

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable



Lidya Ayu Prastika¹, Evi Maria², Edi Sudiarto³

^{1,2,3}STIE Malangkucecwara, Terusan Candi Kalasan Malang Indonesia

ABSTRACT: The purpose of this research is to verify the impact of corporate social responsibility and managerial ownership towards the firm value with profitability as an intervening variable. The independent variables used are corporate social responsibility and managerial ownership. The dependent variable used is firm value. The intervening variable used is profitability. The population in the research is mining companies listed on the Indonesian Stock Exchange in the 2016-2018 period. The sampling method used is the purposive sampling method with a sample of 22 companies for 3 years so that the total sample is 66. This research analysis method using descriptive statistics, classic assumption test which includes normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test. Multiple linear regression analysis, hypothesis testing which includes the coefficient determination test, F statistical test, t statistical test, and path analysis. The result of this research indicates that corporate social responsibility does not affect firm value. Managerial ownership and profitability have a significant positive effect on firm value. Corporate social responsibility and managerial ownership do not affect profitability. Then corporate social responsibility with profitability as intervening variable significant negative effect on firm value. Managerial ownership with profitability as an intervening variable does not affect firm value.

KEYWORDS- Corporate Social Responsibility, Managerial Ownership, Firm's Value, Profitability

I. INTRODUCTION

In this globalization era, the business world within companies' development grows exceptionally fast. The emerged of competitors causes a company to always maintain its business excellence and ultimately improves its value. The higher firm's value is the stockholders' main objective to achieve the expected profit (welfare). By achieving welfare, the stockholders will most likely invest in the company.

One of the factors to measure the firm's value is by having a good prospect or not in the future by finding out the firm's capability in generating profits. As the company develops, social inequality and environmental damage would most likely occur. To achieve sustainable development, it is important for the company to always observe the economic development, social, and environmental maintenance. Therefore, the company is aware that to cope with the negative impact from the business practices is by carrying out CSR. "The CSR implementation is no more considered as a cost, instead regarded as the company's investment" (Iskandar, 2016).

Apart from CSR, managerial ownership also affects the firm's value. In boosting the company's value, the agency conflict at times occurs, namely the conflict of interests between the manager and the stockholders. "The stockholders always despise the manager's interests because anything that the manager did will result in the higher cost and eventually resulting in the unfavorable profits and impacts the stock price and lowers the firm's value." (Suprihati, 2014).

Managerial ownership becomes an important subject in increasing the company's profits and its profitability as well. The increased profitability can give a good signal to the investors that the company is profitable and expected to give a favorable return. "The profitability ratio determines the company's success in generating the profits, meanwhile in the study to measure the profitability, the ROA is used." (Suhartono, Rahmah, Kuspriyono, & Hakim, 2020).

A study conducted by Kismanah, Masitoh, & Kimsen, (2018) states that CSR positively and significantly impacts the firm's value. A study conducted by (Suhartono et al., 2020) reveals that managerial ownership positively and significantly impacts the firm's value. Another study carried out by (Kismanah et al., 2018; Masitoh, Paramita, & Suprijanto, 2018) states that the profitability which is proxied by ROA positively and significantly affects the firm's value. The (Kismanah et al., 2018)'s study shows that profitability could mediate the CSR variable on the firm's value. (Armi Sulthon Fauzi, Suransi, & Alamsyah, 2016; Pujana, 2018) states that profitability could mediate the managerial ownership on the firm's value.

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable

With the description above, the researcher is highly interested in conducting a study entitled the impact of CSR and the managerial ownership on the firm's value with the profitability served as the intervening variable.

II. LITERATURE REVIEW

Stakeholder Theory

Solihin, (2009) states that "a stakeholder is a group of people who can influence or be influenced by several decisions, policies or the company's operations". (Humairoh, 2018) explains that "stakeholder possesses an equal right with the shareholder namely upon placing their requests and desires to the company".

Agency Theory

"Agency theory is an employment contract relations between the principal and the agent. During the contract, the principal who served as an owner, as well as an investor, assigns the tasks to the agent to work according to the principal's behest" (Suryani, 2018). The manager's moral responsibilities and their professionalism on the budget invested by the principal as well as the profit-sharing method in the form of profits and risks from the principal to the agent which has been mutually agreed upon beforehand are thoroughly explained in the contract.

The firm's value

"A firm's value is interpreted as the share price that has been circulated in the stock market which has to be paid by an investor to acquire the firm" (Jusriani & Rahardjo, 2013). According to (Ayuningrum, 2017) "The firm's value is exceptionally important because, with such a high value, the company could incorporate and maneuver a wide variety of resources to achieve its objectives."

Corporate Social Responsibility

According to (Putra & Wirman, 2017) "CSR is a conscientious way of business entities to minimize the negative impact and maximize their positive business operations to the entire stakeholders from economic and social, to environment fields to achieve a sustainable development".

Managerial Ownership

"Managerial ownership is a level or percentage of stock ownership from the management which is directly involved in the company's decision-making." (Suhartono et al., 2020). (Humairoh, 2018) states that "the managerial ownership could be a method to suppress the agency issues which frequently occurs between both parties so that the possibility of the manager's opportunistic behavior will be eventually decreased".

III. RESEARCH METHOD

This study is considered as causal quantitative research. It uses a total of 66 companies listed on the Indonesia Stock Exchange (BEI) from 2016-2018 as the population. Based on the population, there are a total of 22 companies that are used as samples. Purposive sampling is employed as a technique to collect the samples with secondary resources from the Indonesia Stock Exchange.

The first independent variable (X1) in this study is Corporate Social Responsibility (CSR). The second independent variable (X2) is managerial ownership. Meanwhile for the dependent variable (Y2) is the firm's value. The profitability which is proxied with ROA is used as the intervening variable (Y1).

The analysis methods used in this research are the descriptive statistics, classical assumptions test that covers normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test, multiple linear regression test. The hypothesis test is conducted with the coefficient of determination test, F test, and t-test, and path analysis.

Regression Equation 1:

$$Y1 = \alpha + \beta1 \text{ CSR} + \beta2 \text{ KM} + e1$$

Regression Equation 2 :

$$Y2 = \alpha + \beta1 \text{ CSR} + \beta2 \text{ KM} + \beta3 \text{ ROA} + e2$$

Annotation:

Y1: Profitability (ROA)

Y2: The firm's value (Tobin's Q)

α : Constant

$\beta1 - \beta3$: Regression coefficient

CSR: Corporate Social Responsibility

KM: The managerial ownership

ROA: Profitability

$e1 - e2$: Error

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable

IV. RESULTS AND DISCUSSIONS

Descriptive Statistics

Descriptive statistics are employed to provide an overview or description in regards to the research's variables namely, Corporate Social Responsibility (CSR), Managerial Ownership (MOWN), Firm's Value (Tobin's Q), and profitability (ROA).

Table 1. Descriptive Statistics Analysis Result

	N	Min	Max	Mean	Std. Deviation
CSR	66	0,012	0,696	0,284	0,190
Managerial Ownership	66	0,000	0,956	0,082	0,228
ROA (Profitability)	66	0,000	0,456	0,097	0,105
Firm's value	66	0,649	57565,866	10032,94	12112,208
Valid N					

Based on the table above, shows the statistical result which has been done using a total of 66 companies. The result shows that the CSR variable (X1) has a minimum value of 0.012, the maximum value of 0.696, the average value of CSR is 0.284, and the standard deviation value is 0.190. The managerial ownership variable (X2) has a minimum value of 0.000, the maximum value of 0.956, the average value of managerial ownership is 0.082, and the value of standard deviation is 0.228. The profitability proxied with the ROA variable (Y1) has a minimum value of 0.000, the maximum value of 0.456, the average value of profitability is 0.097, and the value of standard deviation is 0.105. The firm's value variable (Y2) has a minimum value of 0.649, a maximum value of 57565.866, the average value of the firm's value is 10032.94, and the standard deviation value is 12112.208.

Classical Assumption Test

Normality test

Kolmogorov-Smirnov statistical test is employed for the normality test in this study. The Kolmogorov-Smirnov statistical test result shows a value of 0.835 with a significance value of 0.488 which is higher than 0.05 ($0.488 > 0.05$). Therefore, it can be concluded that the residual data in this study are distributed normally.

Heteroscedasticity test

The Gletser test is employed for the heteroscedasticity test in this study. The heteroscedasticity test result for the CSR variable has a significant value of 0.997, the managerial ownership has a significant value of 0.568, and the profitability variable (ROA) is 0.675. This indicates that the variables in the study are higher than 0.05 ($>5\%$). Therefore, it can be concluded that this study is free from heteroscedasticity.

Autocorrelation test

The autocorrelation is determined using a Durbin-Watson test. Based on the Durbin-Watson test, it shows a value of 1.823. Durbin-Watson test is observed through the $du < d < du$ formula. The result of the test is $1.6640 < 1.823 < 2.336$. Therefore, it can be concluded that this study is free from the autocorrelation

Multicollinearity test

The result from the multicollinearity test for the CSR variable has a tolerance value of 0.957 and the VIF value of 1.045. Meanwhile, the managerial ownership variable has a tolerance value of 0.963 and the VIF value of 1.039, and the profitability variable has a tolerance value of 0.987 and the VIF value of 1.013. The result indicates that the variables within the study do not have any correlation due to the tolerance value being >10 , and the VIF value <10 . It can be concluded that the study does not have any multicollinearity.

Hypothesis test

Multiple Linear Regression

Table 2. Multiple Linear Regression Equation 1 Result

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	0,113	0,025		4,554	0,000
CSR	-0,074	0,069	-0,135	-1,067	0,290
Managerial Ownership	0,062	0,058	0,134	1,065	0,291

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable

Based on the table above, the multiple linear regression equation is obtained as shown on the formula below:

$$Y_1 = 0,113 - 0,074 \text{ CSR} + 0,062 \text{ KM} + e_1$$

Table 3. Multiple Linear Regression Equation 2 Result

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
2	(Constant)	6169,643	2374,509		2,598	0,012
	CSR	-12609,2	5800,219	-0,199	-2,174	0,034
	Managerial Ownership	10062,719	4853,183	0,190	2,073	0,042
	Profitability (ROA)	68006,722	10432,151	0,590	6,519	0,000

Based on the table above, the multiple linear regression equation is obtained as shown on the formula below :

$$Y_2 = 6169,643 - 12609,2 \text{ CSR} + 10062,719 \text{ KM} + 68006,722 \text{ ROA} + e_2$$

Coefficient of Determination Test

Table 4. Coefficient of Determination Equation 1 Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,210	0,044	0,014	0,104

Based on the table above, the R square and Adjusted R square are obtained with the value of 0.044 and 0.014 respectively. This suggests that the profitability variable can be explained by the CSR and managerial ownership variable with around 1.4%. Meanwhile, the rest of 98.6% can be explained by other variables outside the model.

Table 5. Coefficient of Determination Equation 2 Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,718	0,515	0,492	8636,864671

Based on the table above, the R square and Adjusted R square are obtained with the value of 0.515 and 0.492 respectively. This suggests that the firm's value variable can be explained by the CSR, managerial ownership, and profitability variable with around 49.2%. Meanwhile, the rest of the 50.8% can be explained by other variables outside the model.

F test

Table 6. F test Equation 1 Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,032	2	0,016	1,455	0,241
	Residual	0,685	63	0,011		
	Total	0,717	65			

Based on the table above, the F value is 1.455 < F-table 3.99 with the significant value of profitability 0.241 > 0.05. This indicates that the CSR and managerial ownership variable does not impact the profitability

Table 7. F test Equation 2 Result

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	4910946405,0	5	1636982135	21,945	0,000
	Residual	4624916743,7	62	7459431,35		
	Total	9535863148,7	65			

Based on the table above, the F value is 21.945 > F-table 3.14 with the significant value of profitability 0.000 < 0.05. This indicates that CSR, managerial ownership, and profitability positively and significantly affect the firm's value.

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable

t-test

Table 8. t-test Equation 1 result

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	0,113	0,025			4,554	0,000
CSR	-0,074	0,069	-0,135		-1,067	0,290
Managerial Ownership	0,062	0,058	0,134		1,065	0,291

Based on the table above, shows the following result:

The t value of CSR variable CSR is $-1.067 \leq t\text{-table } 1.99773$ with the significant value of profitability $0.290 > 0.05$. This indicates that the CSR variable does not affect the profitability.

The t value of the managerial ownership variable is $1.065 \leq t\text{-table } 1.99773$ with the significant value of profitability $0.291 > 0.05$. This indicates that the managerial ownership variable does not affect the profitability.

Table 9. t-test Equation 2 Result

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	6169,643	2374,509			2,598	0,012
CSR	-12609,2	5800,219	-0,199		-2,174	0,034
Managerial ownership	10062,719	4853,183	0,190		2,073	0,042
Profitability (ROA)	68006,722	10432,151	0,590		6,519	0,000

Based on the table above, shows the following result:

1. The t value of CSR is $-2.174 \leq T\text{-table } 1.99834$ with the significant value of profitability being $0.034 \leq 0.05$. This shows that the CSR variable does not affect the firm's value.
2. The t value of managerial ownership is $2.073 > T\text{-table } 1.99834$ with the significant value of profitability being $0.042 \leq 0.05$. This shows that the managerial ownership variable positively and significantly affects the firm's value.
3. The t value of profitability is $6.519 > T\text{-table } 1.99834$ with the significant value of profitability being $0.000 \leq 0.05$. This shows that the profitability variable positively and significantly affects the firm's value.

Path Analysis

Table10. The Whole Hypothesis Test Result

Hypothesis	Beta Value
H ₁ CSR – The Firm's Value	-0,199
H ₂ Managerial ownership – The Firm's Value	0,190
H ₃ Profitability – The Firm's Value	0,590
H ₄ CSR – Profitability	-0,135
H ₅ Managerial Ownership - Profitability	0,134

From the table above, the effect can be calculated as shown on the following result:

- a. Indirect Effect
 1. The effect of CSR variable on the Firm's Value through the Profitability.
 $= -0,135 \times 0,590 = -0,080$
 2. The effect of the Managerial Ownership on the Firm's Value through Profitability.
 $= 0,134 \times 0,590 = 0,079$
- b. Overall Effect
 1. The effect of CSR variable on the Firm's Value through Profitability.
 $= -0,199 + (-0,080) = -0,279$
 2. The effect of the Managerial Ownership variable on the Firm's Value through Profitability.
 $= 0,190 + 0,079 = 0,269$

The Effect of CSR and the Managerial Ownership on the Firm's Value with the Profitability as an Intervening Variable

From the calculations above, the sixth and seventh hypothesis can be formulated as shown on the statements below:

1. The value of direct effect is $-0.199 < \text{indirect effect } -0.080$. This indicates that the CSR through Profitability variable indirectly has a negative and significant effect on the Firm's Value.
2. The value of direct effect is $0.190 > \text{indirect effect } 0.079$. This shows that the Managerial Ownership through Profitability variable indirectly does not affect the Firm's Value.

CONCLUSION

Based on the test, it can be concluded that the CSR does not affect the firm's value. Meanwhile, managerial ownership and profitability positively and significantly affect the firm's value. CSR and managerial ownership does not affect profitability. Subsequently, CSR with profitability as an intervening variable negatively and significantly affects the firm's value. Meanwhile, the managerial ownership with the profitability as an intervening variable does not affect the firm's value.

REFERENCES

- 1) Armi Sulthon Fauzi, Suransi, N. K., & Alamsyah. (2016). Pengaruh GCG Dan CSR Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Pemoderasi. *Jurnal InFestasi*, 12(1), 1–19.
- 2) Ayuningrum, N. (2017). Pengaruh Struktur Modal, Pertumbuhan Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening. *Jurnal Riset Terapan Akuntansi*, 1(1), 53–59.
- 3) Humairoh, F. (2018). Pengaruh Corporate Social Responsibility Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan Dengan Profitabilitas Dan Ukuran Perusahaan Sebagai Variabel Moderating. *Jurnal Akuntansi, Auditing Dan Keuangan: BALANCE*, 15(2), 162–185.
- 4) Iskandar. (2016). Pengaruh Penerapan Corporate Social Responsibility terhadap Profitabilitas Perusahaan. *Forum Ekonomi*, 18(1), 76–84.
- 5) Jusriani, I. F., & Rahardjo, S. N. (2013). Analisis Pengaruh Profitabilitas, Kebijakan Deviden, Kebijakan Utang, Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan. *Diponegoro Journal of Accounting*, 2(2), 168–177.
- 6) Kismanah, I., Masitoh, S., & Kimsen. (2018). Profitability, Leverage, Size of Company Towards Tax Avoidance. *JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi)*, 4(1), 29–36. Retrieved from <https://journal.unpak.ac.id/index.php/jiafe>
- 7) Masitoh, D., Paramita, P. D., & Suprijanto, A. (2018). Pengaruh Corporate Social Responsibility, Debt To Equity Ratio Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening. *Journal Of Accounting*, 1–13.
- 8) Pujana, G. A. W. (2018). *Pengaruh Good Corporate Governance Dan Corporate Social Responsibility Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Mediasi*. UNIVERSITAS AIRLANGGA.
- 9) Putra, I. P., & Wirman, W. (2017). Implementasi Program Corporate Social Responsibility (CSR) Bidang Empowerment. *JOM FISIP*, 4(2), 1–11.
- 10) Suhartono, Rahmah, F., Kuspriyono, T., & Hakim, L. (2020). Pengaruh Rasio Profitabilitas terhadap Earnings Per Share pada Perusahaan Food and Beverage di Bursa Efek Indonesia periode 2016-2018. *Jurnal Riset Akuntansi Terpadu*, 13(2), 173–190.
- 11) Suprihati. (2014). Analisis Faktor-faktor Yang Mempengaruhi Kinerja Karyawan Perusahaan Sari Jati Di Sragen. *Jurnal Paradigma Universitas Islam Batik Surakarta*, 12(01), 93–112.
- 12) Suryani, M. R. (2018). Pengaruh Mekanisme Good Corporate Governance Terhadap Manajemen Laba Dan Pengaruhnya Terhadap Kinerja Keuangan. *Jurnal Akuntansi Universitas Jember*, 16(1), 42–54.