DO CORPORATE SOCIAL RESPONSIBILITY AND OWNERSHIP STRUCTURE CAN AFFECT THE FIRM VALUE?

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ABSTRACT
The research's goal is to investigate and analyze the impact of corporate social responsibility and ownership structure on firm value as mediated by company performance. On 2022, Indonesia Stock Exchange will be used as a forum for sampling, with 300 companies participating to meet research requirements. The WarpPLS program was used to analyze the data using structural equation modeling method. This research yields empirical evidence: first, Corporate social responsibility has the potential to increase company value, implying that value-added corporate social responsibility has the potential to directly increase company value; second, The ownership structure of a company can increase its value; this has implications for foreign ownership structure, managerial ownership, and institutional ownership, all of which can directly increase the value of a company; third, Corporate social responsibility can boost company performance, demonstrating that value-added corporate social responsibility can motivate company performance; fourth, Ownership structure, as stated by foreign ownership structure, managerial ownership, and institutional ownership, can improve company performance; fifth, Company performance, as measured by ROA and ROE, can increase firm value; sixth, Company performance moderates the impact of corporate social responsibility on firm value; and seventh, firm performance moderates the impact of ownership structure on firm value.

Key words: Corporate Social Responsibility; Ownership Structure; Company Performance; Firm Value

INTRODUCTION

In recent years, the implementation of firm value has been extremely crucial for investors and creditors in evaluating the overall condition of the company. This is definitely a reflection of the total equity to debt ratio of the additional company (Mahrani & Soewarno, 2018). If the share price rises, the firm's value has an effect on the maximum fluctuation of shareholder wealth. Shareholders will benefit from the impact. Good financial performance is required to achieve the maximum target value of the company. The financial performance of the company is an important factor for investors to consider when making investment decisions (Vazirani et al., 2023). Improving financial performance is vital for organizations to maintain high corporate value and attract investors. The development of stock prices is definitely related to the company's financial performance factors; if the performance is good, the stock price rises (Puspitaningtyas, 2017). However, stock price movements can be caused by a variety of other factors. Another way of controlling stock price fluctuations is a company's concern for the community represented through corporate social service activities, also known as corporate social responsibility (Kamaliah, 2020). Companies in general are held accountable not only for financial conditions, but also for non-financial factors such as social and environmental concerns.

Another factor is the ownership structure, which is the primary mechanism for corporate governance. To increase shareholder trust, businesses must practice good governance (Serly & Zulvia, 2019). The relationship between corporate governance compliance and company value exists because good governance increases efficiency in monitoring managerial activities. In the ownership structure, two factors must be considered: (1) the concentration of outsider ownership and (2) management ownership of the company. According to research on the effect of ownership structure on company performance, this variable has a positive influence on the financial performance of the company (Elvin et al., 2016).

Corporate social responsibility contributes to a company's commitment to long-term economic development. According to Kim research's organizations with high CSR scores use discretionary accruals to manage earnings (Kim et al., 2012). Companies that implement CSR programs appear to be more likely to maintain financial sustainability and have an impact on high revenues. According to Gras-Gil research's managers use income-reduction accruals and income-rise accruals to achieve maximum income targets (Gras-Gil et al., 2016). As a result, because the actual discretionary accrual size is used in determining the level of income control, that amount can also be used to evaluate the quality of the company's earnings.

Ownership concentration is a corporate governance mechanism model that can be aligned with the interests of the principal (Bansal & Thenmozhi, 2020). According to Tran and Le, principals can monitor agents through concentration of ownership, ensuring that agents act in the best interests of the principal (Tran & Le, 2020). Company performance is a measurable outcome that describes the empirical conditions of a company of various sizes. A performance appraisal is carried out to determine the level of performance attained. The goal is to motivate

employees to achieve organizational goals and adhere to predetermined behavioral standards in order to produce desired action and results.

According to Suhadak, shareholders can assess the condition of the company's value as reflected in the stock price on the capital market (Suhadak et al., 2019). According to Nuraina, awards are given for share prices that are higher than the book value per share, whereas depreciation occurs when the share price is lower than the book value (Majid & Benazir, 2015). When the fluctuation of stock market price in circulation is high, the company's performance improves, which has an impact on the company's high value.

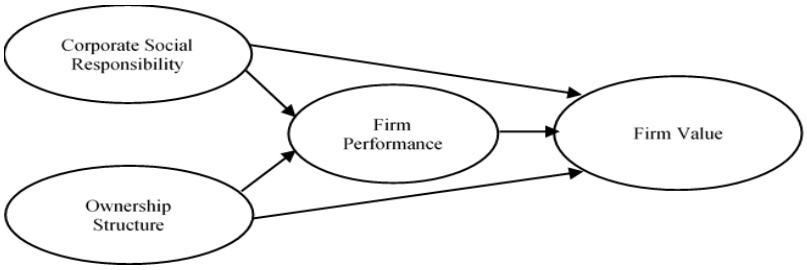

Figure 1. Conceptual Framework

METHOD

Research data sources obtained through intermediary media or observed in the form of secondary data financial reports obtained from the Indonesia Stock Exchange. The data collection technique involves studying documents, followed by recording and calculating problems based on the relevance of data for selected companies listed on the Indonesia Stock Exchange in 2022. This research takes an explanatory quantitative approach, emphasizing theory testing through variable measurement and data analysis procedures with statistical tools using the WarpPLS program (McIntosh et al., 2014). The dependent variable in this study is firm value, which is measured using Tobin's Q and the PBV (*Price to Book Value*) formula:

$$\text{Tobin's Q} = (\text{EMV} + \text{D}) / (\text{EBV} + \text{D})$$

$$\text{PBV} = (\text{closing price}) / (\textit{Share sheet per book value})$$

Corporate social responsibility programs can be viewed as a type of corporate commitment to the environment, social issues, and community (Wirba, 2023). The Corporate Social Responsibility Index (CSRi) is calculated by examining whether or not a piece of information is included in the annual report. If it is not included in the annual report, the value is 0. If it is included in the annual report, the value is 1.

The following is the formula for the company's CSR disclosure index (CSRi):

$$\mathbf{CSRDIj} = \frac{\sum Xij}{Nj}$$

Information:
CSRDIj = CSR Disclosure Index company j
Xij = number of items disclosed by company j
Nj = number of CSR disclosure items

The ownership structure of the company is divided into three major indicators: foreign ownership, managerial ownership, and institutional ownership, each of which is measured by the percentages shown below:

$$\text{Ownership} = (\textit{number of shares owned}) / (\textit{number of shares outstanding}) \text{ X } 100\%$$

Meanwhile, the mediating factor of company performance is measured by ROA & ROE

$$ROA = \frac{EAT}{TA} \quad \& \quad ROE = \frac{EAT}{TE}$$

RESULTS AND DISCUSSION

The next step in data processing with the WarpPLS program was to determine the causal relationship between the variables in the study (*independent, dependent and mediated variables*); (Purwanto et.al, 2020). The following are the outcomes of data processing:

1. Estimates of Outer Model Measurement

The outer model is measured by measuring the reflective indicator based on the relationship between the item score or component score estimated at the outer loading factor value. The following are the outer model measurement results based on three criteria: convergent validity, discriminant validity, and composite reliability.

2. Validity of Convergence

The correlation between score indicators and score construct criteria (*loading factor*) used in assessing that the outer model has met the convergent validity requirements, namely the loading factor criteria of each indicator, demonstrates the measurement model test. A score of more than 0.70 indicates that the hypothesis is valid, and a p-value of 0.05 is considered significant (Solihin & Ratmono, 2013). The data processing results in table 1 show that there are two proxies that do not meet the convergent validity criteria and must be removed, namely proxy SK2 and proxy SK 3 for ownership structure variables.

Table 1. Results of the Combined Loading Factor and Cross Loading

	CSR	SK	NP	KP	P-value
CSR	1,000	-0,000	-0,000	0.000	<0.001
SK1	-0.074	0.911	-0.008	0.061	<0.001
SK2	0.184	0.122	0.123	-0.262	0.016
SK3	-0.047	-0,945	0.009	0.025	<0.001
NP1	-0.003	-0.013	0.967	-0.016	<0.001
NP2	0.003	0.013	0.967	0.016	<0.001
KP1	0.061	0.016	-0.086	0.953	<0.001
KP2	-0.061	-0.016	0.086	0.953	<0.001

Source: Data Proceed, 2022

Table 2. Loading Factors of All Variables After Elimination

Variable	Proxy	Loading Factor	P-value	Information
CSR	CSR1	1,000	<0.001	Meets Convergent Validity
SK	SP1	1,000	<0.001	Meets Convergent Validity
NP	NP1	0.967	<0.001	Meets Convergent Validity
	NP2	0.967	<0.001	Meets Convergent Validity
KP	KP1	0.953	<0.001	Meets Convergent Validity
	KP2	0.953	<0.001	Meets Convergent Validity

Source: Data Proceed, 2022

3. Validity of Discriminant

Table 3. Comparison of Loading Factors and other Variables

	CSR	SK	NP	KP
CSR	-0.051	1,000	0.044	0.013
SK	1,000	-0.051	0.118	0.406
NP	0.118	0.044	0.967	0.740
KP	0.406	0.013	0.740	0.953

Source: Data Proceed, 2022

According to table 3, all variables met the criteria for discriminant validity. Corporate social responsibility has an AVE 1000 square root that is greater than -0.051, 0.188, and 0.406. The ownership structure has a square root of 1000, which is greater than -0.051, 0.044, and 0.013. The firm value has a square root of AVE 0.967, which is greater than 0.044, 0.188, and 0.740. Firm performance has an AVE square root of 0.953, which is greater than 0.013, 0.406, and 0.740.

4. Reliability of Composites

The composite reliability test is used to assess the reliability of each construct, and it must have a composite reliability of 0.70 to be considered reliable. According to Table 4, the reliability composite test results for each construct are 1,000 for corporate social responsibility, 1,000 for ownership structure, and 0.966 for firm value. All constructs can be said to have met composite reliability criteria based on this value.

Table 4. Composite Reliability Coefficient

	CSR	*SK*	*NP*	*KP*	*Criteria*	*Information*
Combined Reliability	1,000	1,000	0.966	0.952	0.70	Meet the reliability composite

Source: Data Proceed, 2022

5. Estimates for Inner Model Measurement

Fit model test, path coefficient (β), P and R values squared are all part of the structural evaluation (*inner model*) (R2). There are three test indices in the testing fit model: average path coefficient (APC), average R2 (ARS), and average variance factor (AVIF), with APC and ARS criteria accepted if the p-value < 0.05 and AVIF < 5. (Solihin & Ratmono, 2013). The path coefficient and p-value are used to determine whether or not a hypothesis is accepted. If the value of p ≥ 0.1, Ho's decision is accepted; if the value of p < 0.1, Ha's decision is accepted. R2 is a measure of how well the independent variable explains the dependent variable. Each of them has a value of ≥ 0.25 ≥ 0.50, and ≥ 0.75.

Table 5. General SEM Analysis Results

	Index	P-Value	Criteria	Information
APC	0.276	P < 0.001	P < 0.05	Accepted
ARS	0.473	P < 0.001	P < 0.05	Accepted
AVIF	1.053 Ideally <3.3		Acceptable if <5	Accepted

Source: Data Proceed, 2022

According to the output results, APC has an index of 0.276 with a P-value < 0.001, whereas ARS has an index of 0.473 with a P-value < 0.001. Because they have a P-value < 0.05, APC and ARS have met the criteria. Meanwhile, based on data processing results of 1.053, the AVIF value for criteria < 0.05 has been met, and thus the inner model can be accepted.

6. Results of Hypothesis Testing

The hypothesis of a direct effect of "Corporate Social Responsibility on Firm Value" was tested: According to Figure 2, CSR (*corporate social responsibility*) has an effect on NP (*firm value*) with a value of ß 0.30 and a p-value < 0.01. A R^2 value of 0.55 indicates that corporate social responsibility can explain 55% of a company's value, with the remaining 45% explained by other factors. Hypothesis 1 has a positive p-value < 0.05, indicating that corporate social responsibility has a positive effect on firm value; thus, hypothesis 1 is accepted.

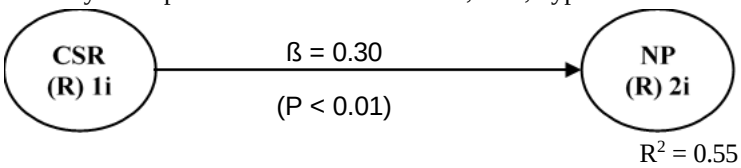

Figure 2. The influence of corporate social responsibility on firm value

The hypothesis of a direct effect of "Ownership Structure on Firm Value" was tested: According to Figure 3, SK (*ownership structure*) has an effect on NP (*firm value*) with a ß value of 0.18 and a p-value < 0.01. A R2 value of 0.47 indicates that the ownership structure can explain 47 percent of the company's value, with the remaining 53 percent explained by other variables. Hypothesis 2 has a positive p-value < 0.05, indicating that the ownership structure has a positive effect on firm value; thus, hypothesis 2 is accepted.

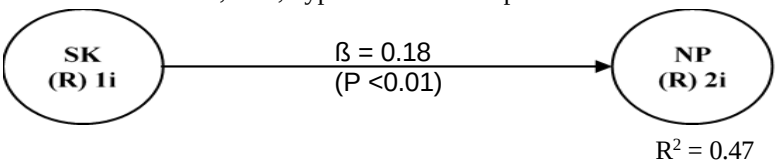

Figure 3. The effect of ownership structure on firm value

The following is a description of the Hypothesis Test of Indirect Effect between Research Variables:

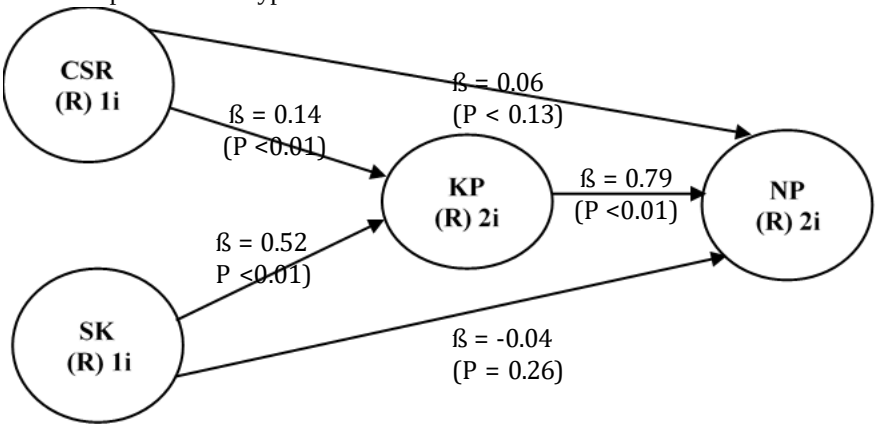

Figure 4. Indirect effect

Table 6. Panel B PLS Results (Path Coefficient, R^2 and firm value)

Panel B. Complete Model		
Variable	Patch to Good performance	Value of the company
Corporate social responsibility	0.516 (<0.001) **	- 0.038 (0.256)
Ownership Structure	0.136 (0.008) **	0.065 (0.128)
Good performance		0.792 (<0.001) **
R^2	0.293	0.645

Source: Data Proceed, 2022

The Impact of Corporate Social Responsibility on Business Performance

According to table 6, the path coefficient and p-value of corporate social responsibility on company performance have a significant effect of 0.516 and p-value < 0.001 and R2 of 0.293, respectively. This means that this mechanism can explain 2.7 percent of the company's performance, with the remaining 97.3 percent explained by other factors. Hypothesis 3 has a positive p-value < 0.05, indicating that corporate social responsibility has a positive impact on corporate performance.

The Impact of Company Ownership Structure on Performance

According to table 6, the path coefficient and p value of the ownership structure on company performance have a significant effect of 0.136 and 0.008, respectively, and the R2 value is 0.293. This means that this mechanism can explain 2.7 percent of the company's performance, with the remaining 97.3 percent explained by other factors. Hypothesis 4 has a positive p-value < 0.05, indicating that the ownership structure has a positive impact on firm performance.

The Impact of Firm Value on Company Performance

Table 6 shows that the path coefficient and p-value of company performance on firm value have a significant effect of 0.792 and p-value < 0.001 and R2 of 0.645, respectively. This means that this mechanism can explain 66.2 percent of the company's value, with the remaining 33.8 percent explained by other factors. Hypothesis 5 has a p-value < 0.05 and a positive value, indicating that firm value is positively affected by company performance.

The Impact of Corporate Social Responsibility on Firm Value as Measured by Company Performance

The involvement of a direct influence of corporate social responsibility on firm value demonstrates a significant effect of 0.3 with p values < 0.001 and p < 0.05). After incorporating the company performance variable into the model, the direct effect of CSR on NP is no longer significant at 0.26. This enables KP to function as a full-fledged mediator, but he must meet the specified requirements. The implied effect of CSR on NP by mediating performance of the company is significant; the path coefficient and p value from SK to KP were 0.516 and p < 0.001 (p < 0.05), respectively, while the path coefficient and p-value from KP to NP were 0.792 and p 0.001 (p < 0.05). This is represented by the P-value of the indirect effect for the path with two segments, which shows that CSR has a significant effect on NP < 0,001 p < 0.05). Because all conditions have been met, hypothesis 6 is accepted, namely company performance (KP) as a full mediator of the relationship between CSR and firm value.

The Impact of Ownership Structure on Firm Value as Measured by Company Performance

The significant impact of ownership structure on firm value has a significant effect of 0.18 (p < 0.001 and p < 0.05). When the firm performance variable is included in the model, the direct effect of SK on NP is no longer significant at 0.13. This enables KP to function as a full-fledged mediator, but he must meet the specified requirements. The moderating impact of SK on NP via company performance is significant, with a path coefficient and p-value from SK to KP of 0.136 and 0.008 (p < 0.05), respectively, while the path coefficient and p-value of KP for NP are 0.792 and < 0.001 (p < 0.05). This is supported by a P-value of 0.004 (p < 0.05) for the indirect effect for the path with two segments, indicating a significant effect of SK on NP.

CONCLUSION

The CSR factor has a significant positive effect on firm value, resulting in numerous benefits for the company. It is hoped that by implementing good CSR practices, the company will be appreciated by investors, causing them to be interested in investing. The ownership structure, which includes foreign ownership, managerial ownership, and institutional ownership, has a positive impact on firm value. These findings suggest that the greater the ownership structure, the greater the firm value. Company performance, as measured by ROA and ROE, has the potential to increase firm value.

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