

The Effect of *Insider Ownership, Current Ratio, and Return On Equity* on Firm Value CSR with as a Moderating Variabel

Siti Fathiyah¹, Seger Priantono², Ahmad Iskandar Rahmansyah³

¹²³Panca Marga University, Faculty of Economics and Business, Jln. Yos Sudarso Pabean, Probolinggo, Indonesia, 67271
Sitifathiyah40@gmail.com

ARTICLE INFO

ABSTRACT



Received: (July 23, 2024)

Received in revised:
(December 05, 2024)

Accepted: (December 10, 2024)

Published: (December 30, 2024)

Open Access

This study aimed to examine the influence of independent variables on the dependent variable and test moderating variables that can strengthen or weaken the relationship between independent variables and the dependent variable. The independent variables used in this study are Insider Ownership, Current Ratio, and Return On Equity, the dependent variable is Firm Value, and the moderating variable used is Corporate Social Responsibility. The sampling method employed is purposive sampling. The sample size in this study consists of 16 mining companies listed on the Indonesia Stock Exchange (BEI). The data used in this study are secondary data sourced from annual reports, financial statements, and sustainability reports of the companies. Hypothesis testing in this study utilizes Partial Least Square. The results indicate that Insider Ownership has a significant impact on Firm Value, while Current Ratio and ROE do not significantly influence Firm Value. CSR moderates the influence of Insider Ownership on Firm Value, whereas CSR does not moderate or weaken the relationship between Current Ratio and ROE with Firm Value.

Keywords: Insider Ownership, CR, ROE, Firm Value, CSR

1. Introduction

In this era of rapid technology, business competition between companies is fierce. Indonesia has enormous potential, and the mining sector plays an important role in driving the country's economy and development. The growth of the mining sector reached 4.38% in 2022, and the contribution to Indonesia's GDP reached 12.22%. In addition, non-tax state revenue (PNBP) from the mining sector reached IDR 173.5 trillion in 2022, an increase of 170% from the government's target (Wibowo, 2023, p. 1). In increasing company value, companies must increase competitiveness by paying attention to company performance and shareholder prosperity. Firm value is used as a consideration by investors in making investments, and the assessment of firm value is reflected through the stock market price. In an effort to increase company value through financial ratios, companies increase sales or production.

However, this can have an impact on the increasing level of social inequality and environmental damage. Therefore, companies are expected not only to focus on economic activities but also on the environment and corporate social. Companies that disclose social

responsibility can increase the value of the company in the eyes of investors, because companies that carry out CSR activities reflect the company's ability to continue to grow and be sustainable. Based on the background above, the researchers are interested in taking the title "The Effect of Insider Ownership, Current Ratio, and Return On Equity on Firm Value with CSR as a Moderating Variable".

2. Literature Firm Value

2.1 Firm Value

Company value can be interpreted as a description of the company's condition (Dentika et al., 2022, p. 10). Firm value increases when the share price increases, thereby increasing shareholder profits. This situation is very attractive to investors because of the increased demand for shares which results in an increase in company value. Maximizing company value is very important for companies because company value is the same as achieving the company's main goal, namely obtaining profit or profit, so that the business provides benefits for

* Siti Fathiyah

E-mail addresses: Sitifathiyah40@gmail.com (Panca Marga University)
2614-6983/ © 2024 P3M Politeknik Negeri Bengkalis. All rights reserved.

management and employees (Irnawati, 2021, p. 31).

2.2 Insider Ownership

Insider ownership is share ownership by internal parties, including directors, commissioners, and managers (Wibowo and Anyar, 2022, p. 12). This makes them have a dual role as managers and owners of the company. Company ownership in the context of corporate governance involves the owner as an external mechanism that has a close relationship with the board of commissioners and directors. Executive compensation is based on consideration of various factors, including position or rank, which indicates that the amount of compensation is in line with the level of position or rank in the company (Fadli et al., 2020, p. 110)

2.3 Current Ratio

Current Ratio is a commonly used metric to measure a company's ability to meet short-term obligations that must be completed within one year (Murhadi, 2018, p. 57). This ratio helps assess how safe the company's financial position is in facing obligations or debts that will mature in a short time (Kasmir, 2019, p. 134).

2.4 Current Ratio

Return On Equity is a measure of the company's efficiency in converting resources into profits for its owners, assessing the company's ability to earn profits from its equity (Utama et al., 2018, p. 3). The higher the ROE, the greater the potential profit that can be generated from the capital used, increasing the superiority of the company owner's position (Muslichah and Bahri, 2021, p. 276).

2.5 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a company's obligation to pay attention to social aspects in carrying out business operations and interacting with stakeholders based on the principles of partnership and volunteerism. CSR emphasizes ethical values, compliance with the law, respect for individuals, communities, and the environment (Paramita and Rizal, 2021, p. 7). There are 91 indicators in CSR disclosure, which are measured using the CSR Index based on the Global Reporting Initiative (GRI). These indicators include economic performance (9 items), labor (16 items), human rights (12 items), community social (11 items), and product responsibility (9 items) (Koeshardjono et al., 2019, p. 150).

3. Research Methods

3.1. Type, Time and Place of Research

This research uses a quantitative approach. This study uses data collected through IDX sources in the form of annual reports and sustainability reports, including financial ratios in financial reports, number of shares outstanding, and disclosure of CSR reports in the sustainability reports of each mining company for the 2021-2022 period.

3.2 Population and Sample

The population in this study are all mining companies listed on the Indonesia Stock Exchange during the 2021-2022 period. The sampling of this study used purposive sampling method with certain considerations and resulted in a sample of 16 companies. This study uses Partial Least Square (PLS) analysis.

3.3 Framework Thinking

The framework used to facilitate understanding of the concepts used is as follows:

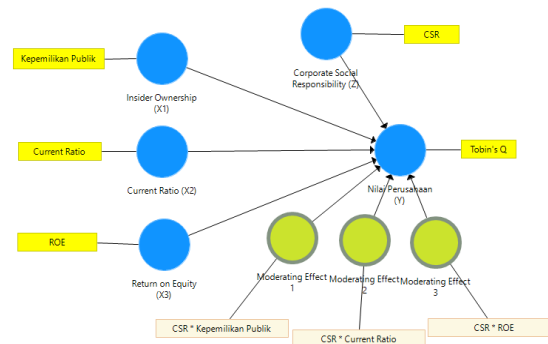


Figure 1. Framework of Thought

Source: SPLS data, 2024

3.4 Framework Thinking

Based on the conceptual framework in Figure 1, the researcher determines the hypothesis in the study as follows:

H₁ : There is a significant effect of Insider Ownership on Firm Value

H₂ : There is a significant effect of Current Ratio on Firm Value

H₃ : There is a significant effect of Return On Equity on Firm Value

H₄ : Corporate Social Responsibility can moderate the effect of Insider Ownership on Firm Value.

H₅ : Corporate Social Responsibility can moderate the effect of Current Ratio on Firm Value.

H₆ : Corporate Social Responsibility can moderate the effect of Return On Equity on Firm Value.

4. Results and Discussion

4.1 Research results

The analysis technique in this study uses the PLS (Partial Least Square) method. PLS is a powerful analytical method because it does not assume that the data must be with a certain scale measurement, small sample size (Ghozali, 2021, p. 5).

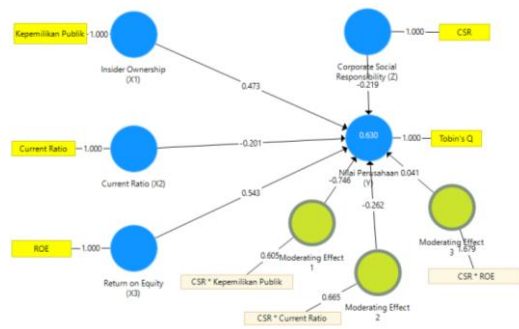


Figure 2. Outer Model Test
Source: SPLS data, 2024

4.1.1 Outer Model Test Results (Measurement Model)

1. Convergent validity

Table 1. Loading Factor Value

No	Variable	Outer Loading Value	Provision	Explanation
1	Insider Ownership	1,000	> 0,70	Valid
2	Current Ratio	1,000	> 0,70	Valid
3	Return on Equity	1,000	> 0,70	Valid
4	Firm Value	1,000	> 0,70	Valid
5	CSR	1,000	> 0,70	Valid

Source: SPLS data, 2024

From table 1, it is known that the variable indicators of Insider Ownership, Current Ratio, Return on Equity, Firm value, and CSR have an Outer Loading value of 1.000 > 0.70, which means that these indicators need to be maintained and can represent variable constructs on the latent variable, namely firm value.

2. Discriminant validity

Table 2. Cross Loading Value

Variable	CSR	CR	IO	IO* CSR	CR* CSR	ROE* CSR	NP	ROE	Provision	Explanation
CSR	1,000								> another construct	Valid
CR	0,106	1,000							> another construct	Valid
IO	0,068	-0,279	1,000						> another construct	Valid
IO* CSR	-0,090	0,034	0,053	1,000					> another construct	Valid
CR* CSR	-0,492	-0,346	0,031	-0,260	1,000				> another construct	Valid
ROE* CSR	0,470	0,209	-0,022	-0,160	-0,415	1,000			> another construct	Valid
NP	-0,250	-0,281	0,397	-0,413	0,393	-0,313	1,000		> another construct	Valid
ROE	-0,369	0,028	-0,158	-0,062	0,527	-0,683	0,433	1,000	> another construct	Valid

Source: SPLS data in 2024

The results of the cross loading value from table 2 show that each indicator has a cross loading value of 1.000 greater than the cross loading value of other variable indicators. So that this research already has good discriminant validity on its own variables. Discriminant validity can also be known by looking at the AVE value.

Table 3. AVE Value

No	Variable	AVE Value	Provision	Explanation
1	Insider Ownership	1,000	AVE > 0,50	Valid
2	Current Ratio	1,000	AVE > 0,50	Valid
3	Return on Equity	1,000	AVE > 0,50	Valid
4	Firm Value	1,000	AVE > 0,50	Valid
5	CSR	1,000	AVE > 0,50	Valid
6	CSR*Insider Ownership	1,000	AVE > 0,50	Valid
7	CSR*Current Ratio	1,000	AVE > 0,50	Valid
8	CSR*Return on Equity	1,000	AVE > 0,50	Valid

Source: SPLS data, 2024

Based on the table 3, it is known that the AVE value of each variable is 1.000 > 0.50. Thus it can be stated that each variable has good discriminant validity and meets the provisions > 0.50.

3. Reliability Test

Table 4. Reliability Test

No	Variable	Cronbach's Alpha	Composite Reliability	Provision	Explanation
1	IO	1,000	1,000	Cronbach's Alpha > 0,70	Reliable
2	CR	1,000	1,000	Composit Reliability > 0,70	Reliable
3	ROE	1,000	1,000	Cronbach's Alpha > 0,70	Reliable
4	NP	1,000	1,000	Composit Reliability > 0,70	Reliable
5	CSR	1,000	1,000	Cronbach's Alpha > 0,70	Reliable
6	CSR* IO	1,000	1,000	Composit Reliability > 0,70	Reliable
7	CSR*CR	1,000	1,000	Cronbach's Alpha > 0,70	Reliable
8	CSR*ROE	1,000	1,000	Composit Reliability > 0,70	Reliable

Source: SPLS data in 2024

Based on table 4, the Cronbach's Alpha value of each variable is 1.000 > 0.70 and the Composite Reliability value of each variable has a value of 1.000 > 0.70. The Cronbach's Alpha and Composite Reliability values of each variable are > 0.70. These results indicate that each variable has met the provisions, so it can be said that all variables have a high level of reliability.

4.1.2 Inner Model Test Results (Structural Model)

1. Determinant Coefficient (R)

Table 5. R-square Results

Variable	R-Square	Explanation
Firm Value (Y)	0,630	Moderate

Source: SPLS data, 2024

The result of the R-square value of 0.630 indicates that about 63% of the variability in firm value can be explained by the independent variables. The R-square result of 0.630 is included in the moderate category. This value is quite high, indicating that the model has a good ability to explain firm value based on these variables. While the other 37% is explained by other factors outside the model that are not explained in this study. Examples are leverage ratio variables, dividend policy, dividend payable, corporate governance, and the Company's efficient level.

2. Variance Inflation Factor (VIF)

Table 6. VIF Results

No	Variable	VIF	Provision	Explanation
1	IO	1,000	VIF < 5	Not Multicollinearity
2	CR	1,000	VIF < 5	Not Multicollinearity
3	ROE	1,000	VIF < 5	Not Multicollinearity
4	NP	1,000	VIF < 5	Not Multicollinearity
5	CSR	1,000	VIF < 5	Not Multicollinearity
6	CSR*IO	1,000	VIF < 5	Not Multicollinearity
7	CSR*CR	1,000	VIF < 5	Not Multicollinearity
8	CSR*ROE	1,000	VIF < 5	Not Multicollinearity

Source: SPLS data, 2024

VIF must be less than 5, because if it is more than 5, it indicates that there is collinearity between constructs. The Variance Inflation Factor (VIF) value of each variable is 1.000. The results of obtaining the VIF value of this study are below the value of 5, it can be concluded that the indicators contained in this study do not occur multicollinearity.

4.1.3 Hypothesis Test

Table 7. Path Coefficients Results

No	Variable	VIF	Provision	Explanation
1	IO	1,000	VIF < 5	Not Multicollinearity
2	CR	1,000	VIF < 5	Not Multicollinearity
3	ROE	1,000	VIF < 5	Not Multicollinearity
4	NP	1,000	VIF < 5	Not Multicollinearity
5	CSR	1,000	VIF < 5	Not Multicollinearity
6	CSR*IO	1,000	VIF < 5	Not Multicollinearity
7	CSR*CR	1,000	VIF < 5	Not Multicollinearity
8	CSR*ROE	1,000	VIF < 5	Not Multicollinearity

Source : SPLS Data, 2024

The results of the Path Coefficients test have p-values which are used to see how much influence the independent variable has on the dependent variable. After doing path coefficients, bootstrapping is carried out. Then the results are obtained to analyze the test of the influence between variables.

The results show that the original sample Insider Ownership (IO) on Firm Value (NP) is positive 0.473 and significant p-value 0.020 < 0.05. The original sample value of Current Ratio (CR) on Firm Value (NP) is negative -0.201 and insignificant p-value 0.250 > 0.05. The original sample value of Return on Equity (ROE) on Firm Value (NP) is positive 0.543 and insignificant p-value 0.097 > 0.05. The original sample value of Insider Ownership (IO) with Corporate Social Responsibility (CSR) on Firm Value (NP) is negative -0.746 and significant p-value 0.035 < 0.05. The original sample value of Current Ratio (CR) with Corporate Social Responsibility (CSR) on Firm Value (NP) is negative -0.262 and a significant p-value of 0.551 > 0.05. The original sample value of Return on Equity (ROE) with Corporate Social Responsibility (CSR) on Firm Value (NP) is positive 0.041 and a significant p-value of 0.900 > 0.05.

4.2 Discussion

The Effect of Insider Ownership on Firm Value

The results of testing the first hypothesis (H₁) prove that the Insider Ownership variable has an effect and is significant to the value of the Company as proxied by Tobin's Q. The results of testing this study prove that the higher the Insider Ownership, the higher the value of the Company. The test results of this study prove that the higher the Insider Ownership, the higher the Company's value. The results of Insider Ownership research have a significant effect on the value of the Company. The results of this study are in accordance with research conducted by (Akwila and Iryanto, 2017, p. 11), where Insider Ownership has a significant effect on the value of the Company. Insider Ownership or public ownership structure affects firm value because it can reflect the level of trust and commitment of management to company performance.

Effect of Current Ratio on Company Value

The results of testing the second hypothesis (H₂) prove that the current ratio variable using the Current Ratio indicator has no effect and is insignificant to the value of the Company proxied by Tobin's Q. This means that the small increase in the Company's current ratio cannot reflect the value of the company. This means that the size of the increase in the company's current ratio cannot reflect the value of the company. The results showed that the Current Ratio has no significant effect on the value of the Company. If the current assets of a company increase, there can be hoarding of funds or idle funds that are not processed by the company and are not used efficiently, thus hindering the company's ability to maximize value for shareholders. The existence of unutilized funds results in a decrease in profits because more assets are allocated to pay short-

term debt which cannot be used as a reference for making investment decisions and does not affect company value. This is in line with research conducted by (Windianti and Susetyo, 2021, p. 361). which states that the current ratio has no effect on firm value.

The Effect of Return on Equity on Company Value

The results of testing the third hypothesis (H₃) prove that the Return on Equity variable using the ROE indicator has no effect and is insignificant to the value of the Company proxied by Tobin's Q. This means that the size of ROE cannot affect the value of the company or cannot be a measure in the value of the company. This means that the size of ROE cannot affect the value of the company or cannot be a benchmark in the value of the company. The decrease in ROE is caused by losses experienced by the company, while own capital has increased which results in a low ROE value which indicates the company's inability to earn profits for shareholders. This can reduce investor interest because the company's ability to generate profits with low own capital has the potential to reduce stock demand and stock prices and company value. The results of this study are in line with previous research conducted by (Windianti and Susetyo, 2021, p. 361) which states that ROE has no effect on firm value.

Corporate Social Responsibility can moderate the effect of Insider Ownership on Firm Value

The results of testing the fourth hypothesis (H₄) prove that the Corporate Social Responsibility (CSR) variable as moderation is able to moderate or strengthen the relationship between Insider Ownership using public ownership indicators against the Company's Value proxied by Tobin's Q. The results of this study are in line with the research that has been conducted by the researcher. The results of this study are in line with research conducted by (Putra and Sunarto, 2021, p. 156) stated that CSR can moderate the effect of Insider Ownership on firm value. CSR can improve the company's reputation, build good relationships with various stakeholders, and increase public trust. Strong CSR actions can demonstrate the company's commitment to being socially and environmentally responsible which can reduce uncertainty and increase investor and public confidence. As a result, the company may experience a greater increase in value, even with high insider ownership, and the value of the Company also increases.

Corporate Social Responsibility can moderate the effect of Current Ratio on Firm Value

The results of testing the fifth hypothesis (H₅) prove that the Corporate Social Responsibility (CSR) variable is not able to moderate or weaken the relationship between the Current Ratio which uses public ownership indicators against the Company Value proxied by Tobin's Q. The results of this study explain that CSR has a negative relationship and weakens the relationship between the Current Ratio and Company value.

The results of this study explain that CSR has a negative relationship and weakens the relationship between Current Ratio and Company value. The results of this study are in line with research conducted by (Tumanan and Ratnawati, 2021, p. 134) shows that CSR disclosure is unable to moderate the effect of liquidity on firm value. Even though CSR disclosure is of any size, it has no significant effect on the relationship between liquidity and firm value. Companies, both with high and low liquidity levels, will still report their social responsibility in accordance with the Limited Liability Company Law No. 40 of 2007.

Corporate Social Responsibility can moderate the effect of Return on Equity on Firm Value

The results of this study explain that CSR has a positive relationship and weakens the relationship between Return on Equity and firm value so that the sixth hypothesis (H_6) is rejected. The results of this study are in line with research (Tumanan and Ratnawati, 2021, p. 134) Tumanan & Ratnawati (2021) CSR disclosure is unable to moderate the effect of Return on Equity on firm value, which means that disclosure of corporate social responsibility does not have a significant impact on high or low profitability on increasing firm value.

5. Conclusion and Suggestion

5.1. Conclusion

Insider Ownership has an effect and is significant to the value of the Company. Current Ratio has no effect and is not significant to the value of the Company. Return on Equity has no effect and is not significant to the value of the Company. Corporate Social Responsibility can moderate the effect of Insider Ownership on Company Value. Corporate Social Responsibility is unable to moderate or weaken the relationship of Current Ratio to Company Value. Corporate Social Responsibility is unable to moderate or weaken the relationship between Return on Equity on Company Value.

5.2 Suggestion

Suggestions for further research can expand the scope of research not only on mining sector companies and increase the research period in order to obtain accurate research results in the long term and can add research variables such as dividend policy, dividend debt, corporate governance, and the Company's efficient level. Cite the main scientific publications on which your

References

- Antoro, A. D., & Hermuningsih, S. (2018). Dividend Policy and Bi Rate as Moderation of Liquidity, Profitability, and Leverage on the Value of Banking Companies Listed in Bei in 2011-2017. *Upajiwa Dewantara*, 2(1), 58-75.
- Dentika, L., Djabir, M., & Teri. (2022). Examining the Value of the Company. *Aksara Library*.
- Fadli, Z., Fadilah, N., & Kholis, A. (2020). The Effect of Financial Performance, Ownership Structure, and Firm Value on Executive Compensation in Banking Companies. *Journal of Accounting and Business Research*, 7597(1), 106-108.
- Irnawati, J. (2021). Firm Value and Dividend Policy in Construction and Engineering Companies on the Singapore Stock Exchange. *CV Pena Persada*.
- Cashmere. (2019). *Financial Statement Analysis* (11th ed.). Rajawali Press.
- Koeshardjono, R. H., Priantono, S., & Amani, T. (2019). The Effect of Corporate Social Responsibility, Company Size, Leverage and Profitability on Firm Value with Managerial Ownership and Independent Commissioners as Moderating Variables. *Indonesian Accounting Scientific Journal*, 4(2), 148-165.
- Murhadi, W. R. (2018). *Financial Statement Analysis Projections and Stock Valuation*. Fourth Edition.
- Muslichah, & Bahri, S. (2021). *Management Accounting Theory and Application*. Mitra Wacana Media.
- Paramita, R. W. D., & Rizal, N. (2021). *Corporate Social Responsibility*. Widya Gama Press.
- Salfina, L., & Riani, V. (2019). The Effect of Insider Ownership, Debt Policy and Dividends on Firm Value (Empirical Study of Kompas 100 Companies for the 2010-2016 Period). *EMBA Journal*, 1(4), 153-157.
- Utama, A. H., Bahri, M. S., & Pujiastutik, A. (2018). The Effect of Return On Equity, Debt To Equity Ratio, and Earning Per Share on the Share Price of Retail Trade Sector Service Companies Included in the Kompas Index in Bei in 2014-2018. *Jumad*, 1-10.
- Wardani, B. M., Priyawan, S., & Riyadi, S. (2019). The Effect of Governance Implementation, Liquidity Ratio, and Efficiency Level on Firm Value with Financial Performance as an Intervening Variable in Banking Companies in Bei. *Managerial*, 6 (2), 21.
- Wibowo, A. S., & Anyar, G. (2022). The Effect of Insider Ownership and Leverage on Firm Value with Policy. *Dialectika Journal of Economics and Social Sciences*. 7(February), 10-20.
- Wibowo, R. (2023). *IEE Series 2023: Bosch Presents Mining Efficiency and Productivity Solutions*. Tambang.Co.Id.