Determinant of Firm Value with Managerial Ownership as a Moderation Variable in Manufacturing Companies Listed on the IDX

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Abstarct

Company value is an important reflection in the assessment of the condition of a company. This study aims to examine the empirical effect of Corporate Social Responsibility, dividend policy, profitability and Fraudulent Financial Reporting with Managerial Ownership as a moderation variable on company value. CSR is measured by SRDI, Dividend Policy is measured by Dividend Payout Ratio (DPR), Profitability is measured by Return on Assets, Fraudulent Financial Reporting is measured by F-Score and Managerial Ownership as a moderation variable is measured by the number of share ownership by managers. This research is quantitative using the population of manufacturing companies listed on the IDX in 2017-2021, data selection using purposive sampling techniques and multiple regression data analysis. This research model is expected to help stakeholders in understanding the company's condition by looking at the factors that affect the company's value.

***Keywords**: CSR, Dividend Policy, Profitability, Fraudulent Financial Reporting, Firm Value*

Introduction

The company is a driving force for the economy to generate profits for business continuity and plays an important role in the public, especially to the community. Company value describes the current value condition of future desired earnings and is used as an indicator for the market in assessing the company as a whole. The value of the company can be measured from various aspects, one of which is using the stock market price. At the stock market price, it can be illustrated the assessment of investors in assessing the company's ability to manage its equity. The topic of company value is currently a hot topic because the conditions before and after the Covid-19 pandemic that hit affected stock price conditions with unstable investment growth. Of course, this provides a difference in influence due to a decrease or increase in stock prices such as in manufacturing companies. According to (Kementerian Perindustrian Republik Indonesia, 2019) explained that manufacturing companies experienced growth in the realization of investment in the manufacturing industry sector in 2014 amounting to Rp.199.1 trillion to Rp.236 trillion in 2015, this increase continued in 2016 to Rp.335.8 trillion, but it turned out that in 2017 this sector experienced a decrease in investment realization to Rp.274.7 trillion with the following year decreasing in 2018 amounting to Rp.222, 3 trillion. Then in 2019, the performance of manufacturing companies improved due to the large number of orders so that production increased, besides that in 2020 the Covid-19 outbreak that hit which caused new policies against companies did not reduce the performance of manufacturing companies. This continued in 2021 with increased demand and increased operational activities. The production process of orders and the company's activities certainly have an impact on the environment, where from 2017 to 2021 Indonesia remains a polluted country with a high level of air pollution.

The influence that occurs on social and environmental conditions makes the company's management must realize that the company does not only pursue personal profit,but must pay attention to responsibility to the public. According to Law Number 40 of 2012 concerning Limited Liability Companies Article 1 point 3 explains that companies have social and environmental responsibilities as a form of commitment and participation in the process of sustainable economic development and explains that companies that carry out their business operations in the field related to natural resources are obliged to carry out social responsibility and make disclosures in financial statements. Corporate Social Responsibility or corporate social responsibility to social and environment as a form of direct contribution given by the company to the impact caused by the company's operational activities. The company's contribution will have a good impact on people's assessment of the company. This will certainly affect the value of the company as a reflection of the condition of a company and can increase the trust of stakeholders by making CSR disclosures described in the annual report. In addition to CSR, there are other indicators that can affect the value of the company such as dividend policies decided by the company's management. Investors will see how the company's management distributes dividends, the size of the amount distributed by the company will affect the stock price. The amount of dividend distribution is certainly seen from the profitability ratio which also affects the value of the company. The profitability ratio is the ratio of the company's ability to earn profits which will also affect the stock price. The increasing value of the company will certainly be a concern for company managers and will open up great opportunities for fraudulent financial reporting. This must be a concern because manipulation of financial statements can harm stakeholders by providing benefits to the parties involved. Managerial ownership of the company is one of the important indicators in influencing the strong or weak relationship between the influence of CSR, dividend policy, profitability and fraudulent financial reporting on company value. This research is a development of research conducted by (Zia Ur Rehman & Ur Rehman, 2021) which examines the effect of Financing Practices, Firm Growth, Dividend Policy on company value with profitability as a moderation variable. The difference between the research conducted and the previous study is that in the previous study profitability was used as a moderation variable, but in the current study it was used as an independent variable. In addition, this study selects manufacturing objects that have a direct influence on social and environmental activities by using corporate social responsibility disclosure and dividend policy as independent variables. Furthermore, this study uses an independent variable in the form of fraudulent financial reporting which is a challenge for every company and is still very rarely studied and uses variable managerial ownership as a moderation variable.

Methods

The type of research carried out is quantitative in the form of numbers and analysis which will later be used for decision making with annual report data sources. The type of data to be chosen for use in this study is secondary data in the form of financial statements from manufacturing companies obtained from the Indonesia Stock Exchange (IDX) in the 2017-2021 period. This sampling technique uses purposive sampling techniques, namely sampling based on certain criteria. The sample criteria for this study are: (1) Manufacturing companies that have gone public or have been listed on the Indonesia Stock Exchange for the 2017-2021 period, (2) Manufacturing companies that publish consecutive annual reports during 2017-2021, (3) Companies that issue financial statements in rupiah (4) Companies that distribute dividends consecutively during 2017-2021, (5) Companies that earn consecutive profits during 2017-2021. The type of data to be used in this study is secondary data in the form of financial statements from manufacturing companies listed on the Indonesia Stock Exchange during 2017-2021. In this study, data was taken from www.IDX.co.id websites as well as related company websites. The type of data used is quantitative data, which is data whose amount can be calculated and is numeric. The techniques or methods used to collect data in this study are archival methods (documentation) and literature studies. This data is obtained from the official IDX website, namely www.idx.co.id and the company's official website, while other data are references from journals that support this research. The theories used in this study are stakeholder theory, signalling theory and agency theory. The variables used in this study are CSR proxied with SRDI, dividend policy proxied with dividend payout ratio, profitability proxied with return on assets, fraudulent financial reporting proxied with F-score and managerial ownership proxied with percentage of manager share ownership in the company. Here is a picture of the research model:

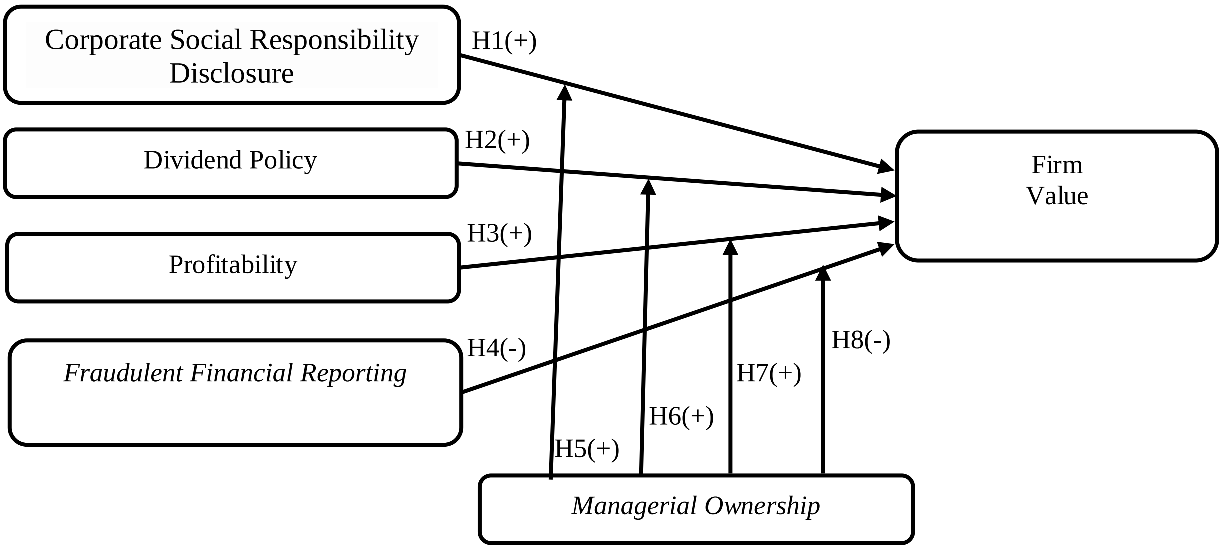

Figure 1. Research Model

Findings dan Discussion

1. The Effect of Corporate Social Responsibility on Corporate Value
   Stakeholder theory explains that stakeholders have the right to know about the company's operational activities both in the company environment and the social environment. One form of corporate responsibility for its operational activities to the environment is expressed in the form of corporate Social Responsibility disclosure. Stakeholders will assume that the company has concern for the surrounding operational activities carried out. This corporate social responsibility disclosure can also increase company value through share prices and company profits on investors' trust to invest in the company (Puspita, 2022). Based on the explanation above, it can be concluded that the disclosure of corporate social responsibility has a positive effect on the value of the company.
2. The Effect of Dividend Policy on Company Value
   Agency theory explains that there is an information asymmetry between the principal and the agent over the difference in interests between the two. Dividend policy is a decision on the amount of distribution of the percentage of net profit after tax distributed to shareholders as dividends or as retained earnings for future investments. Decisions in determining dividend policy involve management in controlling it. Dividend policy can affect the value of the company because the higher the dividend value distributed, the perception of shareholders increases and assumes the company's performance is in good condition (Puspita, 2022). Based on the explanation above, it can be concluded that the dividend policy has a positive effect on the value of the company.
3. The Effect of Profitability on Company Value
   In stakeholder theory, it is explained that stakeholders have the right to know the company's activities, one of which is to know the level of the company's ability to generate profits on the company's operational activities. Profitability is the company's ability to generate profits on operational activities carried out by the company. Profitability measurement is one of the measurements for investors in assessing company performance, namely by using profitability ratios. Good company performance by showing increased profitability will give a positive signal that investors will invest their shares in the company. This will affect the value of the company because of the good response of investors, stock prices have increased (Ramdhonah et al., 2019). Based on the explanation above, it can be concluded that profitability has a positive effect on the value of the company.
4. The Effect of Fraudulent Financial Reporting on Company Value
   Agency theory explains that there are differences in interests to information asymmetry in a company between principals and agents that cause conflicts to often occur. Managers as agents who manage the company know more information about the company than the principal. In the preparation of financial statements, management takes part in it and the possibility of deliberate financial statement fraud for personal gain. Management is required to make financial statements objectively and honestly, but for

several factors, it is undeniable that there will be manipulation of financial statements that will have an impact on company value (Elviani et al., 2020). Based on the explanation above, it can be concluded that fraudulent financial reporting has a negative effect on the value of the company.

5. The Effect of Corporate Social Responsibility on Company Value with Managerial Ownership as a moderation variable
   Decision making in CSR disclosure is strongly influenced by management. Managerial ownership is the percentage of share ownership by managers in a company. The higher the percentage level of ownership by managers, the higher the decision-making influence in the company. In disclosing corporate social responsibility, the manager's decision in disclosing it is very important because it will affect investors' interest in investing (Ifada et al., 2021). Disclosures made can increase investor interest in investing, it will also be followed by an increase in company value. Based on the explanation above, it can be concluded that managerial ownership strengthens the influence of corporate social responsibility on company value.
6. The effect of Dividend Policy on Company Value with Managerial Ownership as a moderation variable
   The amount of information owned by management will affect decisions in the process of controlling company operations, one of which is regarding the dividend policy. Dividend policy is a decision on the percentage of net profit after tax that will be distributed to shareholders as dividends or retained earnings for future investments. The existence of a conflict as explained in agency theory, namely the information asymmetry between principals and agents, makes managerial roles that can influence decisions in determining dividend policies on company value. Greater managerial ownership and more information agents have than principals will influence decisions in dividend policy. Based on the explanation above, it can be concluded that managerial ownership strengthens the influence of dividend policy on company value.
7. The Effect of Profitability on Company Value with Managerial Ownership as a moderation variable
   Profitability is the company's ability to generate profits by maximizing the company's operational activities. The maximum operational process of the company certainly depends on the management carried out by the company. The ownership structure in the company affects the course of the company in order to get maximum results, prosper shareholders to increase company value. The higher managerial ownership in a company is expected to be able to increase the value of the company with management will be as much as possible in an effort to generate large profits. If the company generates large profits, it will certainly be an attraction for investors to invest their shares so that it will affect the stock price in the market. Based on the explanation above, it can be concluded that managerial ownership strengthens the influence of profitability on company value.
8. The Effect of Fraudulent Financial Reporting on Company Value with Managerial Ownership as a moderation variable
   Fraudulent financial reporting is financial statement fraud that is carried out intentionally to deceive users of financial statements. Financial statement fraud can be done by parties who have more information about the company. Agency theory explains that the existence of information asymmetry between principals and agents affects decisions and management within a company. The process of preparing financial statements certainly involves the company's management because as an agent who has more company information than the principal. Ownership structure being an important part of the process of preparing financial statements, management can easily manipulate deliberately regarding material misstatements of financial statements for personal gain. Management as an agent has more information about the company and can easily cheat on opportunities and other factors (Elviani et al., 2020). Based on the explanation above, it can be concluded that managerial ownership weakens the influence of fraudulent financial reporting on company value.

Conclusion

The company does not only operate for profit, but for the company's activities that have an impact on the environment, the company must be responsible in accordance with applicable regulations. The responsibility given by the company will certainly attract the attention of stakeholders and make the company's image better. Good company conditions will affect the value of the company which is also influenced by the profitability ratio obtained. If the company gets a good profit, it will also have an impact on the dividend policy that will be distributed by the company to shareholders. However, good conditions in the company are undeniable that there will be frauds committed. This can be seen from the information asymmetry that occurs where the company's management knows more about the company's internal such as the preparation of financial statements but stakeholders have limited information about it because it is only limited to receiving financial statements that have been prepared. Due to this information asymmetry, fraud can occur such as fraudulent financial reporting because the company's management has more authority in the process of preparing financial statements. These things can affect the value of the company. There are things that can strengthen or weaken the influence of these variables such as managerial ownership. The managerial ownership of the company dominates the influence because the higher the share ownership owned by the management, the greater the right to make decisions in the management of the company.

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