

**EFFECT OF MANAGERIAL OWNERSHIP, CEO POWER, AND FINANCIAL PERFORMANCE ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE POLICY.  
(Case Study of 50 Companies Listed on the Indonesia Stock Exchange 2017-2019)**

**Fitri Komariyah**

Sekolah Tinggi Ilmu Ekonomi Mahardhika Surabaya

[Fitrikomariyah0102@gmail.com](mailto:Fitrikomariyah0102@gmail.com)

Received : Oct 19 <sup>th</sup> 2021	Revised : Nov 17 <sup>th</sup> 2021	Accepted : Jan 2 <sup>th</sup> 2022
--------------------------------------	-------------------------------------	-------------------------------------

**Abstract**

This study aims to prove the significance of managerial ownership and company financial performance on corporate social responsibility reporting. The method used in this article is quantitative with a regression analysis tool. The results of the research state that managerial ownership does not have a significant effect on corporate social responsibility reporting, while management strength has a significant and negative effect on corporate social responsibility reporting, Leverage has a significant effect on corporate social responsibility reporting, but return on assets has no significant effect on corporate social responsibility reporting.

**Keywords: corporate social responsibility, Managerial Ownership, Profitability**

**BACKGROUND**

Corporate Social Responsibility (CSR) is an idea that requires companies to no longer be faced with responsibilities that are oriented only to the single bottom line, which reflects the company's value which is only in its financial condition (Daniri, 2008). Awareness of the importance of CSR departs from the idea that entities not only have economic and legal obligations to business owners (shareholders), but also obligations to other interested parties (stakeholders) in the business activities of a business. CSR requires that the responsibility of an entity must be based on the triple bottom line, namely corporate responsibility on social, environmental, and financial aspects (Rustiarini, 2011).

The amount of environmental degradation that occurs due to irresponsible use of the environment, whether carried out individually or in groups in the name of the organization. Utilization of the environment that is not followed by awareness to be responsible for maintaining and preserving the

environment, has brought disasters to human life, such as the emergence of disease outbreaks due to waste, erosion, and climate change. However, awareness of the implementation of CSR policies is often placed in a dilemmatic point of view, regarding; institutional awareness represented by ownership and managerial responsibility as well as the Company's financial condition. Some researchers who conduct research on this partial theme include; Karima (2014) who revealed that managerial ownership does not have a significant effect on CSR disclosure in companies listed on the Indonesia Stock Exchange, as well as the findings of Said et al (2009), and Machmud and Djakman (2008) who stated the same thing. As for Saputra (2013), Sartono (2010), and Ivan et al (2015), Elber and Gina (2015) and Ross (2012) argue that profitability and leverage have a positive and significant impact on the Company's CSR policies.

Because previous studies partially discuss the variables that affect the disclosure of Corporate Social Responsibility costs in terms of

management and company financial performance, this next research will elaborate further on the variables influencing managerial ownership, CEO Power and the company's financial condition as proxied by leverage and return on assets on Corporate Social Responsibility reporting.

## **LITERATURE REVIEW**

### **Managerial ownership**

What is referred to as managerial ownership is a condition that shows the number or percentage of share ownership by managers in an entity (Rustiarini, 2011). Managers in this context are those who occupy positions on the board of commissioners and the board of directors in an entity. The existence of company management has different backgrounds, among others; they represent institutional shareholders, they are professionals appointed by shareholders at the General Meeting of Shareholders. Lastly, agency, the relationship between management and shareholders, is prone to agency problems. Based on the theory of agency conflict in the company is to maximize the amount of managerial ownership. In agency theory, it is stated that one of the mechanisms to minimize this problem (agency) is by placing management in the ranks of shareholders. By increasing the number of managerial ownership, management will feel a direct impact on every decision they take because they become owners of the company (Jensen and Meckling, 1976).

An increase in managerial ownership will make the welfare of management, individually, increasingly tied to the company's wealth so that management will seek to reduce the risk of losing its assets. The high managerial ownership results in low dividends paid to shareholders. This is because the financing made by the management of the investment value in the future comes from internal costs. Managerial ownership structure can be measured according to the proportion of ordinary shares owned by the manager. Managerial ownership is a condition that indicates that the manager has shares in the

company or the manager is also a shareholder of the company (Rusriarini, 2011). This is indicated by the large percentage of ownership. Based on the results of the research above, the hypotheses developed are as follows;

H1; Managerial Ownership has a significant effect on corporate social responsibility reporting

### **CEO Power**

Ownership is a source of power, as stated by Daily and Johnson (1997), CEOs with strong ownership can maintain the CEO position beyond the point of effectiveness (Boeker, 1992). CEOs with a low percentage of shareholding in the company can be more easily removed by insider coalitions (Ocasio, 1994). Jansen and Meckling (1976) stated that one way to reduce agency costs is to increase management's share ownership. The proportion of share ownership by managers can influence company policy. Managerial ownership will place the interests of management and shareholders (outsider ownership) in the same position, so that they will receive direct benefits from the decisions taken and bear the losses as a consequence of ineffective decisions. However, CEO Power is not only a matter of share ownership by the CEO, there are at least four measurements and dimensions in calculating CEO Power according to Finkelstein (1992), namely: ownership power, namely the CEO who has power based on the founder and number of shareholdings, structural power, namely the CEO's power based on its position in the company's hierarchical structure, expert power is power that is based on the experience of the CEO, and prestige power is the power that the CEO has based on his reputation. Based on these characteristics, several researchers have presented their research results; Lewis et al (2014) argue that the CEO's level of education and length of service have a significant effect on the disclosure of social and environmental information, the same thing is also stated by Setyahuni and Triyani (2020). Based on the

explanation above, the hypotheses developed for this variable are;

H2; CEO Power has a significant effect on corporate social responsibility reporting

### Leverage

The leverage ratio is the proportion of total liabilities to the average shareholder equity. Leverage ratio is a ratio that shows the size of the company's capital financing originating from third parties (debt) (Fahmi, 2012). Companies must be able to manage their funding in a healthy manner between their own capital and debt. The higher leverage, it can be a sign that the company has a tendency to violate debt contracts, so managers will report higher current profits than future profits (Scott, 2000), this is in line with the opinion of Balkau and Karpik (1989) quoted by Eddy (2005), that high levels of debt will be linear with minimal disclosure, but for Purba and Candradewi (2019), Anggraini (2006), Brigham and Houston (2006) and Suhaenah (2012), on the contrary, good and sufficient leverage will support performance disclosure. finance, including corporate CSR. Based on these studies, the hypotheses developed for this variable are;

H3; Leverage has a significant effect on corporate social responsibility reporting

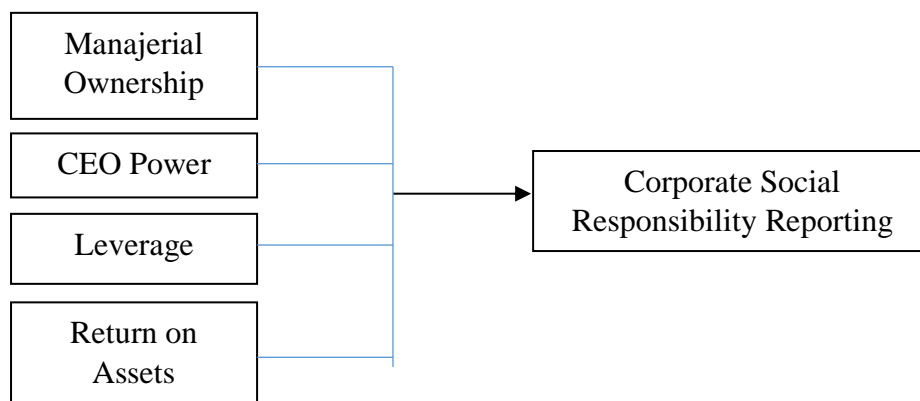
### Return on Assets

According to Kasmir (2016), Return on Assets is used to measure an entity's capability to generate profits by using its total assets. Return On Assets provides information about the company's ability to generate profits from the assets used. In relation to social responsibility reporting, Fath (2016) suggests that there is a significant relationship between economic performance (ROA) and the disclosure of social and environmental indices. While the results of research by Kamil (2012) Mutia, Zuraida, & Andriani (2011), Dewi and Suaryana (2015) found that profitability had no effect on the disclosure of corporate social responsibility.

According to Maiyarni, Susfayetti & Erwati (2014) profitability has a significant negative effect on CSR disclosure, while according to Dewi and Suaryana (2015) the profitability variable has no effect on corporate social responsibility disclosure. Based on these findings, the hypothesis for the Return on Assets variable that has been compiled is; H4; Return on Assets has no significant effect on corporate social responsibility reporting From the description above, the conceptual framework in this study is as follows;

Picture 1.

### Conceptual Framework for the Effect of Managerial Ownership, CEO Power, and Financial Performance on Corporate Social Responsibility Disclosure Policy





**RESEARCH METHOD**

**Research Type**

Research aimed at testing hypotheses and the relationship between several independent and dependent variables by Sugiyono (2007) is referred to as quantitative research. Because this article examines the relationship between four independent variables; Family Ownership (FO), CEO Power, Leverage, and Return on Assets, on one dependent variable of the Company's CSR Policy, the research in this article is based on quantitative methods. The samples used in this study were 50 companies listed on the Indonesia Stock Exchange in 2017 - 2019.

**Data Type**

The data used is secondary data downloaded from the official website of the Indonesia Stock Exchange.

**Data collection technique**

The data collection technique used in this research is literature.

**DISCUSSION**

**Data analysis**

**Classic assumption test**

Before carrying out a multiple linear test, there are requirements that must be met, namely the classical assumption test, in order to get the best results (Ghozali, 2011). The purpose of fulfilling this classical assumption is that the independent variable as an estimator of the dependent variable is not biased. In this study, two classical assumption tests were carried out, namely normality and multicollinearity tests.

**Normality test**

The normality test aims to test whether in the regression model the confounding or residual variables have a normal distribution. To test whether the data is normally distributed or not, the Kolmogorov-Smirnov . statistical test was carried out

Test. Residuals can be said to be normally distributed if they have a significance value > 0.05 (Imam Ghozali, 2011). Based on the results of the Kolmogorov-Smirnov test, it was found that the sig value was 0.723 > 0.05. So the data in this study means that it has been normally distributed.

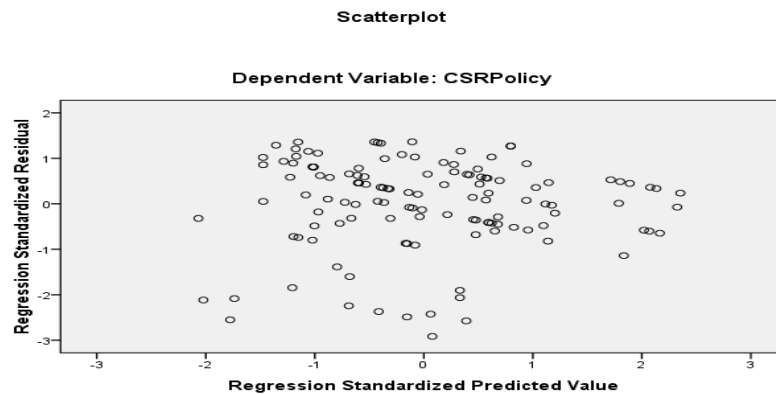
Picture. 02

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Predicted Value
N		127
Normal Parameters <sup>a</sup>	Mean	84.8582677
	Std. Deviation	2.83841146
Most Extreme Differences	Absolute	.061
	Positive	.061
	Negative	-.051
Kolmogorov-Smirnov Z		.693
Asymp. Sig. (2-tailed)		.723

a. Test distribution is Normal.

**Picture 3**



**Multicollinearity Test**

According to Imam Ghozali (2011) the multicollinearity test aims to test whether the regression model found a correlation between the independent (independent) variables. To test multicollinearity by looking at the VIF value of each independent variable, if the VIF value is < 10, it can be concluded that

the data is free from multicollinearity symptoms. From the results of the multicollinearity test in Figure 04, it was found that the four independent variables had a VIF value of  $1,000 < 10$ , meaning that the data in this study were free from multicollinearity problems.

**Image 04**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	80.412	4.491		17.906	.000		
	FamilyOwnership	.576	.304	.157	1.894	.061	.984	1.016
	CEOPower	-.123	.028	-.372	-4.392	.000	.942	1.062
	Leverage	.082	.028	.248	2.933	.004	.940	1.063
	ReturnOnAsset	-2.788E-5	.026	.000	-.001	.999	.984	1.016

a. Dependent Variable: CSRPolicy

**Hypothesis testing**

After meeting the classical assumptions, it is possible to analyze the effect of the test using multiple regression on the data,

the multiple regression analysis that was tested yielded, the following are the results of testing the data in this article;

**Annova Test**

**Picture 5**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1015.129	4	253.782	6.604	.000 <sup>a</sup>
	Residual	4688.320	122	38.429		
	Total	5703.449	126			

a. Predictors: (Constant), ReturnOnAsset, FamilyOwnership, CEOPower, Leverage

b. Dependent Variable: CSRPolicy



Based on the F test table where Sig 0.000 < 0.05 indicates that the variables of Managerial Ownership, CEO Power, leverage

and return on assets simultaneously have a significant effect on Corporate Social Responsibility reporting

### T Uji test

**Picture 6**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	80.412	4.491		17.906	.000		
	FamilyOwnership	.576	.304	.157	1.894	.061	.984	1.016
	CEOPower	-.123	.028	-.372	-4.392	.000	.942	1.062
	Leverage	.082	.028	.248	2.933	.004	.940	1.063
	ReturnOnAsset	-2.788E-5	.026	.000	-.001	.999	.984	1.016

a. Dependent Variable: CSRPolicy

From the results of this T test we tested the regression mode in this study, namely;

$$Y = \alpha + \beta^1.X^1 + \beta^2.X^2 + \beta^3.X^3 + \beta^4.X^4 + e$$

e

Where is:

Y = Corporate Social Responsibility Report

$\alpha$  = Constant

$\beta^1$  = Managerial ownership variable regression coefficient kepemilikan

$X^1$  = managerial ownership variable

$\beta^2$  = CEO Power variable regression coefficient

$X^2$  = CEO Power Variabel variable

$\beta^3$  = Leverage variable regression coefficient

$X^3$  = Variable Leverage

$\beta^4$  = Regression coefficient of Return on Assets variable

$X^4$  = Variable Return on Asset

Based on the results of multiple regression analysis on the four independent variables, the regression equation for this research model is as follows;

$$Y = 80.41 + 0.56X^1 - 0.123X^2 + 0.82X^3 - 0.28X^4 + e$$

### Managerial ownership

Based on the T test, it was found that the Sig value was 0.61 > 0.05, this indicates that

managerial ownership has no significant effect on corporate social responsibility reporting. Thus, H1 is rejected. This result is different from the findings of Karima (2014) in his research on companies listed on the Indonesia Stock Exchange 2011 – 2012, which states that managerial ownership has a significant effect on corporate social responsibility reporting.

### CEO Power

Based on the T test, it was found that the value of Sig 0.00 < 0.05, this indicates that CEO Power has a significant effect on corporate social responsibility reporting, however, the effect is negative, as shown in the coefficient -0.123. That is, the greater the CEO's power, the lower the corporate social responsibility reporting policy. On the other hand, the lower the CEO's power, the higher the level of corporate social responsibility reporting. This is indirectly related to the agency relationship and CEO characteristics. As research conducted by Lewis et al (2014) that education level, length of service, reputation, and age will affect how the CEO's attitude towards social and environmental reporting. In addition to agency relations, there is a tendency that CEOs prefer to report CSR if the reporting provides good benefits for themselves.

### Leverage



Based on the T test, it was found that the value of Sig  $0.04 < 0.05$ , this indicates that leverage has a significant effect on corporate social responsibility reporting. This means that the higher the company's debt, the higher the company's tendency to report social responsibility. This is relevant to several previous studies which state the same thing. Purba and Candradewi (2019), Anggraini (2006), Brigham and Houston (2006) and Suhaenah (2012) argue that the high level of corporate debt increasingly encourages information disclosure including social responsibility reporting. Thus, the leverage variable H3 is accepted.

### Return on Assets

Based on the T test, it was found that the Sig value of  $0.999 > 0.05$ , this indicates that the return on assets does not significantly affect the reporting of corporate social responsibility. This finding is linear with the results of research by Kamil (2012), Mutia, Zuraida, & Andriani (2011), Dewi and Suaryana (2015) who stated that profitability does not have a significant impact on the disclosure of corporate social responsibility. The same thing was conveyed by Maiyarni, Susfayetti & Erwati (2014), and Dewi and Suaryana (2015) that the profitability variable has no effect on the disclosure of corporate social responsibility.

### 5. Conclusion

Based on the results of multiple linear regression using SPSS it was found that;

1. Managerial ownership has an insignificant positive effect on corporate social responsibility reporting.
2. CEO Power has a significant negative effect on corporate social responsibility reporting.
3. Leverage has a significant effect on corporate social responsibility reporting.
4. Return on Assets does not have a significant effect on corporate social responsibility reporting.

5. Managerial Ownership, CEO Power, Leverage, and Return on Assets simultaneously (together) have a significant influence on corporate social responsibility reporting.

### REFERENCE

- Anggraini, Fr. Reni Retno. 2006. Pengungkapan Informasi Sosial dan Faktor-Faktor yang Mempengaruhi Pengungkapan Informasi Sosial dalam Laporan Keuangan Tahunan (Studi Empiris pada Perusahaan-Perusahaan yang Terdaftar di Bursa Efek Jakarta). Simposium Nasional Akuntansi 9, Padang.
- Brigham, Eugene F. dan Joel F. Houston. 2001. Manajemen Keuangan. Jakarta: Erlangga. Deegan, C. dan Rankin, M. 1996. Do Australian companies report environmental news objectively. *Accounting, Auditing & Accountability Journal*. Vol. 9 No.2. pp: 50-67.
- Belkaoui, A. dan P. G. Karpik. 1989. Determinants of the Corporate Decision to Disclose Social Information. *Accounting, Auditing and Accountability Journal*. Vol. 2.No. 1. pp: 36-51.
- Boeker, W. (1992). "Power and managerial dismissal: scapegoating at the top". *Administrative Science Quarterly*, Vol.37, No.3, pp.400-422.
- Daily, C. M. and Johnson, J. L. (1997). "Sources of CEO power and firm financial performance: a longitudinal assessment". *Journal of Management*, Vol.23, No.2, pp.97-117.
- Dewi, N. P. M. S. 2015. Pengaruh Profitabilitas dan Kepemilikan Asing Pada Pengungkapan Corporate Social Responsibility. *E- Jurnal*

- Akuntansi Universita Udayana, 13(1), 84-98.
- Eddy, Rismanda Sembiring. (2005). *Karakteristik Perusahaan Dan Pengungkapan Tanggung Jawab Sosial: Study Empiris Pada Perusahaan Yang Tercatat Di Bursa Efek Jakarta*. Makalah SNA IV.
- Fahmi, Irham. 2012. *Analisis Kinerja Keuangan: Panduan Bagi Akademisi, Manajer, dan Investor Untuk Menilai dan Menganalisis Bisnis Dari Aspek Keuangan*. Bandung: Alfabeta.
- Finkelstein, Sydney. (1992). "Power in Top Management Teams: Dimensions, Measurement, and Validation". *Academy of Management Journal*. Vol.35, No.3, 505-538.
- Ghazali, Imam. 2011. *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 19 (edisi kelima)* Semarang: Universitas Diponegoro.
- Jensen, Michael C dan William H. Meckling. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure". *The Journal Of Financial Economics*, 3 (4): 305-360.
- Lewis, Ben W., Judith L. Walls, and Glen W.S. Dowell. 2014. "Difference in Degrees : CEO Characteristics and Firm Environmental Disclosure." *Strategic Management Journal* 35: 712-22. doi:10.1002/smj.2127.
- Machmud, Novita dan Chaerul D. Djakman. 2008. "Pengaruh Struktur Kepemilikan terhadap Luas Pengungkapan Tanggung Jawab Sosial (CSR Disclosure) pada Laporan Tahunan Perusahaan; Studi Empiris pada Perusahaan Publik yang Tercatat di Bursa Efek Indonesia tahun 2006". *Simposium Nasional Akuntansi XI*.
- Ocasio, W. (1994). "Political dynamics and the circulation of power: CEO succession in U.S. industrial corporations, 1960-1990". *Administrative Science Quarterly*. Vol.39, No.2, pp.285-312.
- Pontianak.Karima, Naila. 2014. *Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, dan Kepemilikan Asing Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan*. Widya Warta No. 02 Tahun XXXV III/ Juli 2014. ISSN 0854-1981. Universitas Sebelas Maret Surakarta.
- Purba, Ida Ayu Putri Laksmidewi. Candradewi, Made Reina. 2019. *Pengaruh Leverage, Likuiditas, Profitabilitas, dan Ukuran Perusahaan Terhadap Pengungkapan Corporate Social Responsibility*. *E-Jurnal Manajemen*, Vol. 8, No. 9, 2019 :5372-5400. ISSN : 2302 8912.
- Rustiarini, Ni Wayan. 2011. "Pengaruh Struktur Kepemilikan Saham Pada Pengungkapan Corporate Social Responsibility". *Audit Jurnal Akuntansi Dan Bisnis*, 12 (1) : 1-12.
- Said, Roshima, Yuserrie Hj. Zainuddin, dan Hasnah Haron. 2009. "The Relationship between Corporate Social Responsibility and Corporate Governance Characteristic in Malaysian Public Listed Companies". *Social Responsibility Journal*, 5 (2): 212-226.
- Suhaenah. 2012. *Analisis Pengaruh Ukuran Perusahaan, Profitabilitas Dan Leverage Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility Disclosure)*. Skripsi. Universitas Gunadarma.
- Triyani, Agus. Whini Setyahuni, Suhita. 2020. *Pengaruh Karakteristik CEO Terhadap Pengungkapan Informasi Enviromental, Social, and Governance*.

