APPLIED SCIENCE

by Laely Aghe

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CORPORATE SOCIAL RESPONSIBILITY EFFECT, PUBLIC OWNERSHIP AND FIRM SIZE TOWARD VALUE OF FIRM

Abstract: *This study aims to determine the effect of variable corporate social responsibility, public ownership and size on the value of firm in manufacturing companies listed on the Indonesia Stock Exchange. Manufacturing company samples and multiple linear regression tests were used in this study. The results of the F hypothesis statistical test show a fit model. The results of the statistical t test inform that the variables of corporate social responsibility and public ownership affect the value of the firm. Other results informing that the size has been measured by natural logs from the total assets of the company has no effect on the value of firm.*

Key words: *corporate social responsibility, public ownership, firm size and value of firm.*

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1. INTRODUCTION

The first company goal is to achieve maximum profit or maximum profit. The second goal of the company is to prosper the company owner or shareholder. Then, the third goal of the company is to maximize the value of the company reflected in its stock price [1, p.4]. A good company must be able to control financial potential and non-financial potential in increasing the value of the company for the long-term existence of the company. Maximizing company value is very important for a company, because by maximizing the value of the company means maximizing shareholder prosperity which is the company's main objective. Firm value is an important concept for investors because it is an indicator for the market to assess the company as a whole. The value of the company can also be interpreted as an assessment conducted by investors towards the level of success of the company in managing its resources. The value of the company can increase if the institution is able to be an effective monitoring tool [2, p.10] and [3, p.20]. [5, p.25] says that the value of a company is the investor's perception of a public company, which is often associated with stock prices. High stock prices make the value of the company also high. High company value will make the market believe not only in the company's current performance, but also in the company's prospects in the future. The higher the stock price, the higher the shareholders' prosperity.

Value of firm is an important concept for investors because it becomes an indicator for the market to value the overall firm. Value of firm can also be interpreted as an assessment conducted by investors towards the level of success of a company in managing its resources. Value of firms can increase if institutions are able to become effective monitoring tools [7, p.658]. According to [5, p.25] and [11, p.851], the value of firm is the investor's perception of a public company, which is often associated with stock prices. High stock prices make the value of firm also high. A high value of firm will make the market believe not only in the company's current performance, but also in the company's prospects in the future. The higher the stock price, the higher the shareholders' prosperity. The results of the research conducted [8, p.785] said that the size of the company has an effect on the value of the firm. This is because, the greater the size of the company, the better the control system that is owned so as to minimize the level of errors in the preparation of financial statements. However, the results of research conducted by previous researchers [9, p.19] said the size of the company had no effect on the value of the firm. This is because, the larger the size of the company, the greater and the quality of the resources and information systems that they have, so that it is easier and faster in submitting financial statements.

Public ownership is the composition of shares owned by the general public to all the total shares of the company in circulation. The results of the research conducted [11, p.851] supported by [12, p.2] said that public ownership affects the value of firm. This shows that a large percentage of public ownership can encourage companies to be more timely. In addition, this study uses manufacturing companies on the Indonesia Stock Exchange as samples, if the condition of the company will continue to be monitored by investors so that management publishes financial statements on time. The results of the research conducted [14, p.1] and [16, p.3] said that public ownership did not affect the value of firm. This is because, if the company has low public ownership, the general public can influence the policies that will be issued by the company. So that the public cannot submit financial reports in a timely manner.

2. THEORETICAL FRAMEWORK

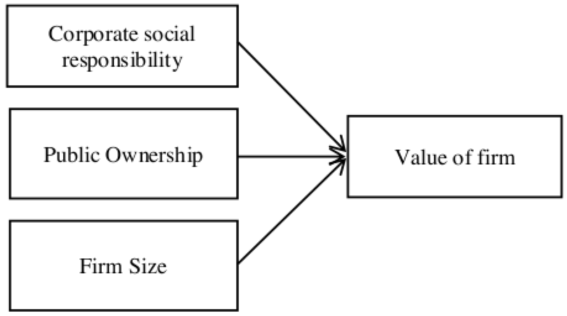
Value of Firm

Value of firm is related to agency theory and signaling theory. Agency theory is a theory used to explain the relationship between agents and principals that are built so that the company's objectives can be achieved optimally. According to Jensen and Meckling [15, p.348] said that agency relations as a contract in which one or more people (principals) employ other parties (agents) to perform services for the best interests of the principal. Agency theory is a theory that studies the design of a contract between an agent and a principal to motivate an agent to act rationally on behalf of the principal when there is a conflict between the interests of the agent and the principal [15, p.346]. The relationship of this theory with the value of firm, because of the relationship between principal and agent can lead to a condition of information imbalance because the agent is in a position that has more information about the company than the principal. Each party strives to maximize their personal interests.

Signal theory explains why companies have the urge to provide information in the form of financial reports to external parties. Signal theory was first put forward by Spence in 1973. According to this model, signals can be interpreted as the way various types of companies distinguish themselves from other companies, and are usually carried out by managers with high positions [15, p.346] and [18, p.930]. The relationship of this theory with the value of a firm that is a good quality company will give a signal by submitting a financial report in a timely manner, this cannot be replicated by a poor quality company. The signal given by a good quality company is considered as good news, will increase the company's investors. While the signal given by a poor quality company is considered bad news, it will cause investors to rethink their investment.

Value of firm can be reflected as the value of assets owned by a company such as securities. Increasing a high value of firm is a long-term goal that must be achieved by the company which is reflected in the stock market price. Therefore, the investor's assessment of the company can be observed through the movement of the company's stock prices that transact on the stock exchange for companies going public. Signal theory explains the company's drive to disclose information to external parties due to management asymmetry with external parties. Therefore, all company information, whether financial or non-financial information must be disclosed by the company. One of this information is about the Corporate Social Responsibility activities carried out by the company, which are disclosed in the company's annual report. The company discloses Corporate Social Responsibility in the hope of increasing the value of the firm [16, p.3].

There are factors that influence the value of firm, namely Corporate Social Responsibility. Several related studies have explained evidence of the relationship between the influences of Corporate Social Responsibility on value of firm. In the research conducted by [13, p.2], it was proved that the disclosure of Corporate Social Responsibility had a significant effect on the value of firm. In research conducted by previous research [3, p.20] states that Corporate Social Responsibility affects the value of the firm. Contrary to the research above, in a study conducted by [1, p.4] stated that Corporate Social Responsibility had no effect on the value of firm. Value of firm can also be affected by the size of the profitability generated by the company. Research conducted by [3, p.20] states that profitability as a moderating variable strengthens the relationship between corporate social responsibilities to value of firm. The same is true for research conducted by [10, p.1] which states that profitability as a moderating variable strengthens the relationship of corporate social responsibility to value of firm. Unlike the research above, research conducted by [2, p.10] states that profitability as a moderating variable has no effect on the value of firm. The purpose of this study was to examine the effect of corporate social responsibility, public ownership and firm size on the value of firm.



Picture 1. Effect of Corporate Social Responsibility on Value of Firm.

Corporate Social Responsibility is an idea that makes a company not only responsible in terms of its finances, but environmental problems that occur due to the company's operational activities related to natural resources. Consumer-oriented companies are expected to provide information about social responsibility because it can improve the company's image. The more social and environmental information conveyed by a company, the investor will tend to invest in the company which will have an impact on increasing the value of the firm.

The main objective of the company is to increase the value of the company. Value of firm will be guaranteed to grow sustainably if the company pays attention to the economic, social and environmental dimensions because sustainability is a balance between the interests of the economy, the environment and society. This dimension is found in the implementation of Corporate Social Responsibility conducted by the company as a form of accountability and concern for the environment around the company. Corporate social responsibility or corporate social responsibility can contribute to the value of the firm. This is because in decision making, the company must consider various social and environmental problems if the company wants to maximize long-term financial results which can later increase the value of the firm [1, p.4]. Previous researchers [2, p.10] concluded that Corporate Social Responsibility has a positive effect on the value of firm, meaning that the more companies disclose their social disclosure items and the better the quality of disclosure, the higher the value of the firm. According to research conducted by [3, p.20] states that Corporate Social Responsibility affects the value of the firm.

Effect of Public Ownership on Value of Firm

Ownership of parties outside the company is a party that is outside the organizational structure. The parties outside the company such as investors, shareholders, government, creditors, and other parties. Public ownership is the ownership of public companies by the general public. The amount of public ownership can be seen from the percentage of ownership in ICMD (Indonesian Capital Market Directory). In this study public ownership is symbolized by PUB. Public ownership has the power to demand and require management to deliver financial information immediately because financial statements that are not timely will affect the decisions that will be taken by users. Public ownership in this study is measured by looking at the percentage of shares owned by the public or the public.

The results of the research conducted [6, p.412] and [7, p.658] said public ownership did not affect the value of the firm. This is because, if the company has low public ownership, the general public can influence the policies that will be issued by the company. So that the public cannot submit financial reports in a timely manner. The results of the research conducted [8, p.785] are supported by [9, p.19] saying public ownership influences the value of firm. This shows that a large percentage of public ownership can encourage companies to be more timely. In addition, this study uses manufacturing companies on the Indonesia Stock Exchange as samples, if the condition of the company will continue to be monitored by investors so that management publishes financial statements on time.

Based on agency theory, this theory is used to explain the relationship between agents and principals that are built so that the company's objectives can be achieved optimally. The greater the ownership of shares owned by the company, the public will tend to urge the company to submit its financial statements in a timely manner. This is because the owner of the company from an outside party has limitations in the company's business affairs on investment. So that the manager as an agent who has been given the authority to manage the company by the principal will further increase the value of the firm

Effect of Firm Size on Value of Firm

The size of the firm is the size of the wealth owned by the company seen from the total assets owned by the company. Firm size can be measured using the total asset growth of a company. Companies that have large total assets are referred to as large companies. Companies that have ever-increasing assets are considered to have good performance. The trend of asset growth can be used to make decision making in large companies.

The results of the research conducted [14, p.1]; [16, p.3] and [17, p.461] say the size of the company does not affect the value of the firm. This is because, the larger the size of the company, the greater and the quality of the resources and information systems that they have, so that it is easier and faster in submitting financial statements.

The results of the research conducted [14, p.1] are supported by [18, p.930] saying the size of the company influences the value of firm. This is because, the greater the size of the company, the better the control system has so that it can minimize the level of errors in the preparation of financial statements which will facilitate the auditor's task in auditing the financial statements. Based on signal theory, where this theory explains why companies have the urge to provide information in the form of financial reports to external parties. The greater the total assets or sales, the faster and provide a good signal for companies to submit financial statements in a timely manner. So that it can provide a good signal for investors to invest their shares.

3. RESEARCH METHODS

Independent Variable

The independent variable in this study is the disclosure of corporate social responsibility. According to The World Business Council of Sustainable Development, stating that Corporate Social Responsibility is a commitment from the company to implement ethical conduct and contribute to sustainable economic development. The commitment is to improve the economy and quality of life for all parties, including workers, families and communities. Information on Corporate Social Responsibility based on the Global Reporting Initiative standard. Global Reporting Initiative is generally only three indicators that are often used, namely:

a. Economics, the economic dimension concerns the sustainability of the organization which impacts on the economic conditions of the stakeholders of the economic system.

b. Environment, environmental dimensions concerning the sustainability of organizations that have an impact on life in natural systems, including ecosystems, land, air and water.

c. Social, social dimension involves the sustainability of the organization which has an impact on the operating social system.

The CSR calculation is done by using a dummy variable, that is, if the company does not reveal the items in the questionnaire, the score is 0, while for the company that reveals the items in the questionnaire, the score is 1. This study uses indicators only three categories, namely economic performance indicators, indicators environmental performance and social performance indicators. The social performance indicators include four indicators consisting of labor performance indicators, human rights performance indicators, social or community performance indicators, and product performance Indicators

$$\text{CSR disclosure} = \frac{\text{Number of items disclosed}}{\text{The number of items of GRI}}$$

Public Ownership

Ownership of parties outside the company is a party that is outside the organizational structure. The parties outside the company such as investors, shareholders, government, creditors, and other parties. Public ownership is the ownership of public companies by the general public. The amount of public ownership can be seen from the percentage of ownership in ICMD (Indonesian Capital Market Directory). Public ownership in this study is measured by looking at the percentage of shares owned by the public or the public.

$$\text{Public Ownership} = \frac{\textit{The number of shares owned by the public}}{\textit{The number of shares outstanding}} x \ 100\%$$

Firm size

The size of the company is the size of the wealth owned by the company seen from the total assets owned by the company. Firm size can be measured using the total asset growth of a company. Companies that have large total assets are referred to as large companies. Companies that have ever-increasing assets are considered to have good performance. The trend of asset growth can be used to make decision making in large companies. In this study, measurement of firm size can be measured by the formula:

$$\text{SIZE} = \text{Ln (Total Assets)}$$

Dependent Variables

The dependent variable in this study is the value of firm. According to [14, p.1], the value of firm shows the value of various assets owned by the company including the securities issued and for companies to go public, the value of the firm can be reflected through the stock price. The stock price of the company must be made as optimal as possible, if the stock price is too high, then the company will be afraid if investors will not buy, but if the stock price is too low it can have a negative impact on the company's image. Value of firm can be measured using PBV with the formula:

$$PBV = \frac{\text{Price per share}}{\text{Book value per share}}$$

4. RESULTS AND DISCUSSION

The results of testing normality in testing against 151 data are shown in Table 1 below:

Table 1. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		151
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.16876868
Kolmogorov-Smirnov Z		5.428
Asymp. Sig. (2-tailed)		.151

a. Test distribution is Normal.

b. Calculated from data.

Table 1 informs the Kolmogrov-Smirnov test with the results of the test is the data has been normally distributed with a significance value > 0.05 that is equal to 0.151 [4, p.33].

Hypothesis testing

Simultaneous Test (F Test)

F test is used to indicate whether the regression model used is fit or not fit from the regression model equation of CSR, PO and Size variables [4, p.33].

Table 2. Statistics F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1375.936	3	458.645	95.560	.000[a]
	Residual	705.534	147	4.800		
	Total	2081.470	150			

a. Predictors: (Constant), Corporate social responsibility (CSR), Public ownership (PO) and Size.
b. Dependent Variable: Value of Firm (VoF).

Table 2 informs that the F test obtained an F value of 95.560 with a significant level of 0,000. Because the probability is less than 0.05 or 5%, the regression model can be said to be fit.

Table 3. Test Determinant coefficient.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.661	.654	2.19078720

a. Predictors: (Constant), Corporate social responsibility (CSR), Public ownership (PO) and Size.
b. Dependent Variable: Value of Firm (VoF).

The results of the study in Table 3 also inform that the adjusted R Square value of 65.4% means that the ability of the independent variable to explain its effect on the dependent variable is 65.4% this result is very good. The remaining 34.6% is explained by other variables outside the model.

Partial Test (t test)

The t test is used to show how far the influence of an explanatory or independent variable individually in explaining the variance of the independent variable. This t test is to determine the level of significance of the influence of each independent variable on the dependent variable assuming that the other independent variables do not change.

Table 4. t-Test

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.224	.197		1.136	.258
	CSR	1.134	.531	.414	2.134	.035
	Public Ownership	1.898	.786	.550	2.414	.017
	Size	-.476	.414	-.156	-1.149	.253

Based on Table 4 can be arranged multiple linear regression equation as follows:

Value of Firm = 0.224 + 1,134 CSR + 1,898 PO - 0,476 Size + e

The results of the t test inform that the variable corporate social responsibility (CSR) and public ownership (PO) partially affect the value of the firm. The results of the t test also inform that the variable size does not affect the value of the firm.

Discussion

This study aims to determine the effect of variable corporate social responsibility (CSR), public ownership (PI) and size on the value of firm in manufacturing companies listed on the Indonesia Stock Exchange from 2012 to 2017. Manufacturing company samples used in this study 151 companies. Through the results of the hypothesis test F statistics show the model fit, the results of the statistical t test to determine the effect of each independent variable on the dependent variable the results are shown in the following discussion:

1. Corporate social responsibility for value of firm

Corporate Social Responsibility is a commitment from the company to implement ethical conduct and contribute to sustainable economic development. The commitment is to improve the economy and quality of life for all parties, including workers, families and communities. The company currently focuses on the company's main objectives to increase the value of the company. Value of firm is a value for investors and also the value of internal management of a company. Growth value of firm will be guaranteed to grow sustainably if the company pays attention to the economic, social and environmental dimensions. The aspect of sustainability in managing a business is a balance between the interests of the economy, the environment and society. This dimension is found in the implementation of Corporate Social Responsibility conducted by the company as a form of accountability and concern for the environment around the company. Corporate social responsibility can contribute to the value of the firm. This study informs that Corporate Social Responsibility affects the value of the firm. This result is empirical evidence because in decision making, the company must consider various social and environmental problems if the company wants to maximize long-term financial results which can increase the value of the firm. The results of this study support [1, p4]; [2, p10] and [16, p3] which concluded in their research that Corporate Social Responsibility had a positive effect on the value of firm, meaning that the more companies disclose their social disclosure items and the better the quality of disclosure, the higher the value of the firm.

2. Public ownership of the value of the firm.

Ownership of parties outside the company is a party that is outside the organizational structure. The parties outside the company such as investors, shareholders, government, creditors, and other parties. Public ownership is the ownership of public companies by the general public. The results of this study inform that public ownership affects the value of the firm. Public ownership can be a controlling medium for companies to run their business well and be oriented to economic interests. The amount of public ownership can be a force for management to increase the motivation of its business to continue to grow. The public can also see and supervise the company's performance directly through the company's financial report media which is informed on each company's web. Public ownership pressure is also a capital for company management to understand the growth of companies that will create increasing value of firm. Based on agency theory, this theory is used to explain the relationship between agents and principals that are built so that the company's objectives can be achieved optimally. The greater the ownership of shares owned by the company, the public will tend to urge the company to submit its financial statements in a timely manner. This is because the owner of the company from an outside party has limitations the company's business affairs on investment. The results of this study are in line with and agree with [6, p412] and [7, p658] saying public ownership affects the value of firm. This shows that a large percentage of public ownership can encourage companies to be more timely. In addition, this study uses manufacturing companies on the Indonesia Stock Exchange as samples, if the condition of the company will continue to be monitored by investors so that management publishes financial statements on time.

3. Size of value of firm.

The size of the company is the size of the wealth owned by the company seen from the total assets owned by the company. Firm size can be measured using the total asset growth of a company. Companies that have large total assets are referred to as large companies. Companies that have ever-increasing assets are considered to have good performance. The trend of asset growth can be used to make decision making in large companies. The results of the study indicate that the size of the company does not affect the value of the firm. The results of this study are supported by [14, p1] which says the size of the company has no effect on the value of firm. Does not affect the size of the firm's value is currently the company to create optimal added value for the company no longer depends on the optimal use of total assets but more on customer-based value-creation strategies. Companies now assume that their biggest assets and the most valuable are their customers.

3. CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

This study aims to determine the effect of variable corporate social responsibility (CSR), public ownership (PO) and size on the value of firm in manufacturing companies listed on the Indonesia Stock Exchange from 2012 to 2017. Manufacturing company samples used in this study 151 companies. Through the results of the F hypothesis test the statistics show the fit model. The results of the statistical t test inform that the variables of corporate social responsibility and public ownership affect the value of the firm. Other results informing that the size has been measured by natural logs from the total assets of the company has no effect on the value of firm. The limitation in this study is the measurement of size using natural logarithms that have the potential to provide less actual information. Company data that is incomplete in published financial statements also affects data collection. The suggestion in the next research is to use the value of asset growth as a substitute for the size variable and use the assessment of corporate social responsibility aspects based on the latest global reporting indicators.

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