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The Effect of Financial Performance on Corporate Value with CSR Disclosure and GCG Mechanism as Moderating Variables

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Abstrak

Penelitian ini bertujuan untuk memperoleh bukti secara empiris tentangpengaruh kinerja keuangan terhadap nilai perusahaan,pengaruh pengungkapan CSR sebagai variabel moderasi dalam hubungan antara kinerja keuangan dan nilai perusahaan, pengaruh kepemilkan manajerial sebagai variabel moderasi dalam hubungan antara kinerja keuangan dan nilai perusahaan. Penelitian ini menggunakan perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2011-2014.Sampel penelitian adalah 13 perusahaan dengan 52 pengamatan. Metode analisis penelitian ini menggunakan analisis regresi sederhana untuk hipotesis 1 dan analisis regresi ganda dengan analisis regresi moderated (MRA) untuk hipotesis 2 dan 3.Kesimpulan dari penelitian ini adalah kinerja keuangan memengaruhi nilai perusahaan. Interaksi antara kinerja keuangan dan pengungkapan CSR terhadap nilai perusahaan tidak berpengaruh signifikan. Interaksi antara ROE dan kepemilikan manajerial terhadap nilai perusahaan menunjukkan efek positif yang signifikan. Kepemilikan manajerial merupakan variabel yang dapat memoderasi dalam hubungan antara ROA dan Tobins Q.

Abstract

This research aimed to obtain empirical evidence about the impact of financial performance to firm value, the impact of CSR disclosure as moderating variable in relationship between financial performance and firm value, the impact of good corporate governance as moderating variable in relationship between financial performance and firm value. This research uses a mining company listed on the Indonesia Stock Exchange (BEI) during the period 2011-2014. The research sample are 13 firms with 52 observations. The analysis methods of this study used simple regression analysis for hypothesis 1 and multiple regression analysis with the Moderated Regression Analysis (MRA) for hypothesis 2 and 3.The conclusion of this study is the financial performance affects the value of the company. The interaction between financial performance and disclosure of CSR to the firm value has no effect. The interaction between ROE and managerial ownership on firm value has a positive significant effect. Managerial ownership is a variable that moderates the moderate relationship between ROA and Tobins Q.

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INTRODUCTION

According to Brigham and Houston (2006), the traditional goal of company is to maximize profits or maximize earnings per share (EPS). The value used in this study is market value. Hendri (2010) in Mursalim and Hendragunawan (2015) affirms that market value is a reflection of corporate value. According to Fama in Wahyudi and Pawestri (2006) corporate value can be seen from the stock price, this is for stock price can predict future expectations of a company. Indonesia is as one of the important countries in the field of mining in the world (Supeni dan Adawiyah, 2015). In fact, shares in the industrial sector reaches minus 26.62% (Republika.co.id/Friday/07/ 08/15). According to Lana Soelistianingsih to Republika, Thursday (6/8) said the movement of shares in the mining sector is strongly affected from the performance of the mining industry. Lana adds that the mining sector is the one that most accept the pessimism of stock market to date, there is no hope for performance improvement.

Poor value of mining companies is because of decreased performance. According to Mahendra et al. (2012) corporate financial performance is one of the factors that potential investors see to determine stock investments. Financial performance is the result of many decisions made continously by the management of the company to achieve a certain goal effectively and efficiently (Anwar et al., 2010 in Wardoyo and Veronica, 2013). For the company to maintain and improve the financial performance is a must for the stock is still interested investors. One way to measure financial performance is by analyzing financial statements using financial ratios. One of which is profitability ratio. Profitability ratio is a ratio that shows the combined effects of liquidity, asset management and debt on operating results (Brigham and Houston, 2006). Return on Equity is a measure of profitability from the point of view of shareholders. This study uses corporate social responsibility (CSR) as a moderating variable. Companies are expected to have a good social responsibility for the environment. The negative impacts of mining industry in Indonesia that are directly related to nature can cause environmental damage. In overcoming the negative impact, then every company must have a social responsibility or corporate social responsibility (CSR). In addition to the disclosure of corporate social responsibility (CSR), the researchers also use good corporate governance mechanisms as a moderating variable. Good Corporate Governance in the company is expected to minimize agency problems due to differences of interests between principal and agent.

Investors see an image of a company by looking at financial ratios as an investment evaluation tool. In the ratio can reflect the high low value of the company. Return On Equity (ROE) is the ratio noticed by investors and is a measure of profitability taken from equity from the point of shareholders (Hanafi & Halim, 1996). In signaling theory encourages companies to provide corporate financial information to external parties. A good qualified company will signal to the market in the hope that the market can differentiate good companies and bad companies (Hartono, 2005). This is done to attract investors avoid information asymmetries. The higher the ROE, the higher the ability of the company to generate profits for shareholders (Rinanti, 2009). Growth of good ROE will show the prospect of company good in the future means that the company has a potencial big profit. If stock price and stock value are outstanding it will affect corporate value.

H1: Financial Performance Has a Positive Effect on Corporate Value

In this study, the researchers use CSR disclosure as a moderating variable. John Elkington in Anggitasari and Mutmainah (2012) has three concepts in the disclosure of corporate social responsibility (CSR) that is the goal of the company not only seek profit, but also welfare community or people around and ensure the sustainability of planetary life. This is believed to guarantee the sustainability of the company in the future. Companies use corporate social responsibility as a strategy to meet what is desired by stakeholder, the better corporate social responsibility disclosure done by the company then the stakeholders will also increasingly give full support to the company for all its activities that aims to improve corporate financial performance and achieve profit.

H2: The Disclosure of CSR Moderates the Effect of Financial Performance on Corporate Value

The researchers also use corporate governance mechanism as a moderating variable to maximize corporate value. The implementation of good corporate governance (GCG) mechanism illustrates how management efforts in managing corporate wealth well reflected from its financial performance. The better the corporate governance performance of a company, the better the operational performance of the company (Nofiani and Poppy, 2010). The proxy used from Good Corporate Governance (GCG) mechanism is managerial ownership. According to Muid (2004), high managerial ownership will reduce the possibility of opportunistic behaviour done by the manager. The higher managerial ownership, the agency problem is assumed to be lessened. This is done so that there is no opportunistic behavior of managers and the tendency of managers to get personal gain.

H3: Managerial Ownership Moderates the Effect of Financial Performance on Corporate Value

METHODS

This study used secondary data obtained from sampling by using purposive sampling. The population in this study was mining companies listed on the Indonesia Stock Exchange (IDX) during 2011-2014 and obtained sample of 13 companies per year with a total sample of 52 units of analysis. Data processing and analysis used were descriptive statistical analysis and moderated regression analysis (MRA), using SPSS windows 21. The dependent variable in this study was corporate value. Corporate value was measured by using Tobin's Q. The greater the value of Tobin's Q described an investment opportunity owned by the company and good growth prospects in the future was better (Tobin , 1969). Corporate value was measured by using Tobin's Q. The formula used in this study was as follows. (Klapper and Love (2002):

$$\text{Tobin's Q} = (\text{MVE} + \text{DEBT})/(\text{Total Asset})$$

Return On Equity (X1): High Return On Equity (ROE) indicated that the company was able to generate high profits for shareholders. According to Van Horne and Wachowicz (2005) to obtain return on equity value could be calculated by using the following formula:

$$Return\ on\ Equity = \frac{Net\ Profit}{Total\ Equity}$$

Corporate Social Responsibility (CSR) was the obligation of the organization or the company to maintain the quality of social and physical environment and make a positive contribution to the community in the company's environment. The formula for calculating CSR was as follows: (Haniffa et al., 2005):

$$\text{CSRi} = \frac{\sum \text{Xi}}{\text{n}}$$

Note:

CSRi = Index of CSR disclosure

Xi = 1 if item i disclosed and 0 jika item i not disclosed

Percentage of shareholding which owned by management (directors, managers and board of commissioners) who actively participated in corporate decision making.

This study would use a simple linear regression technique. Before conducting the analysis, it was needed to conduct classical assumptions test to produce valid estimator model parameters. The classical assumption test would be fulfilled if the test met the assumption of normality and did not occur heteroscedasticity, autocorrelation, and multicollinearity.

RESULTS AND DISCUSSIONS

This description explained about the total 52 units of analysis that affected on corporate value. The table below presented a summary of descriptive statistics from each variable. The results of descriptive statistical test could be seen below.

Table 1. The Result of Descriptive Statistical Test
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
CSR	52	.10	.86	.2946	.18043	3.609	.650
KM	52	.00	.46	.0323	.07741	19.330	.650
ROE	52	-27.40	26.74	4.6954	11.79820	.628	.650
TOBINS	52	.11	2.97	1.2683	.53928	2.044	.650
Valid N (listwise)	52						

Source: Secondary data processed by SPSS 21,2016

A required good regression model must meet the absence of classical assumption problems. The classical assumption test of each model was as follows: From the result of Kolmogorov-Smirnov Test was 0.902 with asymp. sig value (2-tailed) of 0.390, this means that the residual data was normally distributed, since asymp.sig (2-tailed) was greater than 0.05. From the result of glesjer test in Table 3 could be seen that the regression model used in this study did not occur heteroscedasticity, it could be seen from the result of its significance probability for all independent variables above 0.05 or 5%. The CSR variable showed a significance level of 0.940, the KM variable indicated a significance level of 0.554 and the ROE variable indicated a significance level of 0.530. The result of SPSS output display showed all independent variables had a value of sig $\geq$ 0.05 with significance profitability level of CSR, KM and ROE <0,05. So it could be concluded that the regression model did not occur heteroscedasticity.

From the test result using Durbin Watson test on the table. The DW value was 2.155. This value would be compared to the table value using 5% significance. The number of samples in the study n = 52, the dl value = 1.452 and du = 1.681. Therefore DW value of 2.155> 1.681 and <2.319 (4- 1.681), it could be concluded that there was no autocorrelation either positive or negative. According to Ghozali (2013), a good regression model did not have the correlation between independent variables. To detect the presence or absence of multicollinearity in the regression model was by looking at the value of tolerance and Variance Inflation Factor (VIF). From the table seen every independent variable had a tolerance value> 0.1 and VIF <10. So it could be concluded that there was no multicollinearity among independent variables in this regression model. Based on the analysis with SPSS 21 for Windows program obtained multiple regression results as summarized in Table 2 as follows:

Table 2. The Result of Regression Equation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.977	.126		7.770	.000
	Zscore(CSR)	.068	.081	.126	.840	.405
	Zscore(KM)	-.125	.118	-.232	-1.056	.296
	Zscore(ROE)	.177	.072	.329	2.457	.018
	SNM1	-.012	.112	-.018	-.105	.917
	SNM2	.269	.109	.542	2.467	.017

a. Dependent Variable: TOBINS

Source: Scondary data processed by SPSS 21,2016

Based on the table above, then the regression equation obtained was Tobin = 0,977 + 0,068 ZscoreCSR - 0,125 ZscoreKM + 0,177 ZscoreROE – 0,012 SNM1 + 0,269 SNM2.

Tabel 3. Hasil Uji Simultan

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.733	5	.947	4.312	.003[b]
	Residual	10.098	46	.220		
	Total	14.832	51			

a. Dependent Variable: TOBINS

b. Predictors: (Constant), SNM2, Zscore(ROE), SNM1, Zscore(CSR), Zscore(KM)

Source: Secondary data processed by SPSS 21.2016

In Anova table obtained F value = 4.312 and sig = 0.003 or 0,3% <5% this meant that variables of CSR, KM and ROE simultaneously simply had a significant effect to Tobins dependent variable. In other words, the CSR, KM and ROE variables were able to explain the size of the Tobins dependent variable on the mining companies listed on the IDX. T test was conducted to determine whether individually (partially) independent variables influenced the dependent variable significantly or not. The output of SPSS 21 was as follows:

Table 4. The Result of Partial Test (T Tets)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.977	.126		7.770	.000
	Zscore(CSR)	.068	.081	.126	.840	.405
	Zscore(KM)	-.125	.118	-.232	-1.056	.296
	Zscore(ROE)	.177	.072	.329	2.457	.018
	SNM1	-.012	.112	-.018	-.105	.917
	SNM2	.269	.109	.542	2.467	.017

a. Dependent Variable: TOBINS

Source: Seconday sekunder processed by SPSS 21,2016

With confidence level = 95% or (α) = 0.05. The degree of freedom (df) = n-k 1 = 52-3-1 = 48, as well as two-tailed test obtained from the t_{count} value = 2.01. The result of statistical testing with SPSS on CSR variable obtained t_{count} value = 0.840 < 2.01 and sig = 0.399 = 39.9% > 5% so Ho was accepted. In the variable of KM obtained t_{count} value = -1.056 < 2.01 and sig = 0.300 = 30% > 5% so Ho was accepted. In the variable of ROE obtained t_{count} value = 2.475 > 2.01 and sig = 0.017 = 1.7% > 5% so Ho was rejected. In the variable of SNM1 (Interaction ROE with CSR) obtained t_{count} value = -0.105 < 2.01 and sig = 0.908 = 90.8%> 5% so Ho was accepted. In the variable of SNM2 (Interaction ROE with KM) obtained t_{count} value = 2.461 > 2.01 and sig = 0.018 = 1.8% <5% so Ho was rejected.

To know how big the effect of free variable to dependent variable could be seen in table of model summary below.

Tabel 5. The Result of Multiple Determination Test

Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.565^a	.319	.245	.46854

a. Predictors: (Constant), SNM2, Zscore(ROE), SNM1, Zscore(CSR), Zscore(KM)

Source: Secondary data processed by SPSS 21,2016

On the table above, the value of Adjusted R^2 = 0.245 = 24.5% meant that the independent variables of CSR, Managerial ownership and ROE together influenced the dependent variable of corporate value (Tobins) in the amount of 24.6% and the rest was influenced by others variable that were not included in this research. Based on the result of research which was obtained by hypothesis 1 testing, it showed that financial performance (ROE) had a positive effect on the value of the company. This meant that financial performance (ROE) had a positive and significant effect on the value of the company, or in other words the greater Return on Equity (ROE) resulted in the increasing corporate value. This study was directly proportional to signal theory, where companies that provided financial statement information to external were able to encourage shareholders to invest their capital in the company.

One of the main reasons companies operated was to generate profits that were beneficial to shareholders. The point of view of shareholders was to use profitability measures. This study used profitability as reflected by Return On Equity. The measure of ROE in this study was measured by using information from the annual reports by looking at net income and divided by the equity of each company. From this result would show how much return on equity of a company. The greater ROE reflected the company's ability to generate high returns for shareholders. This had an impact on the increase of corporate value.

Based on the results of research which was obtained by hypothesis 1 testing, it showed that financial performance (ROE) positively affected on the value of the company. The result of multiple regression analysis showed a positive regression coefficient value of 0.178 and a significance score of 0.017 (less than 0.05). This meant that financial performance (ROE) had a positive and significant influence on the value of the company, or in other words, the greater Return on Equity (ROE) resulted in the increasing corporate value.

The result of hypothesis 2, the effect of CSR disclosure to the relationship of financial performance (ROE) with corporate value was rejected. The researchers used Corporate Social Responsibility (CSR) as a moderating variable. From the result of regression calculation with Moderated Regression Analysis (MRA) test showed t count value of CSR variable equal to -0.105

and sig of 0.917. The sig value was greater than 5% (0.917> 0.05), hence hypothesis 2 "Disclosure of CSR was able to moderate the relationship between financial performance and corporate value" was rejected. This meant that the disclosure of Corporate Social Responsibility (CSR) was not a moderating variable to the relationship between ROE and corporate value. This result was contradict with research conducted by Yuniasih and Wirakusuma (2009), and Susianti and Yasa (2013). This research supported research conducted by Hidayat (2010) and Rahayu (2010).

Corporate Social Responsibility (CSR) was an important part of the company to maintain the prevention of nature and support the sustainability of the company in the future. Moreover, mining companies were closely related to nature, so it was expected that all mining companies not only to take nature as a raw material of the company, but also expected to maintain the prevention and sustainability of nature. However, the result of this study indicated that investors did not respond to CSR disclosures that have been done by the company. CSR could not moderate financial performance against corporate value.

The result of the third hypothesis of the effect of managerial ownership on the relationship between financial performance (roe) and corporate value was accepted. Interaction of ROE and KM variables had a relationship that significantly affected on the value of the company. From the result of research known as the percentage increase of KM, then ROE and Tobins relationship would rise. From the research, it could be interpreted that the higher shareholding owned by company managerial could strengthen the relationship between financial performance and corporate value. This result was consistent with agency theory which stated that it would create a conflict of interest differences between owners / shareholders and managers, then managerial ownership was seen as an appropriate control mechanism to reduce the conflict.

CONCLUSIONS

Based on the results of research conducted shows that the variable of financial performance using profitability ratio that is return on equity (ROE) has an effect on the value of the company. Corporate Social Responsibility (CSR) Disclosure is not a moderating variable to the relationship between financial performance and corporate value. The interaction between financial performance and managerial ownership as a proxy for Good Corporate Governance (GCG) mechanism toward corporate value has a significant positive effect as the percentage of managerial ownership increases, the relationship of financial performance and corporate value will increase. From the test result, it can be concluded that the higher the shareholding owned by the management of the company can strengthen the relationship between financial performance and corporate value.

Suggestions for this research are further to increase the number of research samples and also examine other industry sectors to reflect the reaction of capital market as a whole. Further research can use other financial performance ratios such as liqudity ratio, leverage ratio, activity ratio, and coverage ratio. Using the proxy of other GCG mechanisms, for example, boards of commissioners, independent commissioners, audit committees or other established criteria.

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