlation to Firm Value, however, Corporate Governance, through its mechanisms shows a negative correlation towards Firm value. Moreover, as the moderating variables of age and size are correlated to the dependent variable, Firm size displayed a positive correlation to Firm value.

**Structural Equation Model Outcomes.**

This study had utilized Structural Equation Modeling (SEM) through SmartPLS3, and the table below shows the summary of the results and the following subsections discuss the results based from the table.

**Table 8**  
Results of Direct Path Analysis

Direct Effect (N= 107)	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
CSR > Firm Value	0.183	0.187	0.072	2.534	0.011
CG > Firm Value	-0.052	0.034	0.174	0.297	0.767
CSR > CG	0.052	0.077	0.069	0.760	0.447

**a.a Direct Impact Examined**

CSR disclosures index was reflected as firm’s CSR scores and will be evaluated in relation to firm value, using CG as a

mediating variable. Corporate Social Responsibility was tested if impacts Firm Value (H<sub>01</sub>) and Corporate Governance (H<sub>02</sub>). Also, Corporate Governance was also tested for its impact on Firm value (H<sub>03</sub>).

As reflected on the table above, p-values of the aforementioned relationships were tested. CSR Index to Firm Value resulted in p-value of 0.011 and a t-statistics of 2.534, while CG Mechanism to Firm Value resulted in p-value of 0.767 and a t-statistics of 0.297. Further, CSR Index to CG Mechanism resulted in p-value of 0.447 and a t-statistics of 0.760

**a. CSR Index to Firm Value**

CSR Index disclosure shows that it has significant and positive impact on firm value. Having a p-value of 0.011 and a t-statistics of 2.534, hypothesis 1 (H<sub>01</sub>) is rejected. Similarly, significant and positive correlation between Corporate Social Responsibility and Firm Value is portrayed in a study conducted by Hasibuan, M. and Wirawati, N. (2020), as well as Bajic, S. et.al (2016) which supported the notion that investors incorporate a firm’s relative CSR position when investing. Also, several researches and studies of multiple scholars have analyzed sustainability reports and analogous findings were derived (Loh, et.al.,2017; Gherghina, S. C., Vintila, G., 2016; Putri, M. et.al.,2020; Nadia, M.A. et.al.,2020). Indeed, CSR concept has gained momentum, and its significance derives from the attitude of companies that have understood the importance of the impact of their activity on the environment by which their operations are carried out.

**b. CG Mechanism to Firm Value**

CG mechanisms show that it has insignificant and positive impact on Firm value with a p-value of 0.767 and a t-statistics of 0.297. Therefore, this research failed to reject hypothesis 2

(H<sub>02</sub>). Likewise, studies of Hoje, J and Harjoto, M. (2011), Manurung, E. et.al., (2019), Mukyala V. et.al (2020) and Tunpornchai, W. and Hensawang, S, (2018) indicated negative correlation on CG and Firm value relations.

c. CSR Index to CG Mechanism

CSR Index disclosures show that it has insignificant and positive impact on CG Mechanisms with a p-value of 0.447 and a t-statistics of 0.760. Therefore, this research failed to reject hypothesis 3 (H<sub>03</sub>). This is parallel to the negative CG-CSR relationship discovered by Hoje, J and Harjoto, M. (2012), Mulyadi, M. (2012), in contrast to the studies which have revealed that CG positively impact company's CSR implementation (Abdulkadir, U and Alifiah, M., 2020; Hoje, J and Harjoto, M., 2012; Verma, D and Kumar, Raj., 2019; Hoje, J and Harjoto, M., 2012; and Won- Yong Oh, et.al., 2018).

2. Indirect Impact Examined

a. The mediating effect of CG on CSR Disclosure Index to Firm Value

**Table 9**  
Results in Path Analysis with mediation

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
CSR > CG > Firm Value	-0.003	0.007	0.023	0.119	0.905

The mediating effect of Corporate Governance mechanism on CSR-Firm value relationship was tested. Based on the table presented above, the research rejects hypothesis 4 (H<sub>04</sub>). Having a p-value of 0.905 and a t-statistics of 0.119, Corporate Governance mechanism has no mediating effect on CSR-Firm value relationship. Also, by employing Multiple Linear Regression, Diyanto, V (2016) illustrated that managerial ownership does not have effect towards the firm value, Institutional ownership and firm size have positive effect towards the firm value while

Corporate social responsibility has negative effect towards the company value. Moreover, through similar statistical treatment for the same type of industry, Putri, M. et.al., (2020), claimed that CSR disclosure has a significant effect on firm value, implying that companies who intend to obtain a positive response from the market should improve their CSR implementation towards quality enhancement, not only for the purpose of compliance with the regulation. But on the contrary, GCG result does not affect firm value. Therefore, from the aforementioned studies, CG do not mediate CSR to Firm value relationship.

b. The moderating effect explained

Two moderating variables were tested, the moderating effect of Firm's Size to Firm Value (H<sub>05</sub>) as well as the moderating effect of Firm's age to Firm Value (H<sub>06</sub>). The following were tested at significant level of 5%.

**Table 10**  
Results in Path Analysis with moderations

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
CSR > Age > Firm Value	-0.208	-0.227	0.061	3.403	0.001
CSR > Size > Firm Value	0.567	0.501	0.239	2.373	0.018

1) The moderating effect of firm's size on CSR Disclosure Index to Firm Value

Based on the table presented above, the research failed to reject hypothesis 5 (H<sub>05</sub>). Having a p-value of 0.018 and a t- statistics of 2.373, the size of a firm moderates firm value. Also, it can be concluded that on this research, CSR, as moderated by size has a significant and positive impact on Firm value. This is consistent with the findings unveiled by Trencansky, D., Tsaparlidis, D. (2014) as company size is discovered to be a major determinant of CSR, resulting in a U-shaped effect which further implies that level of CSR activities declines as a company grows from small to middle-

sized, but increases as a company grows from middle-sized to large. Similarly, results derived by Manurung, E. et.al., (2019) Siahaan, F. (2013) and Nabighah, D.S. (2020) recognized that company size have favorable impacts on firm valuation. Therefore implying that the greater impact on company valuation means greater the CSR disclosure level, profitability, and firm size.

2) The moderating effect of firm’s age on CSR Disclosure Index to Firm Value

Based on the table presented above, the research failed to reject hypothesis 6 ( $H_{06}$ ). Having a p-value of 0.001 and a t- statistics of 3.403, the age of the firm moderates firm value. Also, it can be concluded that on this research, CSR, as moderated by age has a significant and positive impact on Firm value. Also, Withisuphakorn, P. and Jiraporn, P., 2015 had found that business age were important determinants of CSR, and have illustrated significantly positive impact towards CSR results. Accordingly, Waluyo, W. (2017) uncovered that firm age have simultaneous significant effects to the CSR disclosure thus encouraging companies towards CSR disclosure implementation by which increased firm valuation can be realized.

The table below shows the summarized results of hypothesis testing

▲ Table 11  
Results of Hypothesis testing

	Hypotheses	Results
H <sub>61</sub>	Corporate Social Responsibility to Firm Value	<i>Reject the null</i>
H <sub>62</sub>	Corporate Social Responsibility to Corporate Governance	<i>Failed to reject the null</i>
H <sub>63</sub>	Corporate Governance to Firm Value	<i>Failed to reject the null</i>
H <sub>64</sub>	Corporate Social Responsibility to Firm Value as mediated by Corporate Governance	<i>Failed to reject the null</i>
H <sub>65</sub>	Corporate Social Responsibility to Firm Value as moderated by Size	<i>Reject the null</i>
H <sub>66</sub>	Corporate Social Responsibility to Firm Value as moderated by Age	<i>Reject the null</i>

**Overall Results and Business Implication**

Limited number of researches gave interest on studying CSR-CG-FV implication towards companies under the Food, Beverage and Tobacco sector despite being a critical industry. In this context, the study aims to fill the gap between the relationship of Corporate Social Responsibility and Firm Value as mediated by Corporate Governance through the determination of the impact of CSR and CG on publicly listed Corporations under the Food, Beverage and Tobacco sector in the Philippines, with relation to the factors of firm size and age. A total of 24 companies under the Food, Beverage and Tobacco sector listed on the Philippine Stock Exchange are evaluated to formulate results as to CSR-CG- FV relationship.

The findings of the study further revealed that CSR Index disclosure has a significant and positive impact on firm value thus showed that companies who comply with the CSR Reporting standards has better firm value than those who fail to comply with the necessary disclosures. While on the other hand, CG mechanisms have been found out to have an

insignificant and positive impact on Firm value. Similarly, CSR Index disclosures showed to have an insignificant and positive impact on CG. Furthermore, results unveil that Corporate Governance has no mediating effect on CSR-Firm value relationship. Conversely, findings uncovered that firm age and size have a moderating effect on CSR-FV relationship.

With the view that companies should not only focus in profitability and be economically responsible, but must also exhibit social responsibility to the community and its environment, the need for corporate social responsibility (CSR) reporting among the companies have emerged. Companies practice transparency and communicate with stakeholders through its reports. Corporate social responsibility disclosures was proven to positively impact firm valuation are factors that influence firm valuation and firm's size and age have shown to improve the existing.

## **CONCLUSION**

Based on the results, the researchers were able to meet the objectives of the study. The researchers were able to assess the analysis of the mediating role of Corporate Governance towards Corporate Social Responsibility and business' firm value. Furthermore, the researchers were also able to determine the moderating effect of a firm's age and size on the CSR to firm value relationship.

### ***Corporate Social Responsibility to Firm Value***

Upon analyzing the results derived from the data gathered and processed, it became evident that Corporate Social Responsibility, as measured by the Corporate Social Responsibility Disclosure Index, has an impact on firm value. This implies that compliance as to CSR disclosure requirements pose a positive effect on firm value. Thus, high firm value is preferred by investors as Firm value is

known to be a reliable measure of company's financial health therefore driving demand for prospective investors. Also, moderating variables such as firm age and firm size has been revealed to moderate the relationship between CSR and firm value. The study showed that size as a moderating variable, positively affects the relationship which suggests that specific company sizes, commonly measured through its assets, directly impact the relationship of CSR towards firm value as large companies are more likely to comply with CSR disclosure requirements therefore having better firm valuation as compared to the small firms. Similarly, firm's age, as a moderating variable, also affects the relationship of the CSR to firm value the same way size does. This means that older firms tend to be more compliant as to CSR disclosures due to long term experience in the field, as compared to younger firms, therefore has increased firm value.

### ***Corporate Governance to Firm Value***

The researchers concluded, based on the examination and the results of data gathering, that Corporate Governance has no significant influence on Firm Value. It can be implied that although firms are able to show good corporate governance, as measured by their Corporate Governance Mechanism, it does not constitute an effect on the firm value. Therefore, it shows that such CG mechanism employed by the business neither increase nor decrease firm valuation. This is contrary to the results of previously cited researches which showed that CG impacts firm value. It may also imply that CG mechanism may not be a sufficient measure to unveil the probable CG-FV relationship.

### ***Corporate Social Responsibility to Firm Value as mediated by Corporate Governance***

In analyzing the mediating effect of Corporate Governance towards Corporate Social Responsibility to Firm value relationship, the findings showed that it has insignificant impact. This can be interpreted that although firms are able to disclose information in accordance with the CSR disclosure standards, it does not constitute an effect on the firm value when mediated by corporate governance. This result is relative to the findings that CSR do not impact CG, and similarly, CG does not impact firm valuation. Therefore, correlational relationship between CSR-CG-FV does not exist, in parallel with some researches previously cited. This further implies that CG is not a good measurement for determining firm valuation and is not a good mediator on CSR-FV relationship

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