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Human Capital as Moderating the Relationship between Corporate Social Responsibility and Company Value in Indonesia Consumption Goods Companies

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Abstract

The motive of this research is to understanding the effect of company Social duty on company value, and knowing whether or not Human Capital can slight the effect of company Social responsibility on firm price. This take a look at makes ue of secondary records obtained from the Indonesia stock trade (IDX) in the form of economic reviews on consumer goods groups in the 2015-2019 length. The information might be analyzed the usage of moderated regression evaluation (Moderated Regression analysis). The effects of this examine found that CSR has no impact on firm price and human capital cannot mild the connection among CSR and firm value.

Keywords: Company Social duty, Human Capital, business enterprise value.

INTRODUCTION

Corporate value is a form of achievement in the company that comes from the level of public trust in the company's performance through long activities starting from the company's inception to the current state of the company. A high company value will certainly make investors believe in the company's performance and prospects in the future. To maintain or improve its performance, companies are required to survive in increasingly fierce competition, companies will make various efforts including exploration of natural resources and other resources so as to cause damage to the natural environment and of course affect human life.

To reduce the negative impact on environmental damage, companies in Indonesia are required to carry out corporate social responsibility (CSR). This is very important for companies today considering that environmental issues are the focus of several interested parties (Ardhiani, 2020; Fatemi *et al.*, 2016). Good CSR implementation can strengthen communication between the company and stakeholders so that they can carry out the company's goals and vision and mission properly (Istikhoroh & Suhardiyah, 2016). This is in accordance with the legitimacy theory which emphasizes that the company wherever it stands will always be bound by a social and environmental contract (Guthrie *et al.*, 2007).

Corporate Social Responsibility (CSR) generally describes how the company performs their duties oriented to the benefit of various stakeholders, including founders, shareholders, local communities, as well as people who may not show an explicit relationship with an organization (Dusingize & Nyiransabimana, 2017; Schwartz & Carroll, 2003). Through social responsibility, the company seeks to increase the value of profits by fostering a favorable situation for the company and its stakeholders (Rim & Kim, 2016). Social change as a result of a globally competitive relationship society requires increased social responsibility. In this regard, credibility, transparency and accountability play an important role for companies seeking to create the healthy and reliable environment they need to support their sustainability.

Companies are directly or indirectly pressured to disclose environmental performance to the public (Deswanto & Siregar, 2018; Sarumpaet *et al*., 2017). In addition to pressure from stakeholders, the community is also aware of the importance of CSR disclosure (Gunawan, 2015). This reflects the community's concern for environmental sustainability. Companies will get a good response if they are able to manage their surrounding environment (Deswanto & Siregar, 2018; Sarumpaet *et al*., 2017). CSR disclosure is also a form of corporate social responsibility related to corporate governance. The company's concern for the environment will create a positive image in the eyes of stakeholders and can have an impact on sustainability and increasing company value (Stuebs & Sun, 2015).

Corporate social responsibility is responsible for the company as a sense of responsibility for the environment around the company. CSR can increase the value of the company at social responsibility for the company as a company's social responsibility. This is proven by research Karina & Setiadi (2020) which proves that CSR has a significant positive effect on firm value. The results of this study are supported by research Stuebs & Sun (2015) which states that CSR disclosure is able to bring a good influence on increasing firm value. On the other hand, research Deswanto & Siregar (2018) states the opposite where disclosure of social and environmental performance has no effect on firm value.

The results of research on the effect of CSR on firm value give mixed results. This illustrates that the successful implementation of CSR that produces corporate value requires competent human beings as implementers. Human Capital is a human or employee who has the expertise, ability, intelligence, knowledge, who can innovate and contribute to the progress of the company. Human capital is one of the keys to the realization of the company's goals. Employees or humans who have expertise, skills and knowledge are needed so that the activities that are the company's goals are achieved. Expertise and skills do not necessarily grow in humans. There needs to be training, opportunities and additional knowledge so that employees can develop according to company expectations (Virna, Sari, & Suprasto, 2018). The existence of a competitive advantage generated by human capital within the company encourages the formation of a good corporate strategy implementation so that the formation of good corporate value.

Companies that have good human capital can facilitate the company's activities in carrying out CSR activities. CSR programs that have been made as good as possible will run optimally if implemented by competent people so as to encourage increased company value. Based on this, the purpose of this research is to (1) determine the effect of Corporate Social Responsibility on firm value, and (2) find out whether Human Capital can strengthen the influence of Corporate Social Responsibility on firm value.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Stakeholder theory is a idea that explains how company leadership responds to or manages stakeholder expectancies (Jensen & Meckling, 1976). Stakeholder concept emphasizes organizational responsibility far past simple monetary or financial overall performance. This idea believes that companies voluntarily disclose statistics about the surroundings, society, and highbrow overall performance beyond the necessary necessities to meet the expectations of real or diagnosed stakeholders (Bernardi & Stark, 2018). One shape of voluntary improvement that is currently growing is the disclosure of company Social responsibility. Disclosure of CSR can be a means for a enterprise to provide more whole and complete statistics approximately its sports and their impact on social and environmental social situations (Suhardjanto *et al*., 2007). CSR is a corporate initiative that contributes to sustainable economic development by paying attention to community and environtment, and also emphasizing the balance between economic, social, and environmental aspects (Fatemi *et al*., 2016; Suhardjanto *et al*., 2007).

Community legitimacy is a strategic factor for a company to further develop in the future. It can be used as a means of shaping corporate strategy, especially as it seeks to position itself in an increasingly evolving society (Brooks & Oikonomou, 2018). Basically, Corporate Social Responsibility aims to show the general public the social activities that a company carries out and its impact on the surrounding area. Company legitimacy in the eyes of stakeholders can be carried out with the integrity of the implementation of ethics in business (Brown & Deegan, 1998).

The company discloses CSR with the aim that the community provides legitimacy so that the company remains a going concern so that the company's performance can increase and achieve profits in accordance with the company's targets (Dipraja, 2014). In legitimacy theory, the company tries to stay accepted in its environment by carrying out its operating activities according to the rules that exist in the environment or community around the company (Deegan & Rankin, 1997). In stakeholder theory, information related to social, environmental and intellectual performance will be disclosed voluntarily by the company (Ulum *et al*., 2014). By disclosing CSR, investors will evaluate the company well and can increase investor interest in investing so that the value of the company increases.

H1: There is an influence of Corporate Social Responsibility on the value of the company

Companies that disclose CSR indicate that the company has carried out its responsibilities in environmental, social, and economic aspects. Employee welfare that is fulfilled will make employees work better and be able to innovate for the company. The company is considered capable of using and properly managing the knowledge possessed by employees (human capital) (Mention & Bontis, 2013). The growing industry pattern has created a paradigm that investments made by business people should be balanced between physical assets and non-physical assets. This is in accordance with the resource-based theory, intangible assets, such as human capital that is owned, utilized, and controlled by the company properly can add value to the company and can become a company advantage in business competition (Ardhiani & Nasih, 2019; Mention & Bontis, 2013; Tui *et al*., 2017). The value of a company can be influenced by human capital because it can be an added value for the company in addition to CSR disclosure (Ponga & Amanah, 2015). If the company has a high level of CSR supported by high human capital, it can enlarge the influence of CSR on company value. Companies that disclose CSR can make the value of the company increase when the company's human capital is high (Virna *et al*., 2018).

H2: Human capital strengthens Corporate Social Responsibility with Company Value.

METHOD

This observe makes use of a non-experimental approach, particularly the quantitative method. This take a look at uses secondary data received from the Indonesia inventory alternate (IDX) in the form of financial reviews on purchaser items organizations in the 2015-2019 period with documentation statistics series techniques.

Population and sample

This study uses consumer items agencies listed at the Indonesia stock alternate in 2015-2019 because the population. The sampling method used purposive sampling with standards for client items corporations indexed on the IDX, consumer items groups within the food and beverage sub-region which put up annual reviews regularly and completely beginning from 2015-2019, in addition to customer items companies within the meals and beverage sub-region reporting annual reviews. the usage of the rupiah forex during 2015-2019. based totally on those criteria, the research pattern became

Operational Definition and Measurement of Variables

1. *Corporate Social Responsbiliy*is a social responsibility carried out by the company as a sense of responsibility to the environment around the company which aims to improve welfare for the community. The calculation of CSR is proxied through the Corporate Social Disclosure Index (CSDI) using a dichotomous approach.

$$\mathbf{CSDIj} = \frac{\sum x\, ij}{nj}$$

2. Corporate value is a form of achievement in the company that comes from the level of public trust in the company's performance through long activities starting from the company's inception to the company's current state. Firm value is measured by Tobin's Q.

$$\mathbf{Q} = \frac{(EMV+D)}{(EBV+D)}$$

3. *Human Capital*are humans or employees who have the skills, abilities, intelligence, knowledge, who can innovate and contribute to the progress of the company. This variable is calculated by Value Added Human Capital (VAHU).

$$\mathbf{VAHU} = \frac{VA}{HC}$$

Data analysis

The information evaluation of this research used Moderated Regression analysis (MRA) or also known as interaction take a look at. The analysis is used to test whether the moderating variable will give a boost to or weaken the relationship among the independent variable and the based variable. MRA is a unique utility of moderation regression wherein the equation contains the interplay of multiplication or more unbiased variables.

$$\mathbf{Y = \alpha + \beta 1CSR + \beta 2HCE + \beta 3\ CSR * HCE + e}$$

RESEARCH CONSEQUENCES AND DISCUSSION

Descriptive analysis

Table 1 shows that the CSR variable has a minimal cost of 0.022, a most of 0.385, an average of 0.14560 and a preferred deviation of 0.84253. The firm value variable has a minimum cost of 0.726, a maximum of 4.459, a median of 2.25409 and a standart deviation of 1.101813. sooner or later, the Human Capital variable has a minimum price of -0.011, a most of 4.459, an average of 1.95618 and a general deviation of 1.070546.

Table 1: Descriptive Analysis

	N	Minimum	Maximum	mean	Std. Deviation
CSR	55	0.022	0.385	0.14560	0.84253
The value of the company	55	0.726	4,192	2.25409	1.101813
Human Capital	55	-0.011	4,459	1.95618	1.070546
Valid N (listwise)	55				

Table 2 shows the results of the data normality test using the Kolmogorov-Smirnov test. Asymp Value. Sig (2-tailed) 0.917 exceeds the significance value of 0.05. This indicates that the research data meet the assumption of normality or are normally distributed.

Table 2: Normality Test

		Unstandardized Residual
N		55
Normal Parameters	**mean**	.0000000
	Std. Deviation	.94980817
Most extreme difference	**Absolute**	.075
	Positive	.075
	negative	.075
Kolmogorov – Smirnov Z		.555
asymp. Sig. (2-tailed)		.917

Table 3 shows that the Durbin Watson value of 1.683 indicates that there is no autocorrelation in the data.

Table 3: Autocorrelation Test

R	**R Square**	**Adjusted R Square**	**Std. Error of The Estimate**	**Durbin-Watson**
.679	.2461	.2429	.829912	1,683

Based on Table 4, it can be seen that the tolerance value has a number more than 0.1 and the variance inflation factor (VIF) value is more than 10. Based on this, it can be stated that the regression model does not find any correlation between the independent variables or multicollinearity-free variables used in the study.

Table 4: Multicollinearity Test

	Collinearity	**Statistics**
	Tolerance	**VIF**
CSR	1,000	1,000
HC	1,000	1,000

Based on Figure 1, it can be seen that the points on the scatterplot spread above and below zero on the Y axis, this indicates that there is no heteroscedasticity disorder in the regression model.

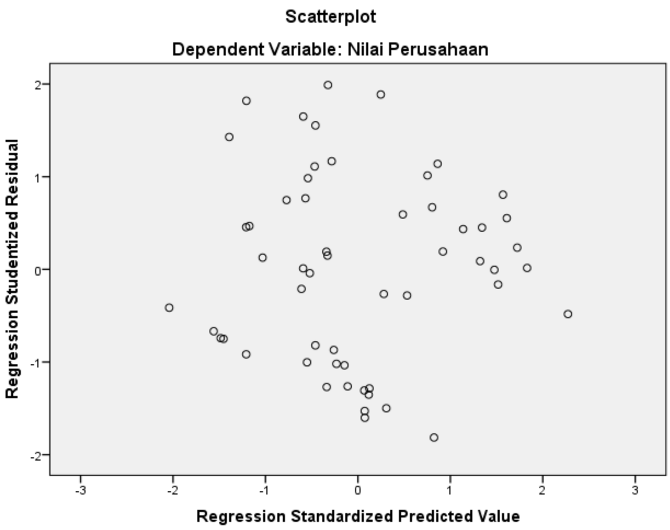

Figure 1: Heteroscadicity Test with Scatterplot

Moderated Regression Analysis

Based on data from the variables that have been measured, a regression analysis was carried out to determine the effect of*Corporate Social Responsibility* on firm value, as well as testing the effect of corporate social responsibility on firm value moderated by human capital.

Table 4: Results of Moderated Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(constant)	1.039	.410		2,537	.014
	CSR	1.581	2,526	-121	.626	.534
	HC	.551	.251	.535	2,567	.013
	CSR. HCE	-.312	1,452	-.055	-.215	.831

The results showed that CSR has a t-count value of 0.626 with a significance level of 0.534 so that sig.t <0.05 then corporate social responsibility has no effect on firm value. Furthermore, HC has a t-count value of -0.215 with a significance level of 0.831 so that the interaction variable cannot affect firm value, which means that human capital cannot moderate the relationship between CSR and firm value. based on these results, the role of the moderating variable is only as a predictor variable (independent).

DISCUSSION

The Influence of Corporate Social Responsibility on Company Value

Based on the results of data analysis, it is found that CSR has no effect on firm value. The size of the CSR disclosure carried out by the company is not able to increase the value of the company. This is because the company's CSR disclosure is still considered low. It is evident from the results of CSR disclosure that an average of 14% is obtained, which means that the company is considered not to have disclosed all the information.

The results of this study support research Tenriwaru & Nasaruddin (2020) shows that the company only cares about investors without thinking about implementing social responsibility activities, even though these activities are also for the common good in the future. Companies focus only on financial factors, and pay less attention to non-financial factors such as corporate social responsibility, as evidenced by the very low disclosure of corporate social responsibility.The results of this study support research that has been carried out by Hakim *et al*., (2019).

CSR disclosure can be a basic consideration for investors before carrying out their investment activities. CSR disclosure can convince investors that the company does not do things that can interfere with the company's operations. Several stakeholders can strategic management of companies in this modern era. However, no conclusive answer has been found to clarify whether CSR affects business performance or vice versa (Crisóstomo *et al*., 2011; Dusingize & Nyiransabimana, 2017).The effect of CSR on company value is strongly influenced by social actions that are relatively related to employees and environmental problems (Deswanto & Siregar, 2018; Dusingize & Nyiransabimana, 2017).

Human Capital as a moderator between corporate social responsibility and company value

Based on the results of data analysis, it is found that human capital cannot moderate the relationship between CSR and firm value. Companies that disclose CSR do not make the company value increase when the company's human capital is high and companies that disclose CSR do not make company value decrease when the company's human capital is low. The results of this study support research Anggraini & Hariyati (2021) who argues that intellectual capital does not moderate corporate social responsibility with firm value.

*Human capital*does not have an influence on the relationship between CSR and company value because the function of the presence of human capital in the annual report of the companies used as samples of this research are people or employees who have an important role in their company which focuses on facilitating and meeting all employee needs, as well as the welfare of employees . Human resources or capital have five components: individual skills, individual motivation, leadership, organizational culture, and workgroup effectiveness. (Dwi *et al*., 2008). Each of these components has a capacity that is more focused on what the organization can do to achieve the company's goals.

Basically the company has been able to take advantage of the advantages it has. However, in terms of spending on CSR and human capital activities, the company is still considered not optimal in carrying out these activities. *Human capital* does not have an effect on the relationship between CSR and company value because many consumer goods companies are considered economic companies, namely companies that incur low costs for CSR and human capital, while the profits earned are high (Anggraini & Hariyati, 2021). This does not agree with the resource-based theory which states that the resources used and managed by the company properly can add value to the company and can be a company advantage compared to other companies in business competition. For companies, CSR and human capital activities are considered a burden because they can reduce company profits even though CSR and company human capital are considered good. If the company's burden becomes high, this will cause investor interest to decrease to invest, resulting in a decrease in company value.

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