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)

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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
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**

- Managerial Ownership
- CEO Power
- Leverage
- Return on Assets

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**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 Balkaui 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;

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

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Predicted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>127</td>
</tr>
<tr>
<td>Normal Parameters* Mean</td>
<td>84.8582677</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences Absolute</td>
<td>.061</td>
</tr>
<tr>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>.693</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.723</td>
</tr>
</tbody>
</table>

* Test distribution is Normal.
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.

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

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1115.129</td>
<td>4</td>
<td>253.782</td>
<td>6.604</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>4688.320</td>
<td>122</td>
<td>38.429</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5703.449</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \]

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 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

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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**


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