

The effect of corporate governance on the relationship between corporate social responsibility disclosure and corporate value

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ABSTRACT

This study aims to reveal the effect of corporate governance on the relationship between corporate social responsibility disclosure and corporate value. The data were taken from sustainability reports, annual reports, and financial statements of companies listed in Indonesia Stock Exchange from sector one to seven in a row during 2009-2010. This study replicates the research by Rustiarini (2010). It shows that corporate social responsibility and corporate governance disclosure, both simultaneously and partially, have significant effect on corporate value. Corporate governance as a moderating variable does not affect the relationship between corporate social responsibility disclosure and corporate value. Of 28.9 percent of variation in corporate value is explained by variables of corporate social responsibility disclosure, corporate governance, and interaction variables used in the model, while the rest of 71.1 percent must be caused by other variables. For further studies, the researchers could take longer period with other variables (i.e. variables of corporate governance, return on assets, cash holdings, dividend payout ratio, and investment opportunity) and use another index (i.e. corporate governance index issued by the Indonesian Institute for Corporate Governance (IICG)).

ABSTRAK

Penelitian ini bertujuan untuk mengungkapkan pengaruh corporate governance pada hubungan antara pengungkapan tanggung jawab sosial perusahaan dan nilai perusahaan. Data diambil dari laporan keberlanjutan, laporan tahunan, dan laporan keuangan perusahaan yang terdaftar di Bursa Efek Indonesia dari sektor 1-7 berturut-turut periode 2009-2010. Penelitian ini mereplikasi penelitian oleh Rustiarini (2010). Hasilnya menunjukkan bahwa tanggung jawab sosial perusahaan dan pengungkapan tata kelola perusahaan, baik secara simultan maupun parsial, berpengaruh signifikan terhadap nilai perusahaan. Corporate governance sebagai variabel moderasi tidak mempengaruhi hubungan antara pengungkapan tanggung jawab sosial perusahaan dan nilai perusahaan. Dari 28,9 persen dari variasi dalam nilai perusahaan dijelaskan oleh variabel pengungkapan tanggung jawab sosial perusahaan, tata kelola perusahaan, dan variabel interaksi yang digunakan dalam model, sedangkan sisanya 71,1 persen harus disebabkan oleh variabel lain. Untuk penelitian lebih lanjut, para peneliti bisa mengambil jangka waktu yang lebih lama dengan variabel lain (misalnya tata kelola perusahaan, return on asset, posisi kas, dividend payout ratio, dan peluang investasi) dan menggunakan indeks lain (yaitu indeks tata kelola perusahaan yang dikeluarkan oleh Indonesian Institute Corporate Governance (IICG)).

1. INTRODUCTION

A company is established to achieve a clear purpose. This purpose can be divided into two; economic purpose and social purpose (Fuad et al. 2000: 22). Economic purpose realates to the company

efforts to maintain its existence while social purpose relates to how the company can fulfill its responsibilities or obligations to the parties which support the company's existence. In social purpose, the company is expected to pay attention to the

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desire of investors, employees, providers of production factors, and general public.

So far, most of the companies have adopted various ways in order to make profit or maximum profit without considering the impact on natural and social environment. Profit is seen as a measure of the success of the company. If the income increases, the corporate value will also increase. It cannot be ignored, but the profit is not the only indicator to assess the success of the company. The company's attention to the environment in operating is also an indicator of success. The company does not only make exploitation but also update, even increase the quality of the environment around it. Corporate responsibility to both natural and social environment can be an added value for the company in the eyes of both the investors and prospective ones.

For example, Mackey and Barney (2007) suggested that investors may have interests other than maximizing their wealth, i.e. to socially responsible investing. Research by Almia and Vitello (2007) states that company with good Corporate Social Responsibility (CSR) activities will have good increase on its stock price. Jo and Harjoto (2011) found that CSR engagement positively affects corporate value. The research by Godfrey et al. (2009) explains that CSR is a method of potential value creation in facing several types of negative events. However, Nurlala and Islahuddin (2008) stated that CSR activity is not one of the factors that affect the corporate value.

This study refers to previous research conducted by Rustiarini (2010) by re-using the corporate governance (CG) as a moderating variable. CG is re-used in the research because the activities and the disclosure of CSR are one of the implementations of good corporate governance (GCG). CG is expected to strengthen the effect of CSR disclosure on the corporate value. Compared to the previous studies, the difference lies in (1) the sample used, (2) corporate governance indicator, and (3) items of CSR disclosure indicator.

In this occasion, the researcher tries to reveal (1) the effect of CSR disclosure on corporate value, (2) the effect of corporate governance on corporate value, and (3) the effect of CSR disclosure on corporate value with corporate governance as moderating variable. The results of this study are expected to provide an overview and understanding about the effect of CSR disclosure on corporate value and the effect of corporate governance on the relationship between CSR disclosure and corporate value.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

a. Signaling Theory and Market Value

Between the manager or agent and the investor or prospective investor, (the stakeholders and the shareholders), there is information asymmetry: the manager knows more information about the activities and the performance of the firm than the investor or prospective investor. Signaling theory discusses how managers convey the information to investors or potential investor about the activities undertaken and the conditions experienced by the firm today. Such information must be accurate and delivered timely so that it can be relevant and reliable for the investors in making investment decisions. CSR is one of the information that must be disclosed by the firm. This information will be a signal to investors about how the firm's concern for the social and natural environment where the firm operates.

Corporate value is the market value of firm's debt and equity securities outstanding, (Keown, 2004). The corporate value is very important because high corporate value will be followed by higher shareholder wealth (Gapensi Bringham, 1996), the higher the share prices the higher the share value of the company. The high corporate value is an expectation of the owner of the company, because high value also shows higher shareholder wealth. The corporate value can be proxied by "Tobin's Q" indicator (Jo and Harjoto, 2011):

b. Agency Theory

Agency relationship is a contract in which one or more persons (the principal or owner) hire another person (the agent or manager) to perform some services on their behalf which involves delegating some decision making authority to the agent (Jensen and Meckling, 1976). This theory emphasizes the separation between ownership (principal) and management (agent). This separation usually makes a difference in interests between the two sides that leads to the problem of agency. Manager will usually utilize information asymmetry which occurs due to the separation of this power for its own interest.

Corporate governance is a solution to overcome the problem of agency. Good corporate governance can explain and separate roles and responsibilities of each agent clearly, align interests between the agent and the owner, and provide monitoring of any executive decision making (Pearce and Robinson, 2008:50). Indicators used to measure corporate governance are managerial ownership,

institutional ownership, board size, and the proportion of independent directors.

c. Corporate Social Responsibility Disclosure and Corporate Value

Corporate Social Responsibility (CSR) is a commitment of the company, as much as possible, to reduce the impact caused by the company operations on the natural environment and social surroundings and to increase or improve the condition of the environment and the welfare of the surrounding community through discretionary business practices and contributions of corporate resources. Information on the CSR disclosure can be a competitive advantage of the firm which is expected to be able to increase the corporate value.

According to Almilia and Vitello (2007) and Rustiarini (2010), companies that have good environmental and social performance will either be responded positively by investors through increased stock price. If a company has poor environmental and social performance, it will appear the doubts of investors and be responded negatively through the decline in its stock price. The research result by Mackey and Barney (2007), suggests that some investors may have interests other than maximizing their wealth in making investment decisions. While the findings of the study by Godfrey et al. (2009) also show that CSR, particularly investments aimed at secondary stakeholders, describes a method of potential value creation for shareholders in facing several types of negative events.

Research by Rossi (2009), taking the sample of non-financial companies in Brazil, shows that the adoption of policy by a manager who focuses on social responsibility increases the corporate value. Jo and Harjoto (2011) also revealed that CSR engagement affects positively on the corporate value. However, there are also researches who consider that CSR has no effect on the corporate value. Nurlela and Islahuddin (2008) found that the implementation of CSR in the company is not a factor that determines whether the corporate value is good or bad.

Based on the result of this study, the hypothesis can be put forward:

H₁: Corporate social responsibility disclosure affects the corporate value

d. Corporate Governance and Corporate Value

Forum for Corporate Governance in Indonesia or FCGI (2001) formulates corporate governance (CG), i.e. a set of rules governing the relationship be-

tween shareholders and stakeholders (internal and external) relating to their rights and obligations, or in other words, a system that regulates and controls of the company. The purpose of CG is to create added value for all stakeholders.

Company must be managed properly so as not to cause negative impact on the company, social, and natural environments. Good Corporate Governance (GCG) will guide the company towards longer sustainability, and this becomes a signal to investors that the company is worthy to be a long-term investment place. Thus, the model of Corporate Governance (CG) is expected to be able to increase the corporate value. The researcher uses four indicators to measure corporate governance, i.e. managerial ownership, institutional ownership, board size, and the proportion of independent directors.

Researches by Thomsen (2004), Coleman (2007), Herawaty (2008), Susanti (2010), Rustiarini (2010), Ammann et al. (2011), and Shil (2011) state that corporate governance (CG) affects the corporate value, even internationally it shows that better corporate governance practices are reflected in the higher market value statistically and economically significant (Ammann et al. 2011). Herdinata (2007) showed that CG has negative effect on corporate value.

Several studies have shown that managerial and institutional ownership affect corporate value. The findings of Fahlenbrach and Stulz (2008) and Ruan et al. (2009) show that the increase in the stock ownership by manager is beneficial for the corporate value because it connects the interests of insiders (managers) and shareholders so that the decision making can run better. On the other hand, Murwaningsari (2009) revealed that the ownership by institutions can be an effective monitoring tool for the company. Research by Zeitun (2009) shows positive relationship between institutional ownership and corporate value.

The research result differences occur in measuring the effect of board size on corporate value. Lehn et al. (2004) revealed that larger boards also have greater collective information, and therefore will result in higher performance. Shil (2011) argued that smaller boards reduce the possibility of free riding and improve individual accountability. Guest (2009) argued that board size has negative impact on company performance. Meanwhile, Topak (2011) even found no relationship between board size and company performance.

The proportion of independent directors also has an effect on corporate value. Raheja (2005) re-

Table 1
Sample Criteria

Sample Criteria	Number of Companies
Companies listed in Indonesia Stock Exchange during two consecutive years 2009 – 2010.	237
<i>Companies' Annual Reports</i> from 2009 to 2010 which cannot be accessed or obtained from company's <i>website</i> or <i>website</i> IDX.	(142)
Companies which do not have their own <i>sustainability report</i> (SR) or CSR <i>report</i> in adequate <i>annual report</i> from 2009 to 2010.	(27)
Non existence or incomplete companies' data	(42)
Number of companies	26
Number of companies during 2 years	52
Number of companies after normality test during 2 years	42

vealed that outsider directors are more independent and provide better insight and monitoring, but lack of information about the activities of the company. Meanwhile, Dah et al. (2010) showed that an increase in the percentage of outsider leads to the decrease in the corporate value.

Based on the results of these studies, the hypothesis can be put forward:

H₂: Corporate Governance affects the corporate value.

e. Corporate Governance, Corporate Social Responsibility Disclosure, and Corporate Value

The implementation of CSR is a manifestation of corporate governance principles. One of the corporate governance principles is responsibility, a principle which is more related to stakeholder-driven, explicitly expresses concern over the interested parties in the existence of the company. One of the implementation of responsibility principle states that company must fulfill its social responsibility, i.e. concern about the community and the environment, especially around the company by making adequate planning and implementation.

Rustiarini (2010) stated that the implementation of good corporate governance has led the company to implement CSR thereby increasing the corporate value. Ammann et al. (2011) found a strong and positive relationship between the level of corporate governance and corporate social behavior and corporate value, but this relationship only applies to companies with good corporate governance structure. Jo and Harjoto (2011) found that CSR is triggered by the company's characteristics and corporate governance and monitoring mechanisms that will ultimately affect the corporate value.

Based on the research findings, the hypothesis can be put forward:

H₃: Corporate Governance affects the relationship between CSR disclosure and the corporate value

3. RESEARCH METHOD

a. Research Design

This study aims to investigate the effect of corporate social responsibility (CSR) disclosure on the corporate value with corporate governance (CG) as a moderating variable. CSR disclosure is an independent variable, i.e. variable that affects the corporate value as dependent variable, while CG acts as a moderating variable, i.e. variable that strengthens or weakens the relationship between CSR and corporate value. This moderating variable is also referred to as the second independent variable. Managerial ownership, institutional ownership, board size, and the proportion of independent directors are proxy representing CG variable.

Corporate Social Responsibility Index (CSRI), based on the existing indicators in the GRI G3 Sustainability Reporting Guidelines is a proxy representing CSR variable. Formula of Tobin's Q is used as a proxy for corporate value.

b. Population and Sample

The population concerns the companies engaged in: (1) extractive, i.e. agriculture sector and mining sector, (2) manufacturing, i.e. basic industry and chemical sector, miscellaneous industry sector, and consumer goods industry sector; (3) non-manufacturing, i.e. property and real estate sector, and transportation and infrastructure sector. The sampling of this study is using purposive sampling method (Table 1), i.e. sampling based on certain criteria. There are about 26 companies or in two years there are 52 companies that will be taken as the sample.

c. Research Variables and Operational Definition

Corporate Social Responsibility Disclosure (X₁)

CSR disclosure is measured by using proxy of Corporate Social Responsibility Index (CSRI) based on indicators existing in the GRI G3 Sustainability Re-

porting Guidelines. This guidance consists of 3 indicators with 79 disclosure items in it coupled with eleven special items for mining sector and 24 specific items for telecommunication sub-sector. The approach to calculate CSR disclosure basically uses dichotomy approach, i.e. each item of CSRI is given value of 1 if disclosed, and value of 0 if it is not disclosed. Each item is summed to obtain the overall score for each company.

Corporate Social Responsibility Index (CSRI) is calculated using formula (Rustiarini (2010):

$$CSRI_{ij} = \frac{\sum X_{ij}}{n_j} \quad (1)$$

Description:

$CSRI_{ij}$: Corporate Social Responsibility Index of firm j year i

N_j : Number of items for firm j

$\sum X_{ij}$: Number of items disclosed by firm j for year i

Corporate Governance (X_2)

Corporate governance variable is proxied by using: Managerial ownership ($X_{2.1}$), measured by the percentage of stock ownership held by board of directors board of commissioners divided by the number of stocks outstanding.

Institutional ownership ($X_{2.2}$), measured by the percentage of stock ownership held by banks, insurance companies, pension funds, mutual funds, and other institutions divided by the total number of stocks outstanding.

Board size ($X_{2.3}$), is all members of commissioners existing in the board in a company.

Proportion of independent directors ($X_{2.4}$), measured by the percentage of independent directors in the board members.

Corporate Value (Y)

The corporate value proxied by Tobin's Q is calculated using the following formula (Jo dan Harjoto, 2011):

$$Tobin's Q = \frac{MVE + DEBT}{TA} \quad (2)$$

Description:

MVE = Market Value of Equity

DEBT = Current Liabilities + Long term Liabilities - (Current Assests - Inventory)

TA = Total Assets

d. Method of Data Analysis

The data analysis method of this study refers to previous research, Rustiarini (2010), i.e. includes the factor analysis, descriptive statistics, and re-

gression analysis. Factor analysis is used to reduce the four proxies of corporate governance, namely managerial ownership, institutional ownership, board size, and the proportion of independent directors into a single factor, i.e. corporate governance. Factor analysis is using confirmatory factor analysis, i.e. factor analysis which is used to confirm whether a construct, which is theoretically has been established, can be confirmed by its empirical data (Rustiarini, 2010). Furthermore, the variables of corporate social responsibility, corporate governance, and Tobin's q will be analyzed using descriptive statistics. Descriptive statistics describes the value of minimum, maximum, mean, and standard deviation of the three variables used in this study.

Before conducting regression analysis, classical assumption test is conducted by using normality test, multicollinearity test, and heteroscedasticity test. Regression models used to test the moderating variable is the absolute value of the difference test model. The selection of the absolute value of the difference test in this study is because this model has smaller risk of multicollinearity than the method of interaction. This model also includes main effect variables in the regression analysis. Eliminating the main effects causes interaction coefficient results biased toward significant direction, and thus eliminating significance of the interaction effect (Thohiri, 2012). Regression analysis of absolute difference test is conducted by regressing the absolute difference variable standardized with variable which is hypothesized as standardized moderating variables (Suliyanto, 2011:218). The interaction between corporate governance variable and moderating variable uses the absolute value of difference between the two variables.

$$Y = a + \beta_1 ZCSRI + \beta_2 ZCG + \beta_3 AbsCSRI - ZCG + e \quad (3)$$

Description:

Y : Firm Value

a : Constants

$\beta_1 - \beta_3$: Regression Coefficient

ZCSRI : Standardized Corporate Social Responsibility Index

ZCG : Standardized Corporate Governance

$AbsCSRI - CG$: $|CSRI - ZCG|$

4. DATA ANALYSIS AND DISCUSSION

a. Factor Analysis

This factor analysis will result in the score of factor to confirm corporate governance variable which will be used in regression analysis. To perform factor analysis, the four variables such as managerial

Table 2
Factor Analysis

Anti-Image Matrices 1

		MO	IO	BSIZE	INDIR
Anti-image Covariance	MO	.781	.289	.262	-.050
	IO	.289	.845	.088	.133
	BSIZE	.262	.088	.896	.049
	INDIR	-.050	.133	.049	.958
Anti-image Correlation	MO	.514 ^a	.355	.314	-.058
	IO	.355	.506 ^a	.101	.148
	BSIZE	.314	.101	.474 ^a	.053
	INDIR	-.058	.148	.053	.674 ^a

a. Measures of Sampling Adequacy (MSA)

Anti-image Matrices 2

		MO	IO	INDIR
Anti-image Covariance	MO	.866	.294	-.071
	IO	.294	.854	.130
	INDIR	-.071	.130	.961
Anti-image Correlation	MO	.544 ^a	.342	-.078
	IO	.342	.539 ^a	.143
	INDIR	-.078	.143	.660 ^a

a. Measures of Sampling Adequacy (MSA)

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.556
Bartlett's Test of Sphericity	Approx. Chi-Square	8.709
	Df	3
	Sig.	.033

ownership (MO), institutional ownership (IO), board size (BSIZE), and the proportion of independent directors (indir), must first meet two assumptions required, namely the adequacy of data or sample and the correlation between the variables tested. The testing of data and sample adequacy in factor analysis is using two measures, namely anti-image matrices and Kaiser-Meier Olkin.

The testing of anti-image matrices indicates that MO MSA value is 0.514; MSA IO value is 0.506; BSIZE is 0.474, and INDIR is 0.674. BSIZE variable could not be used again in the subsequent analysis because MSA BSIZE value is smaller than the cutoff value of 0.5. Factor analysis will be repeated, so the only remaining variables which have MSA values greater than 0.5. In the second testing of anti-image matrices, the results obtained indicate that MSA MO is 0.544; IO is 0.539, and INDIR is 0.660. The second testing results show that MSA value of each variable remaining is greater than 0.5, which means it meets the requirements of data or sample adequacy.

The analysis is turned to Kaiser-Meier Olkin (KMO) and Bartlett's test. The purpose of KMO test is the same as anti-image matrices test, i.e. to determine whether all of the data that have been fetched are enough to be factored. The test results showed that KMO value is 0.556 greater than 0.5, while the results of the Bartlett test showed that among variables of MO, IO, and INDIR have met the assumptions correlated, i.e. by looking at the significant value of 0.03 which is smaller than the specified significance of 0.05. Either KMO value or MSA value has already qualified adequacy of the required data. This means that one of the assumptions for continuing the process of factor analysis has been met. The test results of factor analysis can be seen in Table 2.

b. Descriptive Statistics

The result of Descriptive Statistics Test (Table 3) shows that the variable of corporate social responsibility (CSR) disclosure has maximum value of 1 and minimum value of 0.14, with mean value of

Table 3
Descriptive Statistic

Descriptive Statistic	N	Minimum	Maximum	Mean	Std. Deviation
CSR	52	.14	1.00	.4483	.25119
TOBINSQ	52	.16	7.53	1.6696	1.48542
REGR factor score 1 for analysis 1	52	-1.22323	3.10170	.0000000	1.00000000
Valid N (listwise)	52				

Table 4
Normality Test

One-Sample Kolmogorov-Smirnov Test 1

		CSR (X1)	CG (X2)	TOBINS Q (Y)
N		52	52	52
Normal Parameters ^{a,b}	Mean	.4483	.0001	1.6696
	Std. Deviation	.25119	.99993	1.48542
Most Extreme Differences	Absolute	.205	.158	.191
	Positive	.205	.158	.191
	Negative	-.135	-.111	-.161
Kolmogorov-Smirnov Z		1.481	1.138	1.379
Asymp. Sig. (2-tailed)		.025	.150	.044

a. Test distribution is Normal.

b. Calculated from data.

One-Sample Kolmogorov-Smirnov Test 2

		CSR (X1)	CG (X2)	TOBINSQ (Y)
N		42	42	42
Normal Parameters ^{a,b}	Mean	.4005	-.2794	1.4248
	Std. Deviation	.22361	.72235	.97062
Most Extreme Differences	Absolute	.203	.135	.171
	Positive	.203	.135	.171
	Negative	-.151	-.102	-.125
Kolmogorov-Smirnov Z		1.317	.875	1.109
Asymp. Sig. (2-tailed)		.062	.428	.171

a. Test distribution is Normal.

b. Calculated from data.

0.448 and standard deviation of 0.251. This result shows that the disclosure of corporate social responsibility of companies listed on the Indonesia Stock Exchange from one to seven sectors are still in edequate categories becauser the range is below 0.5 even though disclosure of corporate social responsibility has been an obligation for any public company.

The corporate value variable which is measured using Tobin's q indicates minimum value of 0.16 and maximum value of 7.53, with mean value of 1.669 and standard deviation of 1.485. The corporate main value of 1.669 indicates that the corporate value which is made as the sample is good enough,

i.e. above one. The value above one indicates the average sample firms generate higher profits than investment expenditure, so that it can stimulate new investment.

c. Classical Assumption Test Uji Normality Test

The result of normality test using the initial sample consisting of 52 sample companies indicates probability value Asymp.Sig (2-tailed) the corporate social responsibility (CSR) disclosure, corporate governance (CG), and corporate value (Tobin's q) respectively of 0.025; 0.150, and 0.044 (Table 4). From the test result, there are two variables which

Table 5
Multicollinearity Test

Coefficients^a

	Model	Collinearity Statistics	
		Tolerance	VIF
1	Zscore(CSR)	.648	1.543
	Zscore(CG)	.726	1.378
	AbsCSR_CG	.501	1.998

a. Dependent Variable: TOBINSQ

Table 6
Heteroscedasticity Test

Coefficients^a

	Model	Unstandardized Coefficients		Std. Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.746	.150		4.988	.000
	Zscore(CSR)	-7.084E-6	.098	.000	.000	1.000
	Zscore(CG)	.153	.093	.301	1.648	.108
	AbsCSR_CG	-.159	.136	-.257	-1.166	.251

a. Dependent Variable: AbsRes_1

Table 7
Coefficient of Correlation

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.584 ^a	.341	.289	.81866

a. Predictors: (Constant), AbsCSR_CG, Zscore(CG), Zscore(CSR)

b. Dependent Variable: TOBINSQ

are not distributed normally, i.e. corporate social responsibility disclosure variable (X1) and the corporate value variable or Tobin's q (Y), each of which has a Asymp.Sig probability value (2-tailed) of 0.025 and 0.044. The variables which are not distributed normally can be transformed in order to be normal. The simplest way is by removing outlier data.

The result of second phase normality test is using the remaining 42 samples. After conducting normality test on the remaining 42 samples, normality data can be seen by comparing probability value of Asymp.Sig probability (2-tailed). Each Asymp.Sig value (2-tailed) of variables of corporate social responsibility disclosure or CSR (X₁), corporate governance or CG (X₂), and the corporate value or Tobin's q (Y) is 0.062; 0.428, and 0.171. The statistics result shows that all Asymp.Sig probability value (2-tailed) of the studied variables are greater than 0.05. Thus, it can be concluded that the sample data has been distributed normally.

Multicollinearity Test

The result of multicollinearity test (Table 5) shows that the tolerance values of corporate social responsibility disclosure (CSR), corporate governance (CG), and the interaction variable (CSR_CG) respectively at 0.648; 0.726, and 0.501. VIF values of the three independent variables respectively at 1.543; 1.378, and 1.998. Based on the result of the test, it can be seen that the tolerance values of the three independent variables are greater than 0.10, while the VIF values of the three variables are less than ten. Therefore, it can be concluded there is no multicollinearity among the independent variables.

Heteroscedasticity Test

Glejser test is used to test whether there is heteroscedasticity in this regression model. When the significant values are above 0.05, it can be concluded that there is no heteroscedasticity. The result of heteroscedasticity test (Table 6) shows that the significant value of corporate social responsibility disclosure (CSR), corporate governance (CG),

Table 8
F Test

ANOVA^b

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.158	3	4.386	6.545	.001 ^a
	Residual	25.468	38	.670		
	Total	38.626	41			

a. Predictors: (Constant), AbsCSR_CG, Zscore(CG), Zscore(CSR)

b. Dependent Variable: TOBINSQ

Table 9
t test

Coefficients^a

	Model	Unstandardized Coefficients		Std. Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.555	.243		6.412	.000
	Zscore(CSR)	.377	.159	.388	2.372	.023
	Zscore(CG)	.443	.150	.457	2.954	.005
	AbsCSR_CG	-.139	.221	-.117	-.629	.533

a. Dependent Variable: TOBINSQ

Table 10
Descriptive Statistic Test of Corporate Governance

Descriptive Statistic Test of Corporate Governance Variable

	N	Minimum	Maximum	Mean	Std. Deviation
MO	42	.00	.75	.0289	.11872
IO	42	.14	.99	.6424	.25030
INDIR	42	.00	1.00	.2971	.24996
Valid N (listwise)	42				

and interaction variable (CSR_CG) respectively at 1,000; 0.108, and 0.251. The significant values of this three variables are greater than 0.05. Thus, it can be concluded that in this regression model there is no heteroscedasticity.

d. Hypothesis Test

The hypothesis test with multiple regressions involving moderating variable is conducted by using absolute difference value test. The correlation coefficient (R) indicates the degree of correlation between the independent and dependent variables. Based on the result of statistics test, correlation coefficients (Table 7) shows a value of 0.584 which indicates that the degree of correlation between the independent and dependent variables are 58.4 percent. Thus, it can be concluded that coefficient of the disclosure of corporate social responsibility, corporate governance, and interaction variables have a strong enough relationship with the corporate value due to the

correlation coefficient value which is greater than 50 percent.

The coefficient of determination (adjusted R square) indicates a value of 0.289. This means that 28.9 percent of the changes in the corporate value can be explained by the changes of the disclosure of corporate social responsibility, corporate governance, and interaction variables, while the remainder, amounting to 71.1 percent is explained by other variables outside the model of this study.

F test is conducted to test whether all independent variables included in the model have simultaneous effect on the dependent variable. Based on ANOVA test or F test (Table 8) obtained F value of 6.545 with significant value of 0.001. Significant value of 0.001 is smaller than 0.05. Thus, it can be concluded that the regression coefficient of the corporate social responsibility disclosure, corporate governance, and interaction variables is not equal to zero or the three variables simultaneously affect the corporate value.

e. Discussion

The Effect of Corporate Social Responsibility Disclosure on the Corporate Value

The result of statistics test shows that corporate social responsibility disclosure affects the corporate value. This is demonstrated in the t test significant value (Table 9) of 0.023 is smaller than 0.05 and a coefficient value of 0.377. This means that any increase in variable of corporate social responsibility disclosure by 1 percent, the variable of corporate value will increase by 37.7 percent, assuming that other variables are constant. This means that the first hypothesis is accepted.

The results of this study are consistent with the researches by Almilia and Vitello (2007) , Rustiarini (2010) , Mackey and Barney (2007) , Rossi (2009) , Jo and Harjoto (2011) , and Thohiri (2012) which state that corporate social responsibility disclosure affects the corporate value . The implementation and the disclosure corporate social responsibility affect the corporate value because, at present, the management is aware of the importance meaning of corporate social responsibility as a long term investment that can maintain the continuity of the company. Good faith of the company by trying to minimize the impact of operations on the surrounding environment, building good relationships with stakeholders, conducting efficiency while maintaining the quality of the product, and then disclosing corporate social responsibility appropriately, both in the annual report and sustainability report have become a signal and receive positive response, thus attracting the interest of investors to invest in the company.

The result of this study is not consistent with the study conducted by Nurlela and Islahuddin (2008) which states that the implementation and the disclosure of corporate social responsibility by companies are not the factors that determine whether the corporate value is good or bad.

The Effect of Corporate Governance on the Firm Value

The result of statistics test shows that corporate governance affects corporate value. This is indicated by the t test significance value of 0.005 which is smaller than 0.05 and coefficient value of 0.443. This means that any increase in corporate governance variable by 1 percent, the corporate value variable will increase by 44.3 percent, assuming other variables are constant. This means that the second hypothesis is accepted.

The result of this study is consistent with the studies by Thomsen (2004), Coleman (2007), Her-

away (2008), Susanti (2010), Rustiarini (2010), Ammann et al. (2011), Shil (2011), and Thohiri (2012) which state that corporate governance affects corporate value. Most of the previous studies found that corporate governance affects the performance and the value of the company, regardless of the method or corporate governance items studied. The result of this study is not consistent with the study by Herdinata (2007) which states that corporate governance practices have no significant effect on the corporate value.

Corporate governance affects the corporate value because it is the system that regulates and controls the company (FCGI, 2001), maintains the continuity of the relationship between the firm and its shareholders and stakeholders. The sustainability of this relationship depends on any policies issued by the firm, especially in relation to the interests of shareholders and stakeholders. The policies can be associated with (1) the distribution of the rights and obligations of the firm officials; (2) the presence or absence of stock ownership of managerial and institutional; (3) the presence or absence of independent officials either in controlling or decision-making, (4) the number of members in the board of commissioners; (5) the presence of audit committee; (6) corporate social responsibility; (7) and so on. All these things can be taken into consideration for the investors to invest in the firm. The more investors invest in the company, the higher the price of the firm stocks in the market, which means that the corporate value is increasing. All of this is expected to reduce the negative impact of agency theory.

The Effect of Corporate Governance on the Relationship between the Corporate Social Responsibility Disclosure and the Corporate Value

The result of statistics test shows that corporate governance does not have significant effect on the relationship between the corporate social responsibility disclosure and the corporate value. This is indicated by the t-test significant value of 0.533 which is greater than 0.05 and a coefficient value of -0.139. The interaction between corporate governance, as a moderating variable, on the relationship between the corporate social responsibility disclosure and the corporate value shows significant result in statistics test. Thus, in this study, corporate governance variable is not a variable that can affect the relationship between corporate social responsibility disclosure and corporate value. This means that the third hypothesis is rejected.

In theory, corporate social responsibility has nothing to do with corporate governance for corporate social responsibility is one of implementation activities of corporate governance. This is stated in one of the principles of corporate governance, namely the principle of responsibility which states that the company must carry out its responsibility towards society and the environment, so it can maintain long-term business sustainability.

The result of this study is not consistent with the previous study. Rustiarini (2010) stated that good implementation of corporate governance encourages the company to implement corporate social responsibility activities, so as to enhance the company's reputation. Ammann et al. (2011) found a strong and positive relationship between the level of corporate governance with corporate social behavior and the corporate value. Jo and Harjoto (2011) stated that corporate social responsibility is triggered by characteristics, corporate governance, and company monitoring mechanisms that will ultimately affect the corporate value.

In this study, corporate governance is not a variable that may moderate the relationship between corporate social responsibility and the corporate value because the effect of corporate governance variables selected is less significant to the disclosure of corporate social responsibility within the company. This study is re-using descriptive statistics test to see the mean value of each variable which becomes an indicator of corporate governance (Table 10).

The corporate governance is not a variable that may moderate the relationship between corporate social responsibility and the value of the company because the influence of corporate governance variables selected is less significant to the disclosure of corporate social responsibility within the company. This study re-using descriptive statistic tests to see the mean value of each variable is an indicator of corporate governance (Table 10).

The role of unaffiliated directors is still a bit in the company, i.e. only 29.7 percent, it can be concluded that it is still rare for companies in Indonesia to have unaffiliated directors in the company, whereas one of the roles of unaffiliated directors represent the interests of minority shareholders and stakeholders in the company decision-making. Managerial ownership in the company is still fairly low, at only 2.8 percent in the 42 sample companies while the average institutional ownership in the 42 sample companies is quite high, at 64.24 percent. This means that even though a

sense of ownership of the executives / directors is still very less, so the performance of the management is not maximal in increasing shareholder / corporate value, but with the presence of high institutional ownership, monitoring on the performance of the company, in this case the performance of directors is also increasing.

Research conducted by Barnea and Rubin (2005) states that corporate social responsibility is a source of conflict among the different owners. They found that managerial ownership negatively affects the company's corporate social responsibility while institutional ownership has no effect on corporate social responsibility. Pakpahan (2011) also stated that managerial ownership negatively affects corporate social responsibility, while institutional ownership has no significant effect on corporate social responsibility. These results reject the third hypothesis.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In general, it can be inferred as the following.

Corporate social responsibility affects the corporate value. This is due to the awareness of the management of long-term investments contained in corporate social responsibility and the company's concern for the environment and the interests of the stakeholders around the scope of operations. All these have become a signal and received positive response from investors.

Corporate governance affects the corporate value. This is also due to the corporate governance which is the system that keeps the sustainability of the relationship between the company and its shareholders and stakeholders. The sustainability of this relationship depends on the policies taken by the company related to the interests of the shareholders and stakeholders. The policies could be related to many things, such as (1) the distribution of the rights and obligations of the company officials, (2) the presence or absence of managerial or institutional stock ownership; (3) the presence or absence of independent officials who is independent both in terms of monitoring and decision-making, (4) the existence of audit committee; (5) corporate social responsibility, (6) and so on. All these things can be taken into consideration for the investors to invest their capital in the company. The results of this study prove that agency theory becomes the foundation of corporate governance implementation. By implementing good corporate governance, the emergence of agency problems can be minimized.

Corporate governance, as a moderating variable, in fact, does not have significant effect on the relationship between corporate social responsibility disclosure and corporate value. It is because corporate governance variables used still do not have significant effect on the policy and corporate social responsibility disclosure, although in theory, corporate governance affects corporate social responsibility, because corporate social responsibility is one of the implementations of corporate governance activities.

The researchers suggest that for future studies, the researcher should do as follows.

They can take longer time span or the latest in order to describe the real situation.

They should add to corporate governance variables or replace the variables which have not or rarely been studied. The future studies may use corporate governance index published by The Indonesian Institute for Corporate Governance (IICG).

They also have to consider several variables that affect the corporate value to be used as moderating variables, such as return on asset, cash holding, dividend payout ratio, and investment opportunity.

This study itself has limitations that can be considered for further researches in order to obtain better results. The limitations are related to the following.

The corporate governance variables reduced by factor analysis are only four, i.e. managerial ownership, institutional ownership, board size, and the proportion of independent directors. And, the board size should eventually be excluded in this study because it has no correlation with the other three items.

This study re-uses corporate governance as moderating variables.

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