Advances in Social Science, Education and Humanities Research, volume 478
Proceedings of the 2nd Tarumanagara International Conference on the Applications of Social Sciences and Humanities (TICASH 2020)

The Effect Of Commissioner Board's Role on Firm Value With CSR as Mediating in the Plantation Industry

Hendro Lukman[1,*] Cindy Geraldline[1]

[1]*Faculty of Economics and Business, Universitas TarumanagaraEngineering, Jakarta 11470, Indonesia*
[*]*Corresponding author. Email:hendrol@fe.untar.ac.id*

ABSTRACT

The role of the Commissioners and owners as the supervisor and advisor of the company will determine the company's direction. For public companies, one of the goals of a company is to improve the firm value of the company for the market or investor interested to invest. Currently, the company's performance is not only seen from the financial satementments only but also the role of the company in social responsibility activities. Likewise, the commissioners and institution ownership as stakeholders, they may also determine social responsibility activities. This research aims at how the role of the board of commissioners and institution ownership on firm value, and the effect of corporate social implementation toward firm value on plantations industry listed on the Indonesia Stock Exchange. The results of this study indicate that independent commissioners and institutional ownership have a significant influence on firm value, and social responsibility increases influence on firm value. The implication of this study is the need to increase the role of the board of commissioners and ownership to increase social responsibility activities that will increase the firm value which will bring a good signal for investors.

Keywords: *Board of Commissioners, Corporate Social Responsibility, Firm Value, Plantation Industry*

1. INTRODUCTION

In recent years, competition between companies in Indonesia has become tighter. These companies continue to compete to increase the value of their companies to maintain their existence. The value of the company is used as a benchmark to assess the success and ability of the company, both financially and non-financially. Company value reflects the company's performance which is often associated with stock prices [1]. Good company value is when investors have a good perception of the company so that it will increase the demand for shares and then it will increase the stock price of the company. Good management performance and in line with company goals will provide a good perception for investors.

Many factors affect the value of a company. In general, company performance can be seen how much the company can generate income, grow, increase assets, and other things presented in the financial statements. But to maintain a sustainable business, companies must maintain the availability of resources and support from stakeholders. For this reason, the company carries out Good Corporate Governance and Corporate Social Responsibility. Good Corporate Governance (GCG) is corporate governance that is heavily influenced by the internal company, and Corporate Social Responsibility (CSR) is the governance of stakeholders and resources. CSR has a close relationship with GCG in increasing company value [2]. Both GCG and CSR, its regulation, and implementation are influenced by the directives of the board of commissioners and shareholders.

As is known, the board of commissioners consists of members appointed by the owner as a representative of the owner, and independent commissioners. Independent commissioner is a member of the board of commissioners who have no family and business relationship with shareholders, members of the board of directors, and other commissioners, as well as with the company itself [3] so that supervision of management performance will be better and more effective. Likewise, ownership in public companies generally consists of public, private owners, and institutional owners. Institutional ownership is the number of shares of companies owned by institutions [4] that represent the interests of the owners of many parties, can be represented by individuals, companies, governments, and even the public. With this ownership, it is expected that the supervision carried out will also be better which will then increase the value of [5].

1.1. Problem Question

In recent years many plantation companies are still involved in forest fires as well as other forms of social and environmental indifference in clearing their land, even though these companies have disclosed their corporate social responsibility activities in the annual report. Such as PT Langgam Inti Hibrindo, a subsidiary of PT Provident Agro Tbk., Which became a suspect of forest fires and an area of 250 hectares in Riau in 2015. Besides, in the same year, PT Kayung Agro Lestari, which is a subsidiary of PT Austindo Nusantara Jaya Tbk, also involved in forest and land fires. PT Austindo Nusantara Jaya Tbk. and PT Eagle High Plantation Tbk. also involved in environmental destruction with indications of clearing of primary forests in Kalimantan and Papua and the development of plantations on peat-lands.

This research is expected to be an input for companies to increase the value of the company, and for investors to see the value of the company not just what is in the financial statements but see other factors that shape the value of the company.

2. LITERATUR REVIEW

2.1. Agency Theory

This theory explains the relationship between shareholders as principals and management as agents described by [6]. Shareholders as owners of capital surrender company activities to management, resulting in the separation of functions as owners of capital and executors so that this relationship can lead to conflict [4]. This conflict occurred due to the existence of asymmetry information between the two parties. The information obtained is not necessarily the same as the information received by the capital owner, because of their different interests, the capital owner has an interest in the return of the investment, while the agent has an interest in getting high rewards from his work, where the agent's reward is the business costs which reduces the income of the capital owner.

2.2. Stakeholder Theory

Stakeholders are parties who have an interest in a company and they can influence the course of the company [7] so this group is a factor for the survival of the company and the success of the company [8]. These stakeholders can be grouped into 2, internal stakeholders consisting of shareholders, management and employees, and external stakeholders, including the customers, suppliers, the government, the community, and other independent parties. These stakeholders will affect the company's performance directly or indirectly, both internal stakeholders and or external stakeholders. So that, management to carry out an activity that is in line with company goals and to meet the satisfaction of stakeholders [9].

2.3. Legitimacy Theory

This theory is a theory that connects the company's operating activities with social norms [10]. The theory of legitimacy stems from the idea that there is a 'social contract' between the company and the community where the company operates [11] because the company uses the economic resources available in the community. This contract will indirectly ensure the sustainability of the company [12]. One of the implementations of this theory is to carry out corporate social responsibility (CSR) activities to the community. Thus, to legitimize this activity a CSR implementation report [13] is carried out voluntarily to report its operations if management feels that information is needed by the community [14].

2.4. Independent Commissioner

Independent commissioners are members of the board of commissioners who do not have family and business relationships with shareholders or other board members who can influence their independence in acting. The independent board of commissioners will carry out good supervision of management performance. This is in line with the research findings of [15] and [16], but some researchers found that Independent commissioners do not influence management performance [17], [18} and [19].

2.5. Institutional Ownership

Institutional ownership is the number of shares of a company owned or bought by an institution (Widyasari et al., 2015). Institutional ownership can perform its supervisory role well because institutional ownership is usually in large numbers so that control over management is also strong [4], [5], and [19]. However, there are also Institutional ownership influences on company performance [20] ,and [21].

2.6. Corporate Social Responsibility (CSR)

CSR is “the responsibility of an organisation for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society takes into account the expectations of stakeholders [22]. CSR issues are related to the spectrum of relationships between companies and stakeholders, and the environment [23]. "The concept in which companies integrate social and environmental issues in their business operations, and company interactions with stakeholders voluntarily. CSR in response to the stresses of stakeholders, environmental stewardship and social assistance"[24]. Moreover, effective supervision by an independent commissioner and institutional ownership can encourage management to better carry out and disclose corporate social responsibility activities. Corporate social responsibility will improve the company's image due to increasing public confidence in the company.

3. HYPOTHESIS DEVELOPMENT

Based on the research, the independent board of commissioners has a significant relationship to the firm values of [15] ,and [16]. But other research states that the independent board of commissioners has no significant influence on the firm value of the [17 [18], and [19]. Based on previous research, the hypotheses built are:
H1: Independent commissioner has a positive and significant effect on firm value
The results of the study, Institutional ownership has a positive relationship and a significant influence on firm value [5], and [19], but others find institutional ownership to have a negative relationship to firm value [20], and [21] found that institutional ownership did not have a significant effect on firm value.
H2: Institutional ownership has a positive and significant effect on firm value.
Corporate social responsibility can strengthen the influence of independent commissioners on firm value [17]. Based on this research, the hypothesis is built
H3: Corporate social responsibility strengthens the influence of independent commissioners on firm value
Other studies show that institutional ownership and CSR have a positive and significant influence on firm value [4], and [5]. Not the case with the research of [25], and [20] who discovered that CSR has not been able to moderate the effect of institutional ownership on firm value. Based on previous research, the hypothesis is built:
H4: Corporate social responsibility strengthens the influence of institutional ownership on firm value

4. METHODOLOGY

This research methodology is quantitative research with secondary data obtained from the Indonesia Stock Exchange in the period 2016-2018. The sample selection method used is non-probability sampling and the sample selection technique used is purposive sampling. The total valid sample is 40 companies

4.1. Operational Variable

Below this is a table measuring operational variables
Table 1. Operational Variables

Variable	Ukuran
Firm Value	$Q = \frac{MVE + D}{TA}$
Independent Commissioner	$\frac{\sum \text{Independent Commissioners}}{\sum \text{Board of Commissioners}}$
Institutional Ownership	$\frac{\sum \text{Institutional Ownership Shares}}{\sum \text{Oustanding Shares}}$
Corporate Social Responsibility	$CSDI_j = \frac{n}{k}$

5. CONCLUSIONS AND DISCUSSION

5.1. Conclusion

The results of the regression of independent Commissioners and institutional ownership of firm value are as follows:
Table 2. t-test Result

Model		Unstd Coefficients B	Unstd Coefficients Std. Error	Std Coefficients Beta	t	Sig.
1	(Constant)	1.063	.215		4.942	.000
	IND_COM	1.136	.460	.416	2.470	.018
	INS_OWN	-.643	.304	-.357	-2.119	.041

a. Dependent Variable: TQ (Tobin's Q)

While the results of the regression of independent commissioners and ownership institutions towards Firm value after being moderated by CSR as measured by the sustainability report are as follows:
Tabel 3. t-test Result with CSR Moderation

Model		Unstd. Coefficients B	Unstd. Coefficients Std. Error	Stad. Coef. Beta	t	Sig.
1	(Constant)	-1.690	1.614		-1.047	.303
	IND_COM	-1.063	1.850	-.390	-.575	.569
	INS_OWN	4.047	2.282	2.248	1.773	.085
	CSR	8.665	5.152	2.442	1.682	.102
	IND_COM.CSR	8.775	6.856	1.233	1.280	.209
	INS_OWN.CSR	-15.600	7.379	-4.361	-2.114	.042

a. Dependent Variable: TQ (Tobin's Q)

Based on the results of the regression, the independent commissioner has a positive (β = 0.416) and significant influence (sig.= 0,018) on firm value, and shows the greater role it plays in increasing the performance of management which in turn can reduce agency conflicts with capital owners when viewed from financial performance. However, when it is moderated by CSR, it shows that it weakens (β= -.575) the independent commissioner factor towards firm value. This means that the role of stakeholder involvement as independent commissioners is more concentrated on optimizing financial performance compared to environmental performance.

Another results show institutional ownership has a negative (β = -0.357) and significant effect (sig.= 0,041) on firm value. CSR activities as well as moderation factors, also weaken (β = -0.575) the influence of institutional ownership on firm value. This means that institutional ownership, as one of the stakeholders, has not been optimal in carrying out supervisory duties on management performance, both financial and environmental performance.

5.2. Discussion

Based on the results of this study, the role of stakeholders represented by independent commissioners and institutional ownership has not been optimal in increasing firm value when viewed from the company's performance for sustainability and going concerned in the plantation industry. This shows the lack of stakeholder pressure on management to maintain the company's sustainable growth. Stakeholders are more focused on supervision and improving financial performance which is useful to minimize management conflicts with shareholders. However, company growth if measured from financial performance alone, cannot guarantee the continuity and sustainability of the company's operations. Therefore, Investors should not minimize the value of the company based on financial statements but must also look at the disclosure of CSR implementation in financial Statements, or sustainability reporting, or integrated reporting issued by the company for long-term investments.

5.3. Limitation

Limitations in this research are relatively short sampling, and relatively few companies in the industry going public. The time limitation is related to the implementation of CSR reporting using the Global Reporting Initiative (GRI) 4th generation (G4) standard which has only been implemented since 2016. For further research, it may be possible to use a longer period in line with the time of G4 implementation and may be combined with industries that are close to the plantation industry such as forestry, agriculture either as a comparison or merged into one industry group.

REFERENCES

[1] Mukhtaruddin, Relasari, & Felmania, M.. Good corporate governance mechanism, corporate social responsibility disclosure on firm value: Empirical study on listed company in Indonesia stock exchange. International Journal of Finance & Accounting Studies, 2(1), 1-10. 2014

[2] Prastuti, N. K. K. & Budiasih, I. G. A. N. Pengaruh good corporate governance pada nilai perusahaan dengan moderasi corporate social responsibility. E-Jurnal Akuntansi Universitas Udayana, 13(1), 114-129. 2015

[3] Komite Nasional Kebijakan Governance. Pedoman umum good corporate governance Indonesia. Indonesia. 2006

[4] Widyasari, N. A., Suhadak, & Husaini, A. Pengaruh good corporate governance (GCG) dan pengungkapan corporate social responsibility (CSR) terhadap nilai perusahaan (studi pada perusahaan manufaktur yang terdaftar di BEI periode 2011-2013). Jurnal Administrasi Bisnis (JAB), 26(1), 1-10. 2015

[5] Rely, G. & Purwanti, A. An effecting of corporate social responsibility, managerial ownership, institutional ownership of firm values towards real earnings management. Research Journal of Finance and Accounting, 9(18), 66-77. 2018

[6] Jensen, M. C. & Meckling, W. H. Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3, 305-360. 1976

[7] Freeman.R.E. Strategic Management: A stakeholder Approach. Boston, MA: Pitman. 1984.

[8] Freeman. R.E. A Stakeholder Theory of Modern Corporations. Ethical Theory and Business, 7th ed. 2004.

[9] Freeman, R. E. & McVea, J. A stakeholder approach to strategic management. Handbook of Strategic Management, Oxford: Blackwell Publishing. 2001.

[10] Dowling, J. & Pfeffer, J. Organizational legitimacy: social values and organizational behavior. The Pacific Sociological Review, 18(1), 122-136. 1975.

[11] Guthrie. J., R. Petty., and K. Yongvanich, “Using Content Analysis As A Research Method To Inquire Into Intellectual Capital Reporting”. Journal of Intellectual Capital, 5(2), 282-293. 2004.

[12] Reverte. C. “Determinants Of Corporate Social Responsibility Disclosure Ratings By Spanish Listed Firms”. Journal of Business Ethics, 88, 351-366. 2009.

[13] Branco.M.C, and Rodrigues. L.L . “Factors Influencing Social Responsibility Disclosure by Portuguese Companies”. Journal of Business Ethics, 2008, 83, 685-701.

[14] Villiers. C., and Staden. C. J. Van. “Can Less Environmental Disclosure Have A Legitimising Effect? Evidence From Africa”. Accounting, Organizations and Society, 31(8), 2006, 763-781.

[15] Setiadi, I., Rahmawati, Suhardjanto, D., & Djuminah. Board independence, environmental disclosure, and firm value. Review of Integrative Business & Economics Research 2017, 6(4), 409-417.

[16] Kiharo, M. N. & Kariuki, P. W. Corporate governance practices and firm value of listed commercial banks in Kenya. The International Journal of Business and Management,2018. 6(3), 184-192.

[17] Negara, I. K. Analisis pengaruh good corporate governance terhadap nilai perusahaan dengan corporate social responsibility sebagai variabel pemoderasi (studi pada indeks sri-kehati yang listed di BEI). Jurnal Magister Manajemen Universitas Mataram.2019. 8(1), 46-61.

[18] Asante-Darko, D., Bonsu, B. A., Famiyeh, S., Kwarteng, A., & Goka, Y. Governance structures, cash holdings, and firm value on the ghana stock exchange. Corporate Governance,2018. 18(4), 671-685.

[19] Yanto, E. Effect of corporate social responsibility and good corporate governance on the value of a company with profitability as moderating variables. Journal of Applied Accounting and Finance, 2018. 2(1), 36-49.

[20] Jamil, S., NR, E., & Afriyenti, M. Pengaruh kepemilikan institusional terhadap nilai perusahaan dimoderasi oleh corporate social responsibility (studi empiris pada perusahaan property dan real eNegara yang terdaftar di BEI tahun 2015-2017). Jurnal Eksplorasi Akuntansi,2019. 1(1), 487-503.

[21] Samasta, A. S., Muharam, H., & Haryanto, A. M. The effect of the board of directors, audit committee, institutional ownership to firm value, firm size, financial leverage, and industrial sector as control variables (study on listed companies in Indonesia stock exchange period 2011-2015). Jurnal Bisnis Strategi,2018. 27(1), 53-62.

[22] Hafez, Hassan M. 2016. Corporate Social Responsibility And Firm Value: An Empirical Study Of An Emerging Economy. Journal of Governance and Regulation / Volume 5, Issue 4, 2016.

[23] Crisóstomo , Vicente Lima., Freire , Fátima de Souza, and Felipe Cortes de Vasconcellos. 2014. Corporate Social Responsibility, Firm Value and Financial Performance in Brazil. Social Responsibility Journal · June 2011 DOI: 10.1108/17471111111141549 ·

[24] Crowther, D. & Aras, G. Corporate Social Responsibility, David Crowther, Güler Aras & Ventus Publishing ApS. 2008

[25] Purnamawati, I. G. A., Yuniarta, G. A., & Astria, P. R. Good corporate governance dan pengaruhnya terhadap nilai perusahaan melalui corporate social responsibility disclosure. Jurnal Keuangan dan Perbankan,2017. 21(2), 276-286.