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Influence of Corporate Social Responsibility and Managerial Ownership on the Value of Companies with Profitability as Moderate Variables

(Empirical Study on Basic Industry and Chemical Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange For the Period 2017-2020)

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ABSTRACT

This study aims to find out: (1) Pengaruh corporate social responsibility for the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020, (2) Pengaruh managerial ownership of the value of basic and chemical industrial sub-sector manufacturing companies listed on the IDX for the period 2017-2020, (3) Testing the influence of profitability in moderating corporate social responsibility relations on the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020, (4) Testing the influence of profitability in moderating managerial ownership relationships to the value of basic industrial sub-sector manufacturing companies and chemicals listed on the IDX for the period 2017-2020.

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INTRODUCTION

In Indonesia there are several types of companies, one of which is a company engaged in the manufacturing sector. A manufacturing company is a company that carries out the operation of machinery, equipment and labor in the process of converting raw materials into products that have selling value. Companies with good performance will be responded positively by investors with a review of the increase in stock prices. The higher the stock price, the higher the value of the company (Febriana et al., 2016). A high increase in the value of the company is a long-term goal that must be achieved by the company, which is an interpretation of the stock market price of the company. The value of the company is a reflection of the market value itself (Dewi Kadek, 2017). This is related to the prosperity and profits obtained by shareholders with market value. The higher the stock price, the higher the profit obtained by shareholders so that this situation will be in demand by investors (Bringham and Gepensi, 2006) in (Indasari & Yadnyana, 2018). With the increased demand for shares, the value of the company will also increase. To increase the value of the company, the company must increase the trust of consumers, namely by increasing consumer loyalty for a long time, and also this will increase profits for a company.

The company has various agendas in obtaining profits, which includes the company's responsibility in obtaining benefits for the welfare of shareholders. But those responsibilities have shifted with different points of view. With this, the company's responsibility is not only reflected on *the single bottom line*, namely the value of the company (*corporate value*) which is reflected in its financial condition (*financial*) only. But there are ethical responsibilities in the form of organizational governance, attention to human rights, workers' rights, environment and society, operating activities, consumer issues, and so on. The expansion of this responsibility is called social responsibility, or in other words *triple button line*, *corporate citizen*, *community development*, and others.

Corporate Social Responsibility (CSR) is an ongoing commitment from the company to be economically, socially, and environmentally or ecologically responsible to the community, environment, and *stakeholder stakeholders* (Sabatini & Sudana, 2019). The implementation of CSR is no longer considered a social cost, but it can be viewed as a company investment. The company hopes that by implementing *Corporate Social Responsibility* will gain social legitimacy and also maximize financial size for the long term. In addition, CSR can be said to be a form of corporate contribution to the progress of a country, especially the development of the area that is the center of the company's production. With this, the company gets a place or validation in the community, so that the positive image will produce a positive influence on the existence of the company (*going concern*) which also gives a positive response from the community to what the company offers. If the belief in a produk strengthens (positive), it will lead to the decision to make a purchase (Shimp, 2003: 374) in (Juhairi et al., 2016). Then next on the basis of the buying decision will turn into a repurchase interest. The increased interest in repurchasing makes the company get increased profits as well. This will be an opportunity for investors to make investment decisions because the value of the company is also increasing.

In the research conducted (Hidayat et al., 2021), showed that *corporate social responsibility* has a positive and significant effect on the value of the company. Beyond this, there is a *gap* in the research conducted by (Anna, 2019), where the results show that CSR completeness has an insignificant effect on the value of the company because many manufacturing companies do not disclose CSR based on GRI standards, so the extent of CSR disclosure in manufacturing companies listed on the IDX in 2016-2018 is still relatively low. .

With the *gap* mentioned, indicating that CSR can increase the value of the company, but it cannot stand alone, because CSR disclosure requires several aspects in supporting the sustainability and success of CSR programs. When the company carries out CSR activities, it means that the company must spend *costs* where every cost incurred by the company is an important thing that must be considered by investors and potential investors. The decision of investors in investing can be reviewed through how the company pays dividends to shareholders, this can be seen from the percentage of profitability obtained by a company. In addition, profitability also plays a role in the disclosure of corporate social responsibility, because theoretically the higher the percentage of profitability obtained by the company, it is directly proportional to the stronger the relationship of social responsibility disclosure with the value of the company. This means that profitability can act as a moderation between CSR relationships in influencing company values. Tested in research conducted (Anna, 2019) which stated profitability as a moderateing variable projected by ROA was able to strengthen the relationship between CSR disclosure and company value. Companies that have increasing profits will further expand CSR disclosures in the company's annual report.

In addition to problems regarding CSR, there are factors that contribute to influencing the value of the company, namely *Good Corporate Governance* (GCG*)*." Social responsibility (CSR) is closely related to *Good Corporate Governance* (GCG), which both also have a strong position in business but are related to each other. The company's relationship with its social environment requires the fulfillment of corporate social responsibility (CSR) so that good business governance (GCG) is needed, (Dianawati & Fuadati, 2016).

Based on agency theory, conflicts can be overcome by GCG mechanisms where one of them is an internal mechanism, namely manajerial kepepemilikan. In increasing the value of the company, it is not uncommon *for a*

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confectionary agency, where this is a conflict of interest between shareholders and managers. Managerial ownership can be a mechanism to reduce agency problems arising between the two parties who have differences over that authority. With the proposal of the number of managerial ownership in the company can indicate there is a similarity of interest between management and shareholders. Then there is an increase in shareholding, so that *opportunistic* actions of management can be prevented and establish alignment over the interests of *agents* and *principals*. Share ownership by the management makes its position balanced with shareholders so that the management will perform the task and take decisions as realistically as possible and objectively in the interests of the company regardless of personal interests that can harm the company because this can increase costs up to Can reduce the percentage of profit and will further affect the stock price which can lower the value of the company. With this, it can indicate that managerial ownership can balance the position of managers and shareholders, so it is expected that the company's profit can increase so that the value of the company also increases.

In the study (Widianingsih, 2018), showed the results that managerial ownership statistically has a significant positive influence on the value of the company. With this can be drawn conclusion that the higher the number of shares owned by the company's management, the higher the value of the company. In the study (Hidayat et al., 2021) there is *a gap theory*, where in testing shows results where managerial ownership does not have a significant effect on the value of the company.

The existing gap theory shows that the opportunistic nature of the manager still exists, because the lack of share ownership of the manager makes the manager a minority so that his performance in obtaining company profits has not been maximized. The company's ability to increase profits can be seen through the company's performance in increasing the profitability of a company. High profitability interprets the company's ability to generate profits for shareholders, this can also affect the value of the company. With this, it can be educated that profitability has a conclusion on the influence of managerial ownership on the value of the company. The large ownership of managerial shares will improve the performance of the management, this will make high profitability so that investors are attracted to the company to the end of capital, which will increase the value for the company. Empirically proven in the research conducted (Ramadhani et al., 2017) contains a statement that managerial ownership has a positive and significant effect on the value of the company with profitability as a moderation variable in manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2015.
Thus, it is very clear that managerial ownership is a positive variabel that can increase the value of the company where this is in accordance with research conducted by Aprilia Anita, (2016) in her research containing the statement that managerial ownership has a significant effect on the value of the company. Judging from the description above, researchers are interested in conducting research with the title "Influence of *Corporate Social Responsibility* and Managerial Ownership On The Value of Companies with Profitability as Moderateing Variables (Empirical Studies on Manufacturing Companies of Basic and Chemical Industrial Sub-Sectors Listed on the IDX For the Period 2017- 2020).

Theoretical Framework

Corporate social responsibility

Corporate social responsibility is a form of action that departs from the company's ethical considerations with the aim that the economy can be improved, which is accompanied by improving the quality of life for employees and families as well as improving the quality of life of the surrounding community and society more broadly, (M., Reny Dyah Retno M. & Denies Priantinah M.Si., 2012).

Managerial Ownership

Managerial ownership is the percentage of ownership of shares by internal parties (directors, managers, and boards of directors). One of the main focuses of this managerial ownership lies in the risk of expropriation to shareholders. Expropriation is the process of using controls to maximize one's own well-being by distributing wealth from other parties (Claessens, et al, 2000) in (Widianingsih, 2018).

Profitability

Profitability is used to measure a company's ability to make a profit or profit (Tyas, 2017). Profitability can be used in several ratios, such as *profit margin on seles, basic earning power (BEP), return on assets* (ROA), and also *return on equity* (ROE). While in this study using *return on assets* (ROA) as a reference in measuring profitability. *Return on Asset* (ROA) is one of the profitability ratios that shows the company's ability to generate profits (Wahyuni, 2018).

Company Value

Basically the goal of the company is to increase the value of the company. The value of a company can be measured using the market value reflected in the stock price itself. According to Sang Ayu Made Wiska, I Gede Cahyadi Putra, (2018) the value of the company is an investor's perception of the company, which is often associated with the stock price. A high stock price interprets the value of a good company, and can be indicated as a good prospect in the future. The value of the company can be seen from *the Price Book Value* (PBV) which is a comparison between the stock price and the book value per share (Ang, 2002 in (Febriana et al., 2016).

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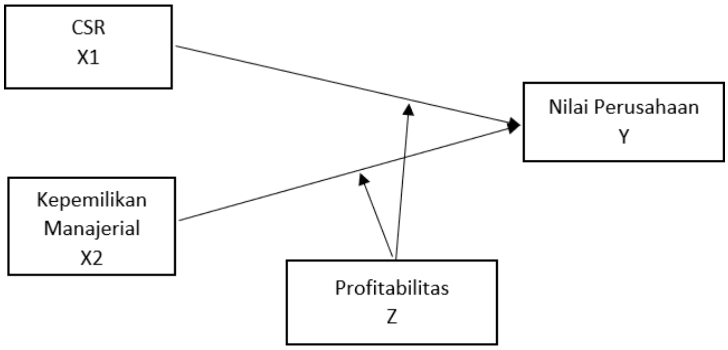
Konseptual Framework

A conceptual framework is a form of frame of mind that can be used as an approach to solving problems.



Figures 1
Conceptual Framework

Hypothesis

H1: *Corporate Social Responsibility* has a positive effect on the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.
H2: Managerial ownership has a positive effect on the value of companies of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.
H3: Profitability can moderate the relationship of *corporate social responsibility* to the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.
H4: Profitability can moderate the managerial ownership relationship to the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.

METHOD

This study uses a quantitative approach. This research was conducted on basic industrial and chemical sub-sector manufacturing companies listed on the Indonesia Stock Exchange through the IDX website, namely https://www.idx.co.id/. The population of this study is the entire basic industrial and chemical sub-sector manufacturing company listed on the IDX, The period in this study is 2017 to 2020. Sample selection is carried out using *purposive sampling* methods with the aim of obtaining a representative sample according to the specified criteria. The sample criteria to be used are: (1) Basic and chemical industrial sub-sector manufacturing companies listed on the IDX for 2017 to 2020, (2) Providing a complete annual report during 2017 to 2020, (3) Have complete data related to the variables used in the research. The type of data used in this study is secondary data, namely quantitative data obtained from online on the IDX website in www.idx.co.id. In this study, the technique used is documentation. Data that is ready to be processed will be conducted static testing using the SmartPLS program.

RESULT AND DISCUSSION (10 PT)

1. Descriptive Statistical Test

Descriptive statistics are useful for presenting numerical measures that are important to the data. Sample. Descriptive analysis in this study will explain and calculate the ratio figures related to, CSR, Managerial Ownership, Profitability (ROA), and Corporate Value (PBV). Descriptive analysis is used to determine the average value (*mean*), maximum and minimum values and standard deviation of a data.

Table I Descriptive Statistics

	CSR (X1)	Managerial Ownership (X2)	Profitability (Z)	Company Value (Y)
Mean	0.585	0.158	0.046	0.812
Median	0.571	0.056	0.034	0.730
Maximum	1.000	0.894	0.257	100.693
Minimum	0.285	0.000	0.001	0.202
Std. Dev.	0.143	0.249	0.047	9.802

Source: SmartPLS 3.3.7 (2022)

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Based on the table above, it can be known that the minimum value of *Corporate Social Responsibility* from 2017 to 2020 is 0.285 with a maximum value of 1,000, the average value of this variable is 0.585. This data trend has a considerable range and this is supported by the standard deviation value of 0.143. Meanwhile, the managerial ownership variable has a minimum value of 0.000 and a maximum value of 0.894 with an average of 0.158 where it can be known that there is a considerable range, and this data is supported by a standard deviation of 0.249. Furthermore, the profitability variable has a minimum value of 0.001, a maximum value of 0.257 and an average of 0.046 where the standard deviation in this variable is quite small, which is 0.047. Then for the variable the value of the company has a minimum value of 0.202 with a maximum value of 100.693 and an average of 0.812. The existence of this data trend can be seen from the supporting data generated by the standard deviation of 9,802.

2. Outer Model Test

Outer model is agreed to the specification of the relationship between latent variables with its indicators, where in this model there are three criteria, namely *convergent validity*, discriminant validity, construct reliability.

a. Convergent Validity

Convergent validity tests in PLS are assessed based on *loading factors*, which aim to determine the validity of each relationship between the indicator and its construct or latent variable. The indicator is considered valid if it shows that the entire outer loading dimension of a variable has a loading value of > 0.7 and has an AVE value of > 0.5 (Abdullah, 2015).

Table IV.7 Convergent Validity

Variable	Outer Loading	Taraf Convergen Validity	Information
CSR (X1)	1,000	0.7	VALID
Managerial Ownership (X2)	1,000	0.7	VALID
Profitability (Z)	1,000	0,7	VALID
Company Value (Y)	1,000	0,7	VALID
X1*Z	1,291	0,7	VALID
X2*Z	0,845	0,7	VALID

Source: SmartPLS 3.3.7 (2022)

Reviewed based on the table above, it can be seen that the AVE value of each variable is worth 1,000 which means above 0.5 so it can be said that this research model can be said to have good discriminant validity.

b. Diskriminant Validity

The validity of the discriminant is used to find out whether the construct has adequate discriminant. In the *Fornell-Larcker Criterion*, discriminant validity can be said to be good if the root value of *the Extracted Average Variance* is higher when compared to the correlation value of other construct variables. While in other *discriminant validity* tests, namely *cross loading*, where *discriminant validity* is said to be good if the value of the construct variable instrument is higher than the instrument value of other construct variables.

Table II Fornell-Lacker Criterion

	X1	X1*Z	X2	X2*Z	Y	Z
X1	1,000					
X1*Z	0.230	1,000				
X2	-0.023	0.005	1,000			
X2*Z	0.007	0.278	-0.049	1,000		
Y	0.232	-0.103	0.051	-0.152	1,000	
Z	-0.131	-0.518	0.044	-0.087	0.209	1,000

Source: SmartPLS 3.3.7 (2022)

Based on the *fornell-lacker criterion* table above, it is known that the matrix correlation value of each construct is greater than the matrix values on other construct variables. Thus it can be concluded that all constructs or latent variables already have good *discriminant validity*. Next, evaluate the validity of the discriminant using *cross loading* criteria.

Table III
Cross Loading

Variable	X1	X1*Z	X2	X2*Z	Y	Z
CSR	1,000	0.23	-0.023	0.007	0.232	-0.131
Managerial Ownership	-0.023	0.005	1,000	-0.049	0.051	0.044
PBV	0.232	-0.103	0.051	-0.152	1,000	0.209

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ROA	-0.131	-0.518	0.044	-0.087	0.209	1,000
X1*Z	0.23	1,000	0.005	0.278	-0.103	-0.518
X2*Z	0.007	0.278	-0.049	1,000	-0.152	-0.087

Source: SmartPLS 3.3.7 (2022)

Based on the table, it can be known that the value of the construct variable with the construct itself is greater than that of other construct variables. Thus it can be concluded that all constructs or latent variables already have good *discriminant validity*.

c. Construct Reliability

Validity and reliability of constructs from latent constructing indicators (items) by conducting Confirmatory Factor Analysis (CFA) (Latan, 2012) in (Tentama & ., 2018). The study used two approaches: *Cronbach Alpha* and *Composite Reliability. The rule of thumb* used in assessing composite reliability is where if the value is greater than 0.7. To be able to meet good reliability, *the composite reliability* value and *cronbach's alpha* value must be greater than 0.70 (Chin, 1998).

Table IV

Construct Reliability and Validity

Variable	Cronbach's Alpha	Composite Reliability	Conclusion
X1	1.000	1.000	Reliabel
X1*Z	1.000	1.000	Reliabel
X2	1.000	1.000	Reliabel
X2*Z	1.000	1.000	Reliabel
Y	1.000	1.000	Reliabel
Z	1.000	1.000	Reliabel

Source: SmartPLS 3.3.7 (2022)

Based on the table above, it can be seen that *the composite reliability* value is 1,000 as well as *cronbach's alpha* value is 1,000 for it it is considered reliable because it is above 0.7.

3. Structural Model Analysis

The sktruktural model (*inner model*) is a structural model used to predict causality relationships (cause-and-effect relationships) between latent variables or variables that cannot be measured directly, or can be said to be an illustration of causality relationships between latent variables that have been built on the substance of theory.

a. Predictive Relevance Testing

Predictive relevance is a test conducted in showing how well the observation value is generated by using the *blindfolding* procedure by looking at the *Q square* value. Observation and estimation of parameters are said to be good if the value of ^{Q2} is greater than 0 (Q2 > 0).

Table V

Predictive Relevance **Test Results**

Variable	Q^2	Conclusion
Y	0,029	Weak

Source: SmartPLS 3.3.7 (2022)

The test results of *the predictive relevance* as a whole have met the estimated parameters, because the Q2 value in the model is greater than 0. Then this test can be done further.

b. Model Fit

The Fit test is used to measure how large the variance of the data described by the model is. FIT values range from 0 to 1. Measuring a model is fit or not fit, can use the *Standardized Root Mean Square* (SRMR) value. SMSR is the standard residual average index between the observed correlation matrix and the hypothesis matrix. Values less than 0.08 are generally considered suitable (Hu & Bentler, 1999). Here are the results of the fit model test:

Table IV.11

Fit Model Test Results

Measurement Instrument	Measurement Criteria (SRMR < 0.08)		Conclusion
	Count	Standard	
Standarized Root Mean Square (SRMR)	0,000	0,08	Model Fit

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Source: SmartPLS 3.3.7 (2022)

Based on the table it can be seen that the test results of the fit model, where the value of the SRMR indicates a value smaller than 0.08. This indicates that this research model has met the assumption of testing the fit model. Thus this study can analyze the results of further research.

c. *R-Square* ($R2$)

R^2 testing is used to measure the predictive strength of the sktruktural model. One model is indicated substantially (good) if the value of R2 is 0.75, while the model is moderate (medium) if the value of R Square is 0.50, and the model is weak (bad) if the value of R^2 is 0.25.

Table IV.10
R-Square Test Results

	R Square	**R Square Adjusted**
Y	0.132	0.091

Source: SmartPLS 3.3.7 (2022)

Based on the data from the test results it can be seen that the R-Square value is 0.132. The value indicates that the variables *of corporate social responsibility*, managerial ownership, and profitability are only able to affect the variable value of the company by 13.2%, or in other words weak (bad) and 86.8% influenced by other variables outside in this research variable.

4. Hypothesis Test

This test aims to test the significance of all relationships or hypothesis testing. In the *bootstrap* resampling method in this study, the hypothesis is acceptable if the significance value of t-values is greater than 1.96 and or the p-values are less than 0.05.

Table IV.11 Path Coefficients

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
X1 -> Y	0.266	2.998	0.003
X1*Z -> Y	-0.010	0.074	0.941
X2 -> Y	0.041	0.442	0.659
X2*Z -> Y	-0.153	1.408	0.160
Z -> Y	0.224	1.819	0.069

Source: SmartPLS 3.3.7 (2022)

a. The first hypothesis in this study is the influence of CSR on the value of the company, with a path coefficient of 0.266. The influence has a probability value (p-values) of 0.003 < 0.05, which can be drawn conclusively that CSR has a positive and significant effect on the value of the company in the manufacturing companies of the basic and chemical industrial sub- sectors listed on the IDX for the period 2017-2020.
b. The second hypothesis in the study was the influence of managerial ownership on the value of the company, with a path coefficient of 0.041. The influence has a probability value (p- values) of 0.659 > 0.05, which can be drawn conclusively that managerial ownership has a significant positive effect on the value of the company in the manufacturing companies of the basic and chemical industry sub-sectors listed on the IDX for the period 2017-2020.
c. The third hypothesis in this study is that profitability is able to moderate the relationship of *corporate social responsibility* to corporate value, *moderating effect* this relationship has a path coefficient value of -0.010, where the presence of a negative value indicates that the existence of variable Z will weaken. Then the influence has a probability value (p-values) of

0.941 > 0.05. While the p-values between the relationship of profitability to the value of the company is 0.069 > 0.05, then for this case it can be indicated that this moderation is a potential moderation. With this can be drawn conclusion that the existence of profitability as a moderation variable weakens CSR so that the value of the company drops. Judging from the statistics of profitability data, the tendency of profitability value itself is to rise, then when profitability projected as ROA rises, it will weaken the relationship between CSR and company value. Based on the existing data, there are theoretical anomalies in it. This anomaly occurs because of the tendency of ROA to rise where it should be if this condition occurs will strengthen CSR to the value of the company, but based on data in research, when ROA rises it actually weakens the relationship of CSR to the value of the company. The anomaly occurred due to the *pandemic* that hit Indonesia in 2020, where the entry of the Covid-19 virus at the beginning of the year resulted in the government implementing new regulations as a form of prevention from the spread of the virus, this has a major impact that is quite detrimental to various sectors, one of which is the manufacturing sector which is the object of this research. This phenomenon cannot be further disclosed because this study only uses data

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in the period 2017-2020, where to look further at the phenomenon of causes of anomalies themselves needed data for the next period. This is useful to minimize data inequality to cause misinterpretation of existing conditions.

The fourth hypothesis in this study is that profitability is able to moderate the relationship of managerial ownership to the value of the company, where *the moderating effect* of this relationship has a trace coefficient value of -0.153, where the presence of a negative value indicates that the existence of variable Z will weaken. Then the influence has a probability value (p-values) of 0.160 > 0.05. While the p-values between the relationship of profitability to the value of the company is 0.069 > 0.05, then for this case it can be indicated that this moderation is a potential moderation. With this can be drawn conclusion that the existence of profitability as a moderation variable weakens managerial ownership so that the value of the company drops. Judging from the statistics of profitability data, the tendency of profitability value itself is to rise, then when profitability projected as ROA rises, it will weaken the relationship between managerial ownership and company value. Based on the existing data, there are theoretical anomalies in it. This anomaly occurred due to the Covid- 19 virus until there was a pandemic in Indonesia. As a result of this condition has a bad impact in various sectors, one of which is manufacturing which is the object of this research. one of them is the manufacturing sector that is the object of this research. This phenomenon cannot be further disclosed because this study only uses data in the period 2017-2020, where to look further at the phenomenon of causes of anomalies themselves needed data for the next period. This is useful to minimize data inequality to cause misinterpretation of existing conditions.

CONCLUSION

Based on the results of the research and discussions that have been put forward, the conclusions of this study are as follows:

1. Corporate Social Responsibility has a positive and significant effect on the company's value in basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.
2. Managerial ownership has a positive effect on the value of the company in the manufacturing companies of the basic and chemical industrial sub-sectors listed on the IDX for the period 2017-2020.
3. Profitability as a moderation variable is not able to moderate the CSR relationship to the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.
4. Profitability as a moderation variable is not able to moderate the managerial ownership relationship to the value of basic industrial and chemical sub-sector manufacturing companies listed on the IDX for the period 2017-2020.

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