THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON COMPANY VALUE WITH CORPORATE GOVERNANCE AS A MODERATOR VARIABLE

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ABSTRACT

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Corporate Social Responsibility (CSR) is being carried out intensively in Indonesia to prove that companies care about their surrounding environment. This study examined the effect of CSR on company value by using Corporate Governance (CG) as a moderating variable. This study aimed to determine the effect of CSR on company value in the manufacturing sector by using CG as a moderator. This is a quantitative research, with sample as many as 112 manufacturing companies listed on the IDX during 2013-2015. This study proved that CSR affects corporate value. In contrast, CG as a moderator does not affect the relationship between CSR and company value.

Keywords: Corporate Social Responsibility, Institutional Ownership, Tobin's Q

ABSTRAK

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Abstrak

Corporate Social Responisbility (CSR) sedang gencar dilakukan di Indonesia untuk membuktikan bahwa perusahaan peduli dengan lingkungan sekitar mereka. Penelitian ini menguji pengaruh CSR terhadap nilai perusahaan dengan menggunakan Corporate Governance (CG) sebagai variabel moderasi. Penelitian ini bertujuan untuk mengetahui pengaruh CSR terhadap nilai perusahaan pada sektor manufaktur dengan menggunakan CG sebagai moderator. Penelitian ini merupakan penilitan kuantitatif, sebanyak 112 perusahaan manufaktur yang terdaftar di BEI sepanjang periode 2013-2015. Penelitian ini membuktikan bahwa CSR berpengaruh terhadap nilai perusshaan sementara CG sebagai moderator tidak berpengaruh terhadap hubungan CSR dan nilai perusahaan

Kata kunci: Corporate Social Responsibility, Kepemilikan Instutional, Tobin’s Q

1. Introduction

In the era of higher corporate growth especially in this globalization era, awareness of social responsibility's implementation becomes important in line with the increasing concern of the global community for environmentally friendly products/goods and services. Without realizing it, there is social responsibility that influences the work value of a company, especially for companies listed on the IDX (Indonesia Stock Exchange) they will be more aware of the increasing global concern. The efforts made by the company to prove the company's concern for social and environmental conditions can be seen by the company disclosure of corporate social and environmental responsibility (Corporate Social Responsibility) in its annual financial statements. CSR is a form of corporate responsibility in improving social inequality and environmental degradation resulting from the company's operational activities. The importance of implementing corporate social responsibility is increasingly being recognized by various companies as a business strategy. Stakeholder theory has the view that companies must carry out social disclosure as one of the responsibilities to stakeholders. Company Value or Firm Value is a core/main protagonist in the business area. Firm value of a company can drives and overseen the activities that being conducted by the company. Company value are the company main DNA, and it helps differentiate business and making the decision. Company value is influenced by many factors, one of which is good corporate governance and the existence of the disclosure of corporate social responsibility (CSR). The purpose of corporate governance is to create added value for all interested parties (stakeholders). company value can increase and added value for all interested parties (stakeholders) can be achieved, the relationship to CSR disclosure influences company value, because CSR implementation is a manifestation of the implementation of the principles of corporate governance. Company value is the investor's perception of the company, which is often associated with stock prices. Company value is not only measured by the level of profit. Corporate governance is concerned with the resolution of collective action problems among dispersed investors and the reconciliation of conflicts of interest between various corporate claimholders, corporate governance regulation of large shareholder intervention may provide better protection to small shareholders; but such regulations may increase managerial discretion and scope for abuse. Corporate governance includes the relationships among the stakeholders (stakeholders) involved and destination management companies. Corporate governance can be described as a problem involving an agent – the CEO of the corporation – and multiple principals – the shareholders, creditors, suppliers, clients, employees, and other parties with whom the CEO engages in business on behalf of the corporation. According to Shailer, Greg (2004) Corporate governance is the collection of mechanisms, processes and relations used by various parties to control and to operate a corporation. From the explanation above, Implementation of corporate governance can control behavior so that it does not act only for one's interests but must also pay attention to surrounding social interests to increase the value of companies. Companies with good environmental and social performance will be responded positively by investors through an increase in share prices. If a company has poor environmental and social performance, investors will doubt it, so it will be responded negatively through price reductions (Rustriarini, 2010), but this research contradict with research by (Arora, 2021) having Good Corporate Governance doesn’t impacted the decision making by the investors.

2. Literature Review

a. Previous Research

Rustiarini (2010) examined the effect of good corporate governance and disclosure of corporate social responsibility on company value. Susanto and Subekti (2013) examine the effect of corporate social responsibility and good corporate governance on company value, concluding that CSR practices do not affect company value. Siallagan and Machfoedz (2006) the results show that mechanisms of corporate governance affects company value. Riswari and Cahyonowati (2012) examine CSR disclosure's broad influence on company value with corporate governance as a variable, moderating concludes that with a mechanism corporate governance. The result is corporate governance has a positive effect on company value. According to Arora (2021) Corporate Social Responsibility has a significant positive effect on company value, where an increase in Corporate Social Responsibility will result in an increase in company value. According to Nikmah (2019), Corporate Social Responsibility has a significant positive effect on firm value

b. Legitimacy Theory

According to Dowling and Pfeffer in Ghozali and Chariri (2007), legitimacy is important for social norms and values emphasize organizations, the boundaries, and reactions to these limits, encouraging the importance of analyzing organizational behavior by paying attention to the environment. Legitimacy is considered important for the company because the community's legitimacy to the company is a strategic factor for the company's future development. Legitimacy also relates to social responsibility, which is one of corporate governance principles to determine company value. Legitimacy is a company management system oriented towards taking sides with the community (society), individual government, and community groups.

c. Agency Theory

An agency relationship is a contract between the shareholders and owners of the company's managers. Agency theory arises based on the separation of company owners (shareholders) from the managers who manage the company. Agency theory views company management as an agent for shareholders will act with full awareness of its interests (selfinterest), not as a wise and fair party to shareholders. The difference in interests between the two parties can create agency conflicts. Jensen and Meckling (1976) explain the existence of a conflict of interest in agency relationships. This conflict of interest occurs due to differences in the objectives of each party.

The implementation of corporate governance is based on agency theory. Agency theory can be explained by the relationship between management and owners, management as an agent is morally responsible for optimizing the profits of the shareholders and, in return, will receive compensation under the contract. Managers as agents must maximize company owners' welfare both in the short and long term. Corporate governance is the company's response to agency conflicts that occur in the company. Corporate governance develops based on agency theory in which company management must be supervised and controlled to ensure that management is carried out in full compliance with various applicable rules and regulations.

d. Stakeholders Theory

A company is not an entity that only operates for its interests but they must provide benefits to stakeholders. The existence of a company is strongly influenced by the stakeholders' support (Ghozali and Chariri, 2007). Stakeholders can be grouped into two, namely primary and secondary stakeholders, primary stakeholders are shareholders, owners, investors, employees, and consumers, while secondary stakeholders are government, the general public, and the environment. CSR disclosure is important because stakeholders need to evaluate and know the extent to which the company carries out its role under the wishes of the stakeholders, thus demanding company accountability for CSR activities that have been carried out.

e. Corporate Governance

Companies with excellent environmental and social performance will be responded positively by investors through an increase in share prices (Rustiarini, 2010). Stakeholders are all parties, both internal and external, who have a relationship that affect or is influenced, directly or indirectly, by the company.

f. Corporate Social Responsibility

According to The World Business Council for Sustainable Development (WBCSD), corporate social responsibility is defined as a business commitment to contribute to sustainable economic development through collaboration with employees and their representatives, their families, the local community, and the general public improve the quality of life in ways that are beneficial to both their own business and development. The concept of corporate social responsibility involves a responsible partnership between the government, community resource institutions, and local communities. This partnership is not passive and static. This partnership is a shared social responsibility among stakeholders. CSR does have many definitions, but in essence, CSR is a form of sustainable corporate economic activity. The economic activities of companies, in general, are indeed founded on the basis of economic orientation, but without forgetting social and environmental aspects in order to ensure the survival of the company.

g. Company Value

According to Heinilä (2020) company value are the company main DNA, and it helps differentiate business and making the decision. Company Value is a perception that being given by the investors whether the company has a good valuation on the company. Maximizing Company value is important to company because if the company has a higher value, it is also showing that the company is doing fine in carrying their goals.

h. Hypothesis

H1: CSR disclosure has a positive effect on company value.

H2: Good Corporate Gorvenance strengthens the positive effect of CSR disclosure on company value

3. Research Method

a. Research Design

The research design used in this study is a quantitative approach. The data used is quantitative (measurable data) and it produced conclusions. This study aims to examine the effect of corporate social responsibility (independent variable) on firm value (dependent variable) with corporate governance as a moderating variable (moderating variable).

b. Variable Identification, Operational Definition, and Variable Measurement

The variables used in this study are the dependent variable and the independent variable. The dependent variable to be tested in this study is firm value. The independent variable to be tested in this study is corporate social responsibility. The moderating variable in this study is corporate governance.

c. Types of Data and Data Sources

The type of data used in this study is quantitative data in the form of annual reports of manufacturing companies listed on the IDX in 2013-2015

d. Data Collection Method

Data collection was carried out using documentation/archive techniques by documenting the company's financial statements obtained from manufacturing companies listed on the

IDX. Data collection was also carried out by means of literature study, namely through a collection and secondary data

e. Population, Sampling, and Sampling Techniques

The population of this study was all manufacturing companies listed on the Indonesia Stock Exchange during the 2013-2015 period. The sample selection is used by using the purposive sampling method.

f. Data Analysis Technique

Analysis technique in this study used SPSS version 23 with the following stages:

① Descriptive Statistics
② Classical Assumption Test
③ Normality Test
④ Multicollinearity Test
⑤ Heteroscedasticity Test
⑥ Autocorrelation

g. Hypothesis Testing

Hypothesis testing is done using Moderated Regression Analysis (MRA). The analysis used in this test is the hierarchical regression analysis method. Testing in this analysis can be carried out in several stages, namely as follows:

① Analyze the research regression model by including the independent variable and the dependent variable

② Analyze the research regression model by including the independent variable, moderation as the independent variable, and the dependent variable.

③ Analyze the research regression model by including the independent variable, the moderating variable as independent, the interaction between the independent and moderate variables (MRA), and the dependent variables.

The equation of the statistical form of moderation testing with the model:

$ML = a + \beta 1CSR\ \varepsilon$ …………………….. ……………………………….(1)

$ML = a + \beta 1CSR + \beta 2INST + \varepsilon$ …………………….. …………………(2)

$ML = a + \beta 1CSR + \beta 2INST + \beta 3CSR * INST + \varepsilon$ …………………….. (3)

Information:

CSR: Corporate social responsibility

INST: Institutional ownership

a: Constants

β: Regression Coefficient

ε: Error

Hypothesis 1 testing uses simple regression in model (1). This test is conducted to test the effect of the independent variable on the dependent variable. H1 is accepted if CSR has a significance probability value <0.05, with a positive value for model testing (1).

Hypothesis 2 testing is done with moderated regression analysis (MRA), by looking at model (2) and (3). H4 is accepted if CSR * INST has a significance probability value <0.05 with a positive value in model (3). If CSR * INST has a positive effect in model (3) and SIA has no effect in model (2), then SIA is a pure moderator. However, if SIA has a positive effect on model (2), it is called a quasi moderator. If it is not significant in models (2) and (3), then it is called the mediator predictor.

4. Result and Discussion

a. Results of Regression Analysis and Hypothesis Testing

Regression Test Results

Variable	Model 1	Model 2	Model 3
CSR	0.247*	0.243*	0.425*
(nilai t)	(1.779)	(1.730)	(1.800)
INST		-0.243	0.541
(t value)		(-0.288)	(0.712)
Mod			-0.166
(t value)			(-0.960)
F	3.163	1.607	1.377
Sig F	0.079	0.206	0.255
Adj R^2	0.023	0.013	0.012

*** significance at the 5% level**
Variable definitions
CSR= *Coorporate social responsinbility* , INST= Institutional Ownership, Mod=Moderate

Model 1 is used to test hypothesis 1. Models 2 and 3 are used to test hypothesis 2, which has been adjusted to be one-tailed, because the output of SPSS is two-tailed, with the results of regression testing and the coefficient of determination shown in the table. This study consists of two hypotheses:

- Hypothesis 1 states that there is a positive effect of CSR on company value. It was tested by looking at model 1 in Table 4.3. Table 4.3 shows that the coefficient value and t-test results are positive and significant, namely a value of 0.247 and 1.779 and a significance of 0.037 (0.037 <0.05, so it is significant). It shows that there is a positive effect of CSR disclosure on company value so that Hypothesis 1 is accepted.

- Hypothesis 2 states that institutional ownership strengthens the positive influence of CSR on company value. It was tested by looking at model 3 in Table 4.3. Table 4.3 shows that the coefficient value and t-test results are negative but not significant, -0.166 and -0.960, and a significance of 0.830 (0.830> 0.05, so it is not significant). It shows that there is no influence of institutional ownership to strengthen the positive effect of CSR on company value, so that Hypothesis 2 is rejected.

For institutional ownership is also not a potential moderating variable. It is because in model 2, profitability has a negative and insignificant coefficient value and t-test results -0.103 and -0.288 and a significance of 0.613 (0.613> 0.05, so it is not significant). Thus, institutional ownership cannot be an independent variable or a moderating variable for the relationship between CSR disclosure and company value.

Hypothesis Testing Results

Hypothesis		Explanation
H1	Corporate Social Responsibility has a positive effect on company value.	Accepted
H2	Corporate Governance as a Moderation Variable strengthens the positive influence of CSR on firm value.	Rejected

b. Discussion

① Corporate Social Responsibility and Company Value

The results of this research hypothesis testing indicate that the disclosure of Corporate Social Responsibility can increase firm value. These results are in accordance with the theory of legitimacy and stakeholder theory, by showing that companies that have more complete CSR disclosures will gain legitimacy and trust from stakeholders so that they will increase the value of the company. These results indicate that companies to be more trusted by stakeholders must disclose as much CSR as possible.

② Corporate Governance and Company Value

Institutional ownership in this study has a goal as part of good corporate governance based on agency theory. Agency theory can be explained by the relationship between management and owners. It can also mean management as an agent is morally responsible for optimizing the profits of shareholders and, in return, will be compensated following the contract. However, in reality, it is not proven to increase the positive effect of CSR disclosure on company value.

5. Conclusion, Limitations, and Suggestions

a. Conclusion

Based on the results of the analysis and discussion, it can be concluded that high corporate social responsibility will increase company value. Also, corporate governance does not strengthen the positive relationship between CSR and firm value because only partially implementing governance will not increase company value.

b. Limitation

It uses a sample of companies from past years so that there are some data that are difficult to obtain, thereby reducing the number of samples in this study was the solution. Here it is only showing that only 112 data from 327 manufacturing company that match the criteria. Lack of data is also cannot determined what happen in reality. Data is being taken is from 2013-2015 it is also cannot determined what happen today.

c. Suggestion

Several considerations needed to develop and expand further research, namely necessary for further research to increase the number of samples by looking for many other reference sources. This study only focused on Manufacturing Company sector, so the result cannot be generalized to the other sector. Because of the data is taken from the period of 2013-2015, it is hoped that the newer data is being used for the next study. Another consideration for further research it can be added with other corporate governance variables, and also it is hoped that additional variables may be added as well affect many things in this research.