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The Influence of Corporate Social Responsibility and Institutional Ownership on Profitability and Firm Value

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ABSTRACT

This study examines the effect of Corporate Social Responsibility and Institutional Ownership on Profitability and Firm Value. This study uses companies in the mining sector listed on the Indonesia Stock Exchange for 2017 to 2021. This research uses the purposive sampling method. Based on the results of the analysis of panel data using EViews, it shows that: (1) corporate social responsibility has no effect on profitability, (2) institutional ownership has no effect on profitability, (3) corporate social responsibility has a positive effect on firm value, (4) institutional ownership has a positive effect on firm value. The implication of the results of this study is that mining companies can manage the company and in the implementation of corporate social responsibility in a sustainable manner that can have a good influence on increasing company value. In addition, the corporate social responsibility program also has a positive impact on the company in attracting investors to buy company shares which in the future will increase the value of the company.

Keywords: Corporate Social Responsibility, Institutional Ownership, Profitability, Firm Value.

1. Introduction

The mining sector in industrial companies is one of the pillars of economic development of a country because of its role as a provider of energy resources indispensable for the economic growth of a nation. The rich potential of natural resources can create opportunities for many companies to explore (Sari, 2016). The company's goal is to seek profit so that it can maximize the value of the company (corporate value) or the prosperity of shareholders, as well as maintain its viability (going concern) (Wiyono & Kusuma, 2017).

A company's performance appraisal can be seen from the ability of a company to generate profits. IManagerswill tries to maximize revenue and reduce operating expenses. In managing the company. Maximizing income is also known as increasing profitability (Destya, Ramia, & Abriani, 2012). Profitability is a performance indicator carried out by management in managing

the company's wealth which is indicated by the profits generated (Sudarmadji & Sularto, 2007). IThisstudy, measures profitabilityusing return on assets (ROA). ROA describes the extent to which the ability of the assets-owned company can make a profit (Tendelilin, 2001).

The value of the company is also significant to note because it reflects how much the company can provide benefits to investors. Increasing the high value of the company is a long-term goal of a company which is reflected in the market price of its shares because investors' assessments of the company can be observed by the movement of stock prices from companies listed on the stock exchange to companies that have gone public (Haruman, 2008). In order to achieve the company's goal of maximizing shareholder wealth, it is necessary to make various financial decisions that are relevant and have an influence on increasing company value (Widyawati et al., 2019). In this study, researchers used Tobin's q to measure firm value.

From the perspective of agency theory, a potential agency problem can occur to increase firm value. With the agency problem, a company must be able to solve it by aligning the differences that occur between the agent and the principal, which will cause agency costs. To increase the company's value, the company chooses an alternative to reduce the additional agency costs with institutional ownership. Institutional ownership is generally in charge of monitoring the company. The high level of optimal institutional ownership in a company will increase the value of the company. In line with research by Wardhani et al. (2017), institutional ownership positively affects firm value.

CSR is the result of thinking that for companies to develop consistently, companies must be responsible for social problems around the company, not only in terms of finances (Susanto & Ardini, 2016). Suppose a company cares about social and environmental concerns. In that case, the company can increase sales and market share, strengthen brand positioning, improve company image and influence, and reduce company operating costs. Of course, that can increase company profits (Arifulsyah & Nurulita, 2007). 2016). CSR is also seen as a benchmark for a company's reputation. How far a company's CSR will affect the company's reputation?

Mining companies are companies whose majority have a risk of pollution to the surrounding environment. To maintain a good name, a company must pay attention to the welfare of the external and internal environment. The relationship between CSR with profitability and firm value is studied by Yoon (2018), which states that the influence of internal and external CSR on profitability and firm value produces several results. Internal CSR has a positive effect on profitability and firm value. In comparison, external CSR has a negative effect on profitability but a positive effect on firm value. This research is a development of previous research conducted by Yoon (2018), which was conducted in the restaurant sector. This research was conducted with a different sector, namely the mining sector, because this sector is considered quite attractive in terms of its social responsibility to the surrounding environment.

2. Literature Review

2.1 Stakeholder Theory

Yoon (2018) adopts a *stakeholder approach* to CSR strategic management. They propose that *stakeholder* theory is the key to understanding the structure and dimensions of corporate social

initiatives. *Stakeholders* are all parties, both internal and external, who have a relationship, whether influencing or being influenced directly or indirectly by the company.

2.2 Agency Theory

Agency theory wants the company's owner to hand over the company's management to professionals (agents). In agency theory, it has been explained how the parties involved in the company will behave. According to Brigham & Houston (2006), managers are empowered by company owners, namely shareholders, to make decisions; this can create a potential conflict of interest known as *agency theory.*

2.3 Corporate Social Responsibility

According to Said (2018), *Corporate Social Responsibility* (CSR) is an effort from the company to raise its image in the eyes of the public by creating external good charity programs as well as internally. According to Mulyani (2018), CSR disclosure is the company's implementation of reporting CSR activities in its annual report. The concept of the triple bottom line or 3P (profit, people, planet) proposed by John Elkington became a significant breakthrough in the world of CSR (Pilaradiwangsa, 2010). CSR activities can be disclosed using the GRI (Global Reporting Initiative) index, where there are 90 measurement items with ten indicators. To find out the results of the disclosure, it can be assessed with a number of 1 if the company is known to disclose the item and given a value of 0 if no disclosure of the item is found. After the accumulation of the number of disclosure items that occurred, then divided by the total number of disclosure items. According to Nurlela (2019), the measurement of CSR disclosure is formulated as follows:

$$CSR = \frac{\sum X_{ij}}{n_j}$$

2.4 Institutional Ownership

In accordance with *agency theory,* which requires company owners or principals to hand over the management of the company to professionals (agents). Institutional ownership is company shares owned by institutions or institutions such as insurance companies, banks, investment companies, and other institutional ownership (Sari & Akhmad, 2012). Institutional ownership is the percentage of share ownership in a company owned by the institution. In calculating the amount of share ownership by the institution can be calculated by dividing the amount of share ownership owned by the institution divided by the number of shares outstanding in the company. According to Oemar (2016) institutional ownership is calculated by the following formula:

$$kepemilikan\ institusional = \frac{jumlah\ saham\ yang\ dimiliki\ institusi}{jumlah\ saham\ beredar}$$

2.5 Profitability

Profitability is one of the bases for assessing the company's condition Harry (2017). According to Kasmir (2016), the profitability ratio is a ratio to assess the ability of a company in search of profit. This ratio also gives a measure of the level of management effectiveness of a company. This is

indicated by the profit generated from sales and investment income. In this study, profitability is measured by the ratio of ROA (Return On Assets). ROA is considered to be the most effective ratio for measuring the level of profitability because it can determine the company's net profit position from year to year. The ROA ratio is calculated by dividing net income by the company's total assets. According to Brigham and Houston (2006), mathematically, the return on assets is formulated as follows:

$$ROA = \frac{Laba\ Bersih}{Total\ Aset}$$

2.6 Firm Value

Fauziah (2017) states that the value of the company is a measuring tool for investors to find out the company's performance regarding the investments they have made or will make and their prospects in the future. In this case, the increase in firm value is identical to an increase in stock prices. Firm value is measured by Tobin's Q. This ratio is a ratio created by Tobin (1967) which can show the level of management effectiveness in managing the company's resources. Value is measured by Tobin's q ratio. This ratio is a ratio created by Tobin (1967), which shows the level of management effectiveness in utilizing and managing the resources owned by a company. According to Lindenberg & Ross (1981), Tobin's q ratio is formulated as follows:

$$Tobin'sQ = \frac{MVE + DEBT}{TA}$$

3. Research Methodology

This type of research is causal associative research, namely research that aims to analyze the influence between 2 or more variables (Suliyanto, 2014). The object of this research is corporate social responsibility and institutional ownership on profitability and firm value. The subjects of this study are mining companies listed on the Indonesia Stock Exchange in 2017-2021. The population in this study are mining companies listed on the Indonesia Stock Exchange 2017-2021. The total population in this study were 11 companies. The sampling technique was carried out using purposive sampling method in order to obtain a sample in accordance with the research objectives. Researchers chose data collection techniques from financial statement data and annual reports obtained from the Indonesia Stock Exchange website (www.bei.co.id). In addition, researchers also use some other literature such as journals, articles, scientific works, and other written works.

Descriptive statistics is a field of statistical science that studies the procedures for compiling and presenting data that has been collected in research where there are graphs or tables followed by measuring statistical values such as standard deviation and arithmetic mean (Suliyanto, 2018). Panel data regression analysis is a regression analysis with a panel data structure. To estimate the model parameters with panel data, there are three models that can be used, namely the common effect model, fixed effect model, and random effect model. For the selection of the estimation model in the panel data, three stages of testing can be carried out, namely the Chow test, the Hausman test, and the Lagrange multiplier test. A classical assumption test is used to test the feasibility of the model in a study.

This test is useful for testing the significance of the regression coefficients obtained. There are three shypothesis testing stages namely: (1) Coefficient of Determination Test. The value of the coefficient of determination reflects how much variation of the dependent variable Y can be explained by the independent variable X (Nachrowi & Hardius, 2006). (2) F Uji test. This test is used to simultaneously test the regression coefficient hypothesis and ensure that the selected model is feasible or not to interpret the influence of the independent variable on the dependent variable. (3) T Uji test This test is used tindividually o test the regression coefficients

4. Results

4.1 Description of Research Data

This research was conducted on mining sector companies listed on the Indonesia Stock Exchange from 2017 – 2021. The purpose of this study was to analyze the effect of corporate social responsibility and institutional ownership on profitability and firm value. The sampling technique used in this study is purposive sampling, where the determination of the selected sample is in accordance with predetermined criteria. There are 11 companies used as samples that match the predetermined criteria. The period of this research year is 5 years, namely from 2017 to 2021, so the number of observations is $11 \times 5 = 55$ companies.

4.2 Data analysis
Descriptive Statistics
In a descriptive analysis of this research model 1, there is an independent variable (x), namely *Corporate Social Responsibility* (X1) and institutional ownership (X2), and the dependent variable (y) is profitability. The results of the descriptive analysis of this study are as follows:

Tabel 2. Data Analysis

Variabel	Jumlah Sampel	*Mean*	Maksimum	Minimum	Standar Deviasi
CSR (X1)	55	0,625	0,770	0,510	0,082
KI (X2)	55	0,604	0,930	0,050	0,223
ROA (Y1)	55	0,030	0,240	-0,108	0,0499
TOBIN'S Q (Y2)	55	0,014	0,119	0,002	0,017

Based on the table above, the highest CSR variable occurs at PT. Vale Indonesia Tbk (INCO) and the lowest CSR occurred at PT TBS Energy Utama Tbk. The mean or average value is 0.63 and the standard deviation is 0.08, where the mean (0.63) > standard deviation (0.08) which means that the distribution of CSR values is good. PT TBS Energy Utama Tbk owns the highest variable of institutional ownership while the lowest institutional ownership is owned by PT Merdeka Copper Gold Tbk. The average or mean value of the institutional ownership variable is 0.60 while the standard deviation value is 0.22 where the mean value is 0.60 > 0.22 standard deviation which means that the distribution of institutional ownership is quite good. TPT Indika Energy Tbk owns the highest profitabilityand the lowest profitability is owned by PT Vale Indonesia Tbk. The average value is 0.03, and the standard deviation is 0.05 where the mean value is 0.03 < the standard deviation value is 0.05, which means that the distribution of profitability data is not good. PT Merdeka Copper Gold Tbk owns the highest Tobin's q ratio in 2018 and the lowest Tobin's q ratio is also owned by PT Merdeka Copper Gold Tbk in 2017. The average value (*mean*) is 0.014

and the standard deviation is 0.017, where the *mean value is* 0.014 < value standard deviation of 0.017, which means that the distribution of firm value data is not good.

Panel Data Regression Estimation

Tabel 2. Common Effect Models

Variabel	Persamaan 1			Persamaan 2		
	CSR (X1)	KI (X2)	ROA (Y1)	CSR (X1)	KI (X2)	Tobin's Q (Y2)
Koefisien	5,5521	-0,072	-1,5389	0,960	0,220	-3,97
t-Stastistik	2,73	-0,174	-0,786	1,39	1,265	-10,134
Probabilitas	0,0089	0,863	0,436	0,1718	0,2114	0,000
R – *Squared*	0,163410			0,046503		
Adjusted R^2	0,127810			0,009830		
F – Statistik	4,590212			1,268053		
Prob (F_Statistik)	0,015103			0,289934		

Tabel 3. Fixed Effect Models

Variabel	Persamaan 1			Persamaan 2		
	CSR (X1)	KI (X2)	ROA (Y1)	CSR (X1)	KI (X2)	Tobin's Q (Y2)
Koefisien	-2,303	-0,055	-5,309	2,666	0,0395	-2,551
t-Stastistik	-1,014	-0,234	-4,786	3,0199	3,426	-5,879
Probability	0,3174	0,817	0,000	0,000	0,002	0,000
R – *Squared*	0,943154			0,798005		
Adjusted R^2	0,921747			0,740292		
F – Statistik	51,15656			13,82713		
Prob (F_Statistik)	0,00000			0,000000		

Random Effect Models

Tabel 4. Random Effect Models

Variabel	Persamaan 1			Persamaan 2		
	CSR (X1)	KI (X2)	ROA (Y1)	CSR (X1)	KI (X2)	Tobin's Q (Y2)
Koefisien	4,554	-0,063	-1,983	2,390	1,066	-2,798
t-Stastistik	1,455	-0,136	-1,205	2,840	8,199	0,446
Probability	0,2342	0,8924	0,2342	0,0064	0,0000	0,0000
R – *Squared*	0,049572			0,457575		
Adjusted R^2	0,009128			0,436712		
F – Statistik	1,225694			21,93285		
Prob (F_Statistik)	0,302765			0,00000		

Panel Data Estimation Model Selection

Tabel 5. Chow test

	Pengukuran	**Probabilitas**
Persamaan 1	*Cross-section F*	0,0010
	Cross-section Chi-Square	0,0001
Persamaan 2	*Cross-section F*	0,0000
	Cross-section Chi-Square	0,0000

F statistical test (Chow test) obtained the probability value of *the Chi-Square Cross-Section* is 0.0 010 . In accordance with the test criteria, if the probability value of *the Chi-Square Cross-Section* < significance (0.05) then it rejects Ho, which means that a good model to be used in the panel data regression equation 1 is the *fixed effect model* . For the results of the second equation in the picture above , it is known that the results of the F statistic test (Chow test) obtained the probability value of *the Chi-Square Cross-Section* is 0.0000 . In accordance with the test criteria, if the probability value of *the Chi-Square Cross-Section* < significance (0.05) then it rejects Ho, which means that a good model to be used in the panel data regression equation 2 is the *fixed effect model.*

Hausman Test

Tabel 6. Hausman Test

Test Summary	***Chi-Sq. Statistic***	**Probability**
Cross-section random (Persamaan 1)	0,445772	0,8002
Cross-section random (Persamaan 2)	30,017417	0,0000

Hausman test results for equation 1 obtain a probability value of 0, 8002 which means the probability value is greater than the significance level (0.05) so that Ho is accepted and Ha is rejected. Thus, a good model for panel data regression in equation 1 is the *random effect model* . For the results of the Hausman test *, equation 2 obtains a probability value of 0.00000* , which means *that* the probability value is smaller than the significance level (0.05) so Ho is rejected and Ha is accepted. Thus, a good model for panel data regression equation 2 is the *fixed effect model*.

Lagrange Multiplier Test

Tabel 7. Lagrange Multiplier Test

Persamaan 1	***Test Hypothesis***		
	Cross-section	***Time***	***Both***
Breusch-Pagan	12,49946 **(0,0004)**	0,382057 (0,5365)	12,88152 (0,0003)
Persamaan 2	***Test Hypothesis***		
	Cross-section	***Time***	***Both***
Breusch-Pagan	13,79092 **(0,0002)**	2,014764 (0,1558)	15,80569 (0,0001)

Lagrange multiplier test in *equation* 1 which has been carried out using the *Breusch-Pagan method,* shows that the *cross-sectional prob value Breusch-Pagan* is smaller than the significance level of 0.0 003 < 0.05 . So accept H 1 which indicates that the best estimation method is the *random effect model* . For the results of the *Lagrange multiplier* test in equation 2 which has been carried out using the *Breusch -Pagan method, it* shows that the *cross-sectional prob value Breusch-*

Pagan is smaller than the significance level of 0.0 001 < 0.05 . So accept H 1 which indicates that the best estimation method is the *random effect model* .

Hausman test and the *Lagrange multiplier for the equation* 1 model show that the best estimation method is the *random effect model* , so the best estimation method used in the research of equation 1 model is the *random effect model* . The results of the *Hausman* test and the *Lagrange multiplier for the equation* 2 model show that the best estimation method is the *random effect model* , so the best estimation method used in the research of the equation 2 model is the *random effect model* .

Analysis of Classical Assumption Test Results

Tabel 8. Normality test

Persamaan 1	*Jarque Bera*	1,368963
	Probabilitas	0,504352
Persamaan 2	*Jarque Bera*	8,059058
	Probabilitas	0,012531

The rnormality test resultsin equation 1 show that the probability value > the significance value is 0.504352 > 0.05, which means that the residuals are normally distributed. The rnormality test resultsin model 2 show that the probability value > the significance value is 0.012531 > 0.05, which means that the residuals are not normally distributed.

Tabel 9. Multicollinearity test

Persamaan 1			**Persamaan 2**		
	CSR	**KI**		**CSR**	**KI**
CSR	1	-0,426356	CSR	1	-0, 391948
KI	-0,426356	1	KI	-0,391948	1

For equation 1 is (– 0, 426356), where the number is less than the correlation value of 0.85, which means that there is no multicollinearity problem in equation 1. For the multicollinearity test, the results obtained in equation 2 is (– 0, 391948), where the number is less than a correlation value of 0.85, which means that there is no multicollinearity problem in model 2.

Tabel 10. Autocorrelation Test

Uji Autokorelasi
Persamaan 2
DW = 2,416191
dU = 1,6406
dL = 1,4903
4 – dU = 4 – 1,6406= 2,3594
4 – dL = 4 – 1,4903= 2,5097

The results of the autocorrelation test for equation 2 the results of the autocorrelation test stated that 1.6406 (dU) < 2.416191 (DW) > 2.3594 (4 – dU). So the conclusion is that the Durbin Watson value from the regression equation model 2 that is formed does not have any autocorrelation.

Tabel 11. Heteroscedasticity Test

	Variable	Probability
Persamaan 2	TOBIN'S Q (C)	0,9019
	CSR (X1)	0,4196
	KI (X2)	0,3486

For equation 2 as shown in the table above, the probability value is greater than the significance level value (0.05), which is 0.9019 (Tobin's Q), 0.4196 (CSR), 0.3486 (KI) > 0.05 then from equation 2 it can be concluded that there is no heteroscedasticity problem.

Hypothesis Test Results

Tabel 12. Coefficient of Determination Test

	Persamaan 1	Persamaan 2
R-squared	0.049572	0.798005
Adjusted R-squared	**0.009128**	**0.740292**

For equation 1 the value of the coefficient of determination (*Adjusted* R - *squared) shows* a value of 0.009128 or 0.9 % . This shows that the existing independent variables, namely *Corporate Social Responsibility* (CSR) and institutional ownership (KI) are able to explain the profitability variable of 0.9 % , while the remaining 99.1 % is explained by other factors outside the variables studied . Based on the test results in table 19 in equation 2 , it can be seen that the value of the coefficient of determination (*Adjusted* R - *squared*) shows a value of 0.740292 or 74 %. This shows that the existing independent variables, namely *Corporate Social Responsibility* (CSR) and institutional ownership (KI) can explain the variable firm value by 74 %. In comparison, the remaining 26 % is explained by other factors outside the variables studied.

F Uji test

Tabel 13. Uji F

	Persamaan 1	Persamaan 2
F-statistik	1,225694	13,82713
Prob (F-statistik)	0.302765	0,000000

The results of the f test in equation 1 , it can be seen that the F-statistic value is 1.225694 and the probability value is 0.302765 . The test result shows that the f-statistic is greater than the f-table, namely 1.225694 > 2.14 , so reject H 0 or which means that the CSR variable and institutional ownership jointly affect the profitability variable. While the results of the f test in equation 2, showthat the F-statistic value is 13,82713 and a probability value of 0.0 000000 . The test results show that the probability is smaller than the significance level of 0.05, thus rejecting H 0 or which means that the CSR variables and institutional ownership are jointly affect the firm value variable .

T Uji test

Tabel 14. Uji T

	Variabel	Koefisien	t-statistik	Probabilitas
Persamaan 1	(ROA) C	-1,983354	-1,205132	0.2342
	CSR	4,553923	1,453371	0.1522
	KI	-0.062699	0,461047	0.8924

Persamaan2	(Tobin's Q) C	-2,551228	-5,878943	0,0000
	CSR	2,66422	3,019897	0.0043
	KI	1,265739	7,022270	0.0000

5. Discussion

5.1 The influence of corporate social responsibility (CSR) on profitability

Based on partial hypothesis testing, the variable *corporate social responsibility* (CSR) has no and no significant effect on the profitability of mining companies listed on the Indonesia Stock Exchange. This can be seen from the probability value of *corporate social responsibility* (CS R) of 0 , 1522 or greater than the significance value of 0.05. And the value of the coefficient of *corporate social responsibility* (CSR) of 4,554 shows a positive relationship between *corporate social responsibility* (CSR) with the company's profitability, which means the implementation of *corporate social responsibility* (CSR) If a company is high, it does not lead to higher profitability obtained by a company. The results of this analysis are supported by research conducted by Septiana and Nur (2012) which states that the effect of CSR implementation has no effect on the profitability of a company. This happens because it adds to the company's operating expenses, therefore it cannot be stated to have an effect on profitability as proxied by ROA.

5.2 The effect of institutional ownership on profitability

Based on hypothesis testing, the variable of institutional ownership (KI) is not influential and insignificant to the profitability of mining companies listed on the Indonesia Stock Exchange . This can be seen from the probability value of institutional ownership (KI) of 0 , 7928 or greater than the significance value of 0.05. And the coefficient of institutional ownership (KI) of − 0.120247 indicates a negative relationship between institutional ownership (KI) and company profitability.

From the research sample, there are 4 companies in 2017 to 2021 that have a percentage of institutional ownership below 50%. This is what causes institutional ownership to have no and no significant effect on company profitability. The results of this analysis are in line with other research conducted by Wiranata (2013) where institutional ownership is not proven to have an effect on company profitability.

5.3 The effect of corporate social responsibility on firm value

Based on partial hypothesis testing, the variable *corporate social responsibility* (CSR) influential and significant impact on the value of companies in mining companies listed on the Indonesia Stock Exchange. This can be seen from the probability value of *corporate social responsibility* (CSR). as big as 0.0043 or smaller than the 0.05 significance value. And the value of the CSR coefficient of 2.664 indicates that *corporate social responsibility* (CSR) has an effect and is significant on firm value. This is supported by Yoon (2018) which states that the *corporate social responsibility variable* has a positive effect on firm value.

5.4 The effect of institutional ownership on firm value

Based on partial hypothesis testing, the variable of institutional ownership (KI) positive and significant effect on firm value in mining companies listed on the Indonesia Stock Exchange. This can be seen from the probability value of institutional ownership of 0.0015 which is smaller than

the significance level of 0.05. The coefficient value of institutional ownership of 0.039491 indicates a positive relationship between institutional ownership (KI) and firm value . Stock movements that continue to increase will make investors interested in buying shares because the company has a good stock value. The institution only focuses on stock movements because it really reflects how well the company can develop. In line with the results of research by Kansil & Singh (2018).

6. Conclusion

Based on the results of data analysis and discussion on the influence of *corporate social responsibility* (CSR) and institutional ownership (KI) on profitability and firm value , the following conclusions can be drawn: (1) *Corporate Social Responsibility* (CSR) has a positive and significant effect on profitability in mining companies listed on the Indonesia Stock Exchange for the period 2017 -2021. (2) *Corporate Social Responsibility* (CSR) has no and no significant effect on firm value in mining companies listed on the Indonesia Stock Exchange for the period 2017 - 2021. (3) Institutional ownership has no and no significant effect on the profitability of mining companies listed on the Indonesia Stock Exchange for the period 2017 -2021. (4) Institutional Ownership has a positive and significant effect on firm value in mining companies listed on the Indonesia Stock Exchange for the period 2017 -2021.

The implication of the results of this study is that mining companies can manage the company and in the implementation of corporate social responsibility in a sustainable manner that can have a good influence on increasing company value. In addition, the corporate social responsibility program also has a positive impact on the company in attracting investors to buy company shares which in the future will increase the value of the company.

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