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THE INFLUENCE OF OWNERSHIP STRUCTURE AND CORPORATE SOCIAL RESPONSIBILITY ON COMPANY VALUE THROUGH PROFITABILITY

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ABSTRACT

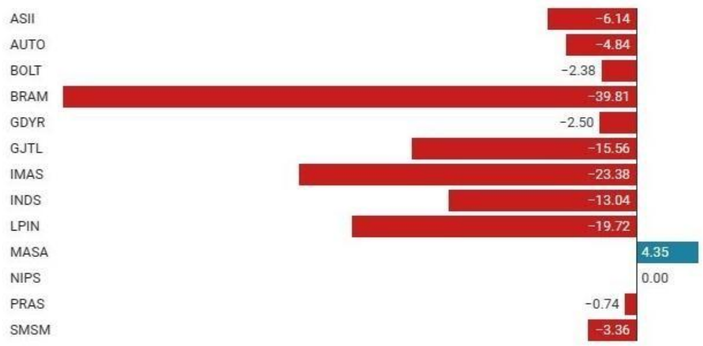
The main goal of a company is to increase its company value. The high value of the company can describe the success of a company so that it can prosper the shareholders. The purpose of this study is to determine the effect of institutional ownership structure, managerial ownership, foreign ownership on company value through profitability. This study uses quantitative research. The research population includes manufacturing companies listed on the IDX in 2020- 2022. Sampling in this study used purposive sampling, so that a sample of 120 research samples was obtained. The data used in this study used secondary data obtained from the annual report of manufacturing companies. The data analysis method used multiple linear regressions using SPSS 24. Based on the results of the study, it can be concluded that institutional ownership does not affect profitability, managerial ownership affects profitability, foreign ownership does not affect profitability, corporate social responsibility affects profitability, institutional ownership does not affect company value, managerial ownership does not affect company value, foreign ownership affects company value, corporate social responsibility affects company value, profitability affects company value, profitability is unable to mediate the effect of institutional ownership, foreign ownership and corporate social responsibility on company value. However, profitability is able to mediate the influence of managerial ownership on firm value.

KEYWORDS: - Institutional Ownership, Managerial Ownership, Foreign Ownership, Profitability and Firm Value.

1. INTRODUCTION

Company value describes investors' perceptions of a company's level of success through stock prices. Company value also reflects the amount of assets owned by a company (Munzir et al., 2023). Increasing company value to achieve company goals is by increasing company profits and increasing shareholder prosperity (Widianingrum., et al 2023). Therefore, the company must have a maximum company value as indicated by the stock price, so that it can be a signal for investors and potential investors to be interested in investing their capital in the company.

The phenomenon that occurs related to the value of manufacturing companies is the automotive and component sub-sector companies, from several companies in the automotive and component sub-sectors, there are 11 companies that have decreased and only 1 company has strengthened. The company that experienced the most decline was PT Indo Kordsa Tbk (BRAM) with a decrease of 39.81% with a last price of IDR 6,500/share. While the shares that strengthened were PT Multistrada Arah Sarana Tbk (MASA) which experienced an increase of 4.35% at a price of 480/share. And there is 1 stagnant stock, namely PT Nipres Tbk (NIPS) which closed at a price of 282/share. Here is a graph of automotive and component industry stocks. (Yazid Muamar, CNBC Indonesia 2020).



Sumber: https://www.cnbcindonesia.com/

Based on this phenomenon, the decline and increase in shares can affect the company's image which can change investors' views on the company's value. Company value is one of the factors that investors and potential investors will look at when making investments. The higher the stock price owned by a company, the better the company's value is said to be (Siregar et al, 2019).

Ownership structure is the percentage of share ownership of a company that reflects the distribution of power and influence over the company's operational activities, ownership structure is also one way to reduce the imbalance of information between insiders and outsiders. (Annisa et.al 2023) ownership structure consists of managerial ownership, institutional ownership, family ownership, state ownership, foreign ownership and public ownership. In this study, family ownership and public ownership were not used, because family ownership and public ownership in companies listed on the IDX were less than 5%. Meanwhile, state ownership was also not used because it was limited to BUMN only.

Previous research results state that ownership structure affects company value (Ramadhani, 2019) this is in line with research by Assaury (2020) and Fristy (2015) that ownership structure affects company value. On the other hand, there are differences in the research results of Sutrisno (2020) and Wardani (2011) that ownership structure does not affect company value. According to (Siregar et al, 2019) to increase company value, it is not only focused on financial factors, but also non-financial factors such as Corporate Social Responsibility (CSR). For companies in Indonesia, CSR is no longer an option but an obligation that must be carried out by every company in maintaining and preserving the surrounding environment, this is regulated in Law No. 40 of 2007 Article 1 paragraph 3 concerning Limited Liability Companies, it is explained that social responsibility is a company's obligation to improve the economy in order to increase the quality of life and its environment so that it can benefit the company itself, the organization, and society. Companies that disclose CSR will improve the company's image so that investors will be interested, so the bad company does not only depend on its financial condition but also on its social responsibility.

Several previous studies have tested the effect of Corporate Social Responsibility disclosure on company value. However, the results of this study still show inconsistent results. Research conducted by Machmuddah et al. (2020) states that CSR disclosure can positively affect company value. However, there are different research results conducted by Badarudin and Wuryani (2018) and Tenriwaru and Nasaruddin (2020) which show that CSR disclosure has a negative effect on company value. Another study conducted by Mustofa and Suaida (2020) concluded that CSR disclosure has no effect on company value.

Profitability is an important aspect for companies for the sustainability of their businesses in the long term because profitability shows whether the company has good prospects or not in the future (Nurhaliza., et.al 2023). With high profitability, it can be used as a comparison for investors to invest their capital (Prabowo et.al 2019). The better the company's profitability, the better the value of a company (Khotimah et.al 2023). So that investors will want to invest in the company. In this study, researchers use profitability as an intervening variable. Previous studies conducted by Ramadhani (2019) and Sutrisno (2020) stated that profitability can moderate institutional ownership of company value and profitability can moderate managerial ownership of company value. Meanwhile, Assaury's (2020) research found that profitability was unable to moderate institutional ownership of company value. Research by Ardiyanto (2017) and Milayati (2015) stated that profitability was able to moderate CSR on company value. Meanwhile, research by Bukhori (2020) and Aplasi (2023) stated that profitability could not moderate CSR on company value.

2. THEORETICAL BASIS

Agency Theory

Agency theory is a relationship carried out by the principal and the agent where the principal is the shareholder and the agent is the manager of the company's management. (Jansen & Meckling, 1976). Where both parties in the agency relationship have responsibilities that must be accepted and carried out. The opinion of this theory emphasizes that the boundaries between the owner and the company's management can give rise to agency problems. Managers should act in the interests of the owner so as to reduce agency conflicts. In agency theory, managers are encouraged to be able to optimize the level of profit derived from shareholder capital and the amount of share ownership is fully owned by shareholders (Hamdani, 2016).

Legitimacy Theory

Legitimacy theory is a theory that occurs because there is a relationship between the company and the community that seeks to achieve its goals so that the community can accept it (Suryani et.al 2022). In an effort to obtain legitimacy/approval from the community, companies can carry out social and environmental activities that have implications for the financial performance of the company's annual report (Bukhori et.al 2020). The main component for a company to continue to survive and develop in the current situation is the need for approval/legitimacy from the community. The company's going concern will bring benefits and potential resources to the company, this is created if there is legitimacy from the community.

Signal Theory

Signal theory is the information content in an announcement where the information can be useful for investors, the company gives investors instructions on how management views the company's prospects (Scott William R, 2015). Information is important for investors and business people because information essentially presents information, notes or descriptions for past, current and future conditions for the continuity of a company. When information is announced and all market players have received the information, market players first interpret and analyze the information as a good signal (good news) or a bad signal (bad news).

Ownership Structure

Ownership structure is a comparison of the number of shares owned by insiders with the number of shares owned by investors. (Sugiarto, 2009). Ownership is a separation between the company owner and the company manager, the owner or shareholder who includes capital in the company while the manager is appointed by the owner and given the authority to make decisions in managing the company and the manager's expectations act in accordance with the owner's interests (Sudana, 2011).

a. Institutional Ownership

Institutional shareholders are shareholders of the company by the government, financial institutions, legal institutions, foreign institutions, trust funds, and other institutions (Rusdiyanto, 2019). The importance of institutional ownership in monitoring management will encourage increased supervision of more optimal company operations. This is because institutional investors are involved in strategic decision-making so that they do not easily believe in profit manipulation actions.

b. Managerial Ownership,

Based on agency theory, Jensen and Meckling (1976) stated that the separation of share ownership and company supervision will give rise to a conflict of interest between shareholders and management. The conflict of interest between shareholders and management will continue to increase along with the desire of management to improve personal welfare, with the existence of ownership managers have the opportunity to be involved in share ownership. So that the position of managers with shareholders is equal, managers are not treated as external parties but are the same as shareholders and can improve manager performance.

c. Foreign Ownership

Indonesia is the country with the largest direct foreign investment in Southeast Asia in 2021, because broad investment opportunities and free trade policies make foreign investors want to invest in Indonesia (Sadya, 2022). However, operational supervision of foreign ownership is usually carried out very strictly because foreign investors demand hard work so that their investment returns are greater. The information obtained by foreign owners is more efficient so that it can meet the company's internal needs, thus managers are encouraged to prioritize the interests of their investors. (Susanti, 2013)

Corporate Social Responsibility (CSR)

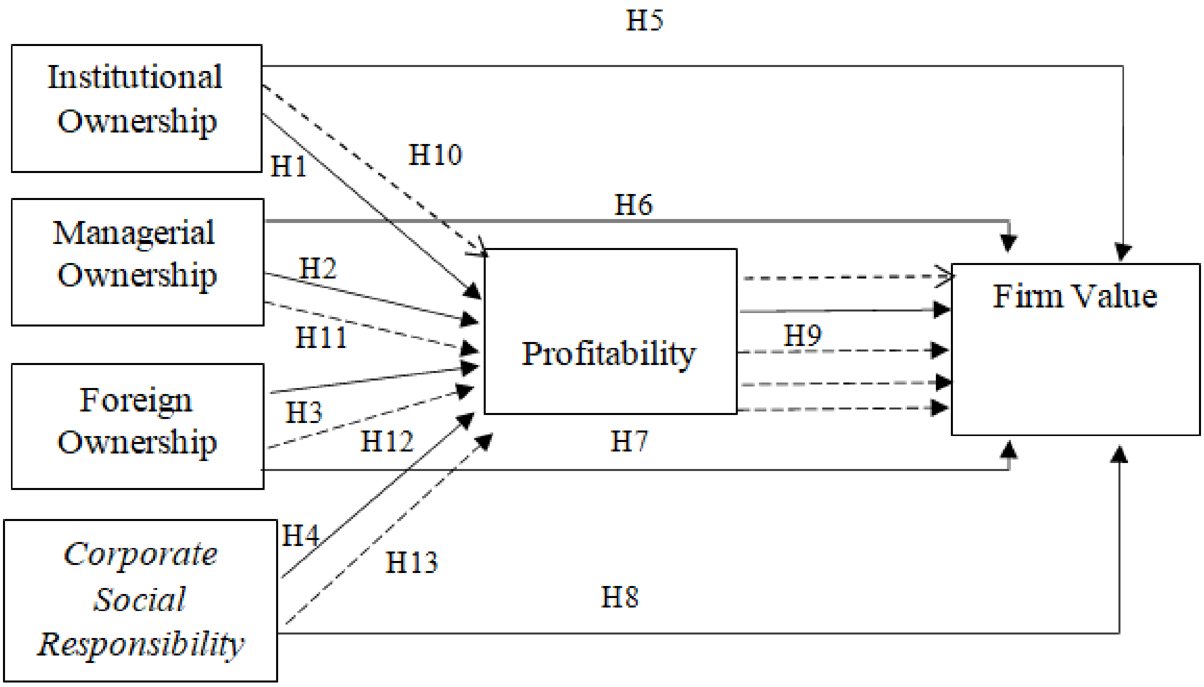
According to Law No. 40 of 2007 on Limited Liability Companies, "Social responsibility or CSR is a company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial for the company itself, the local community, and society in general". There are several standards in CSR reporting including SASB 8000, A1000, GRI standards and other standards. According to the Wordsmith Group, the GRI standard is the most frequently used standard in companies, almost 73% of the 250 companies that use the GRI standard for CSR disclosure. The Global Reporting Initiative (GRI) standard is a sustainability reporting standard developed by an independent international organization called the Global Sustainability Standards Board (GSSB) which is used by companies and organizations in the world in communicating the impacts caused by their business activities (Aplasi et.al 2023). CSR disclosure generally uses the GRI G4 standard with 91 indicators that focus on economic performance indicators, environmental performance indicators, and social performance indicators, (Suleman et.al 2023).

Profitability

Profitability is one of the measurements used to see how much profit a company makes, if its profitability is high, it will be targeted by investors because the company will be considered to provide high returns from their investment (Sutrisno and Sari 2020). The profitability ratio used is Return On Asset (ROA). ROA is a ratio that shows the results of the amount of assets used in the company, this profitability ratio is also a measure of management effectiveness in managing its investments (Kasmir, 2014).

Firm Value

Firm value is a value that describes the condition of the company, the higher the company value, the more prosperous the shareholders will be and the goals of a company will be achieved (Sutrisno and Sari 2020). In this study, company value is measured using price book value (PBV). Price book value is a comparison between the stock price and the company's book value. The higher the price book value of a company indicates the level of shareholder prosperity, and the main goal of the company is to be able to prosper shareholders (Sukirni, 2012).



3. RESEARCH METHOD

Type of Research

This research uses a quantitative approach. This research uses secondary data as its source. Secondary data in this study is in the form of annual reports during 2020-2022 from manufacturing companies listed on the Indonesia Stock Exchange (IDX).

Research Population and Sample

The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX). The sample in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022.

The sample criteria used in this study are:

1. Manufacturing companies listed on the IDX consecutively in the period 2020-2022.
2. Manufacturing companies that publish complete financial reports during the period ending December 31, 2020-2022.
3. Companies that provide complete information related to research variables

Table 1 Variable and Measurement Variables

No	Variables	Notasi	Measurement Variables
1	Firm value	PBV	Market price per share/ Book value per share
2	Institutional Ownership	KI	Number of shares owned by institutions/ Total shares x 100%
3	Managerial Ownership	KM	Number of shares owned by managers/ Total shares x 100%
4	Foreign Ownership	KA	Number of shares owned by foreigners/ Total shares x 100%

5	Corporate social responsibility	CSR	Number of items disclosed/ Number of items in accordance with GRI4, nj
6	Profitability	ROA	Net profit after tax/ Total assets x 100%

4. RESULTS AND DISCUSSION

Descriptive Statistics

This study uses descriptive statistics to find out the description or description of data that can be seen from the average (mean), maximum and minimum values and standard deviation of the research variables. The following are the results of descriptive statistical data processing:

Table 2 Descriptive Statistics Results

Variables	N	Mean	Median	Max	Min	Std. Dev
Institutional Ownership (X1)	120	0,342	0,057	2,754	2,17	0,509
Managerial Ownership (X2)	120	0,430	0,008	10,165	1,62	1,359
Foreign Ownership (X3)	120	0,441	0,248	4,084	9,50	0,596
Corporate social responsibility (X4)	120	0,325	0,318	0,615	0,14	0,096
Profitability (Z)	120	0,077	0,068	0,348	-0,27	0,086
Firm value (Y)	120	4,030	1,890	56,790	0,130	8,339

For the variable of company value measured by Price to Book Value (PBV) for manufacturing companies listed on the IDX, it shows an average of 4.03. This means that, in general, the market values these manufacturing companies about four times higher than their book value. However, the median PBV of 1.89 shows that most companies have PBVs below the average, with some companies having very high PBVs of up to 56.79, indicating significant differences in market valuation of these companies. The standard deviation of PBV of 8.339767 confirms the large variation in market valuation of manufacturing companies on the IDX. The minimum PBV value recorded was 0.13, indicating that there are companies whose value is valued very low by the market. This can also be seen from the very wide range of values, from 0.13 to 56.79, indicating that there are certain factors that cause large differences in market valuation of these companies.

T-Test (Hypothesis Test)

Tabel 2 Hasil Uji Hipotesis

Jalur	Coefficient	Sig	α	Keterangan
X1 $\longrightarrow$ Z	0,017	0,082	0,05	Tidak Signifikan
X2 $\longrightarrow$ Z	0,023	0,000	0,05	Signifikan
X3 $\longrightarrow$ Z	-0,009	0,203	0,05	Tidak Signifikan
X4 $\longrightarrow$ Z	0,104	0,041	0,05	Signifikan
X1 $\longrightarrow$ Y	-0,178	0,143	0,05	Tidak Signifikan
X2 $\longrightarrow$ Y	-0,058	0,447	0,05	Tidak Signifikan

X3 → Y	-0,223	0,032	0,05	Signifikan
X4 → Y	-1,972	0,005	0,05	Signifikan
Z → Y	4,575	0,000	0,05	Signifikan

Uji Sobel (Sobel Test)

Tabel 3 Hasil Uji Sobel

Variabel	Sobel Test Statistic	Two Tailed Probability	α	Keterangan
X1 ke Y melalui Z	1,6580	0,0973	0,05	Tidak mampu memediasi
X2 ke Y melalui Z	2,7831	0,0053	0,05	Mampu memediasi
X3 ke Y melalui Z	-1,2434	0,2137	0,05	Tidak mampu memediasi
X4 ke Y melalui Z	1,8953	0,0580	0,05	Tidak mampu memediasi

5. DISCUSSION

Institutional Ownership Affects Profitability

Agency theory is a relationship carried out by the principal as a shareholder and the agent as a company management manager (Jansen & Meckling, 1976). Shareholders trust managers to manage the company so that the company's goals are achieved. In agency theory, there are boundaries between shareholders and company management that can give rise to agency problems. Managers should act according to the owner's wishes so that they can reduce agency problems.

Institutional ownership is the ownership of shares in a company by an institution or organization (Bernandhi, 2013). Institutional shareholders are shareholders by the government, financial institutions, legal entities, trust funds and other institutions (Rusdiyanto, 2019). Institutional ownership in the company as a supervisory agent to suppress through large investments in the capital market (Bernandhi, 2013).

The results of this study are in line with previous research conducted by Assaury and Adriani (2020) that the majority of shareholders will participate in controlling the company, so that the company tends not to have a balance in determining company policies that only benefit the majority shareholders. Companies dominated by institutional ownership will receive negative comments from potential investors because management is suspected of implementing inappropriate and untrustworthy policies, giving rise to the assumption that managers will tend to make decisions that benefit the interests of institutional owners and ignore the interests of minority owners (Assaury and Adriani, 2020). The conclusion is that there is no effect of institutional ownership on profitability which is proxied using ROA.

Managerial Ownership Affects Profitability

Based on agency theory, agency problems will arise if managers act not according to the wishes of shareholders. Shareholders must trust and give responsibility to managers to manage the company so that the company's goals are achieved; the company's goal is to increase profits for shareholders so that managers will carry out their duties in the interests of shareholders (Hamdani, 2016).

Managers actively participate in making company decisions that affect the increase in company profits. Managers also become shareholders, when managers manage the company properly, the individual benefits will also be felt by the managers. This is in line with research conducted by Hermiyetti and Erlinda (2017). So the conclusion is that managerial ownership affects profitability.

Foreign Ownership Affects Profitability

Based on agency theory regarding the relationship between shareholders and managers where foreign parties as shareholders are considered to be more effective in supervising manager activities. However, foreign parties sometimes have different ways to improve company performance, even though they are not necessarily suitable for implementation in domestic companies (Widichesty, 2021). So that it can cause organizational culture friction which causes company performance to decline this will ultimately have an impact on the company's finances. Therefore, foreign ownership does not affect profitability; this is in accordance with previous research conducted by Ivan (2021), Susyani (2022) and Widichesty (2021).

Corporate Social Responsibility affects Profitability

Based on the legitimacy theory, to obtain legitimacy, companies must carry out social and environmental activities (CSR) which will be included in the company's annual financial report, so that investors have confidence that the company is running in accordance with existing obligations and norms. (Bukhori and Safira, 2020). When a company carries out social and environmental activities (CSR) in accordance with applicable norms, the company will be viewed well so that consumers will be loyal to the products produced by the company. Increasing consumer loyalty will increase sales so that profitability will also increase.

The results of this study are in line with previous research conducted by Ardiyanto (2017) that companies that get a good response from investors or the public will get greater profits. (Bukhori, 2020) explains that companies that carry out CSR will increase public trust in the company so that the public believes in the products produced by the company, therefore profitability will also increase. So the conclusion is that CSR affects profitability.

Institutional Ownership Affects Company Value

Agency theory can reduce the imbalance of information sources between agents and owners. Institutional ownership is a shareholder who comes from an institution/institution, financial institution, government, and other institutions (Rusdiyanto, 2019). Institutions cannot effectively supervise management. This is because of the asymmetry of information between shareholders and management. So that management can control the company according to their wishes. Information asymmetry is an obstacle for institutions because the information obtained by institutions is not as good as the information obtained by management so that institutions find it difficult to control management behavior so that the size of institutional ownership does not affect the value of the company. In line with previous research conducted by Sutrisno (2020) that institutional ownership does not affect the value of the company. As well as research by Widianingrum (2023) that institutional ownership cannot interfere in management decision- making so that the supervision carried out by institutional ownership has not had a significant impact on the value of the company.

Managerial Ownership Affects Company Value

Agency theory assumes that the principal (shareholder) and agent (management) have conflicting goals, which will cause agency problems (Nurhaliza, 2023). Although managers are given the authority to become shareholders in the company, managerial ownership has not been able to overcome agency problems (Sutrisno, 2020). Because the proportion of managerial ownership is relatively small, managers only act as minority shareholders. Therefore, managers do not have full power to control the company.

The results of this study are in line with previous research conducted by Sutrisno (2020) that a large proportion of managerial ownership is unable to equalize the interests of management and shareholders, so that the company's goal of achieving high company value cannot be achieved. This is because managers have personal interests that they want to fulfill compared to achieving the company's goals as a whole. And the results of Nurhaliza's research (2023) stated that managerial ownership also does not affect the value of the company because minority managerial ownership has no control over company decisions, the company will automatically be controlled by the majority shareholder so that the manager's decision does not affect the company's performance.

Foreign Ownership Affects Company Value

In agency theory, the problem that occurs due to declining company performance is due to a poor relationship between shareholders and managers, but when the relationship between shareholders and managers can be controlled, the company's performance will improve so that the company's value will increase (Widichesty, 2021) with more dominant foreign ownership will reduce risk and increase higher returns (Salvatore, 2003).

Foreign ownership is able to manage the company more effectively, has better managerial capabilities, has good experience in finance and business, and technological advances. Foreign ownership also has a role in supervising and controlling company performance so as to produce a strong external control system. Therefore, in accordance with previous research conducted by Polii and Herawaty (2020) and Sissandhy (2014), foreign ownership has an effect on company value.

Corporate Social Responsibility has an effect on Company Value

Legitimacy theory is the relationship between companies and society that strives to achieve a company's goals so that society can accept it (Suryani, et.al 2022). Legitimacy theory is related to CSR disclosure, where with corporate social responsibility, it can provide a positive response to society (Bukhori, 2020). When a company has complied with implementing CSR in accordance with existing norms and not only focuses on increasing profitability but is also socially responsible, investors and potential investors will be interested in the company so that they will make the company an investment field. So that it will increase the value of the company when the price of circulating shares increases (Bukhori, 2020).

The results of this study are in line with previous studies conducted by Bukhori (2020) and Aplasi (2023) which stated that the more CSR disclosures presented in the annual financial report, the better the company will be assessed by the public. This public assessment will increase the value of the company. So the results of this study reveal that CSR disclosure affects the value of the company.

Profitability affects Company Value

Signal theory is important information issued by the company that influences investment decisions, signal theory also provides signals to users of financial statements in order to analyze the financial statements (Assaury, 2020). Profitability proxied using (ROA) shows the effectiveness in utilizing company assets to generate profits.

The results of this study are in line with previous research conducted by Assaury (2020) from the results of his research that several companies will experience an increase in profits followed by an increase in total assets so that companies can use assets efficiently and effectively. Another study was also conducted by Bukhori (2020) that when the profits generated continue to increase, the dividends received by investors will also increase, so the welfare of shareholders will also increase automatically, shareholders will give a good assessment, thereby increasing the value of the company. Therefore, the results of his research show that profitability affects the value of the company.

Institutional Ownership Affects Company Value through Profitability

The results of the statistical test on the tenth hypothesis (H10) show that institutional ownership is unable to mediate profitability on company value by looking at its significance value of 0.0973, meaning that profitability is unable to link institutional ownership with company value (H10 is rejected).

This is in line with research conducted by Assaury (2020) that the inability of the ROA variable to mediate the effect of institutional ownership on company value shows that the proportion of institutional share ownership cannot contribute to profit sharing so that the profits obtained are unable to attract other investors to invest in the company and will reduce the value of the company. So the results of this study are that profitability is unable to mediate the effect of institutional ownership on company value.

Managerial Ownership Affects Company Value through Profitability

The results of statistical tests on the eleventh hypothesis (H11) show that managerial ownership is able to mediate profitability on company value by looking at its significance value of 0.0053, meaning that profitability is able to link managerial ownership with company value (H11 is accepted).

In line with agency theory to reduce agency problems by increasing managerial ownership. Managerial ownership can align the interests of the company with shareholders, namely to achieve mutual prosperity. Company welfare can be achieved if the company succeeds in increasing profits (Ayem and Alit, 2021), therefore management will try to prosper shareholders by increasing company profitability. A high level of profitability will increase company value according to research conducted (Ayem and Alit, 2021).

Foreign Ownership Affects Company Value through Profitability

The results of the statistical test on the twelfth hypothesis (H12) show that foreign ownership is unable to mediate profitability on company value by looking at its significance value of 0.2137, meaning that profitability is unable to link foreign ownership with company value (H12 is rejected).

Based on agency theory regarding the relationship between shareholders and managers where foreign parties as shareholders are considered to be more effective in supervising manager activities. However, foreign parties sometimes have different ways to improve company performance, even though they are not necessarily suitable for application in domestic companies (Widichesty, 2021). The inability of profitability to mediate foreign ownership with company value shows that the proportion of foreign ownership cannot contribute to profit sharing so that the profits obtained are unable to attract foreign investors to invest in domestic companies so that it will reduce the company's value, this is in line with previous research conducted by Sari (2021) that profitability cannot mediate foreign ownership on company value.

Corporate Social Responsibility Influences Company Value through Profitability

The results of the statistical test on the thirteenth hypothesis (H13) show that CSR is unable to mediate profitability on company value by looking at its significance value of 0.2137, meaning that profitability is unable to link CSR to company value (H13 is rejected).

The results of this study indicate that profitability is unable to moderate CSR on company value, even though the profitability of a company increases or decreases, it will still not affect the value of the company (Bukhori, 2020). This is in line with the research of Purwita et. al (2019) that CSR disclosure cannot increase company value even though it is accompanied by high profitability, and vice versa CSR disclosure cannot affect company value even though the profitability value is low. According to Bukhori (2020) companies that have high profits but the budget for implementing CSR is low so that no matter how high the level of profitability of a company is, it cannot affect the relationship between CSR and company value, because companies will tend to always budget low CSR. This result is in line with research conducted by Aplasi (2023), Bukhori (2021) and Ardiyanto (2017) that profitability is not able to mediate CSR on company value.

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