The Role of Corporate Social Responsibility and Intellectual Capital on Company Value in the Banking Sector

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ABSTRACT

Company value is an important condition which is the main object for the company to continue to produce and increase company value as a continuation of the company's life in the future. This research aims to determine the influence of corporate social responsibility and intellectual capital on company value with good corporate governance as a moderating variable in the banking sector for the 2018-2022 period. The research method used is a quantitative method. The data collection technique used in this research is purposive sampling. The research samples were banking companies registered on the IDX with the number of samples used being 36 companies with a total of 5 years of research so that the final data used was 180 data. The research data analysis method uses Partial Least Squares (PLS) using the SmartPLS 4.0 application. The research results show that Corporate Social Responsibility (CSR) has no effect on company value. Likewise, Intellectual Capital (IC) has no effect on company value. In addition, Good Corporate Governance (GCG) does not moderate the relationship between CSR and company value, as well as between IC and company value.

***Keywords**: Corporate Social Responsibility, Intelektual Capital, Company Value, Good Corporate Governance*

ABSTRAK

Nilai perusahaan merupakan suatu keadaan penting yang menjadi objek utama bagi perusahaan untuk terus menghasilkan dan meningkatkan nilai perusahaan sebagai kelanjutan hidup perusahaan diwaktu yang akan mendatang. Penelitian ini bertujuan untuk mengetahui pengaruh corporate social responsibility dan intelektual capital terhadap nilai perusahaan dengan good corporate governance sebagai variabel moderasi pada sektor perbankan periode 2018-2022. Metode penelitian yang digunakan adalah metode kuantitatif. Teknik negumpulan data yang digunakan pada penelitian ini yaitu purposive sampling. Sampel penelitian adalah perusahaan perbankan yang terdaftar di BEI dengan jumlah sampel yang digunakan adalah sebanyak 36 perusahaan dengan jumlah tahun penelitian 5 tahun sehingga data terakhir yang digunakan sebanyak 180 data. Metode analisis data penelitian menggunakan Partial Least Squares (PLS) dengan menggunakan aplikasi SmartPLS 4.0. Hasil penelitian menunjukkan bahwa Corporate Social Responsibility (CSR) tidak berpengaruh terhadap nilai perusahaan. Begitu pula dengan Intelektual Capital (IC) yang tidak berpengaruh terhadap nilai perusahaan. Selain itu, Good Corporate Governance (GCG) tidak memoderasi hubungan antara CSR dan nilai perusahaan, serta antara IC dan nilai perusahaan.

***Kata kunci**: Tanggung Jawab Sosial Perusahaan, Modal Intelektual, Nilai Perusahaan, Tata Kelola Perusahaan*

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INTRODUCTION

The development of the business world, companies must have high values in several aspects. For companies, high profits are the main goal for the company (Henderson, 2021; Edmans, 2023). Apart from high profits, companies must also have high value in the eyes of society, consumers, shareholders, potential investors and banks (Lazonick & O'sullivan, 2000). One way for companies to increase company value is implementing Good Corporate Governance (GCG). Good implementation of GCG in a company will be able to overcome conflicts between shareholders (principals) and management (agents) which are called agency problems. Apart from resolving conflicts between shareholders and management, GCG will encourage companies to disclose several company activities and company responsibilities to shareholders. After GCG is carried out well in the company, shareholders can give great trust and hope to the company which is reflected in the amount of capital they invest in the company. The implementation of good corporate governance has guided companies to implement Corporate Social Responsibility (CSR) thereby increasing company value (Rustiarini, 2010).

According to Rivandi & Renil (2018) company value is an important condition which is the main object for the company to continue to produce and increase company value as a continuation of the company's life in the future. Corporate value aims to achieve the target corporate value by instilling confidence in the public and investors in the company's extraordinary performance since its founding (Arroyo et al., 2019). As a result, when investors increase or increase the value of the company, the welfare and wealth of shareholders will also increase (Ginting, 2021). Stock price, which are a reflection of investment choices, financing and asset management, can be used to measure investor wealth. The goal of business owners is that high company value will be followed by an increase in share prices from investors because greater company value will increase shareholder welfare (Rifa'i & Nugraha, 2019).

This research asks four main research questions to explore the relationships between certain variables. The research explores the impact of Corporate Social Responsibility (CSR) on company value in the context of the banking sector. This research highlights the link between the level of intellectual capital and market assessments of company value in the banking sector. The research involves a moderation dimension by asking the extent to which Good Corporate Governance (GCG) influences the relationship between Corporate Social Responsibility (CSR) and company value. The research also considers the role of GCG in moderating the influence of intellectual capital on company value. By formulating these four questions, this research seeks to gain a comprehensive understanding of the complexity of these factors and their interactions in the context of the banking sector. This research aims to determine the influence of corporate social responsibility and intellectual capital on company value with GCG as a moderating variable in the banking sector.

LITERATURE REVIEW

Agency theory is a theory that explains the separation of interests between company owners and company managers (Bodroastuti, 2009). Agency theory describes a relationship between shareholders as principals and company managers as agents. Management is a party contracted by shareholders to work in the interests of shareholders (O'Connell & Ward, 2020; Yang et al., 2023). Management must be accountable for all its work to shareholders. One effort for companies to reduce agency conflicts is by implementing good corporate governance (Ho, 2005; Shank et al., 2013). In the absence of management transparency in disclosing the results of its performance to shareholders, corporate governance becomes less good. Shareholders as parties who give authority to management to manage wealth have an interest in improving their welfare through dividend distribution. Meanwhile, the management who is given the responsibility of managing the company's assets has an interest in improving their welfare through compensation. This condition causes management to tend not to provide information that has a negative impact on these interests.

Wati (2019) Corporate Social Responsibility (CSR) is an idea that means companies are no longer faced with responsibilities based on a single bottom line in the form of economics or company value alone, but also based on a triple bottom line, namely responsibility for social problems and environment. CSR can be defined as business that is conducted transparently and openly and is based on moral values and upholds respect for employees, the community and the environment. A company will disclose information if the information can increase the company's value. Companies can use social responsibility information as a company competitive advantage. An investor will respond positively to companies that have good social and environmental performance by increasing share prices. A company has poor social or environmental performance, it will give rise to doubts for investors in investing their capital in that company, this can be seen through a decline in the company's share price on the stock market.

Maryanti & Oktavia, (2020) intellectual capital is a key resource for companies in forming added value and gaining a competitive advantage, which means the company has something that competitors do not have. Intellectual capital can also be used to measure or improve organizational or business performance. Intellectual capital can be useful in the form of elements that have been formalized, captured, utilized and applied in business to create high-value assets and increase wealth. Agustina & Baroroh (2016) Intellectual Capital plays a crucial role in a company which refers to the knowledge of an organization. Intellectual capital is intangible assets or intangible assets that can be seen. Company value, which can be observed in the share price of a business institution in the capital market, involves the evaluation of parties who will invest in the success of the business institution in managing its resources. Company value can be achieved by companies that are based on public trust after a long period (Maharani, 2023). Company value is investors' appreciation of the targets achieved by the company and is related to the share value. Rising share prices cause the value of the company to rise and cause the market to believe in the company's current capabilities and also in the company's future capabilities. Company value can be seen by assessing price to book value (Rivandi & Oliyan, 2022).

Franita (2018) GCG is a system that manages and supervises the ongoing business control process to increase the value of shares, which will ultimately increase the value of the company and as a form of responsibility to shareholders without ignoring the interests of stakeholders which include employees, creditors and public. According to Nurastikha (2020), GCG is a system that directs and controls a company to achieve a balance between the authority required by the company to ensure its continued existence and accountability to stakeholders. This relates to the regulatory authority of owners, directors, managers and shareholders (Nurastikha, 2020). The ownership structure is the share ownership structure, namely the comparison of the number of shares owned by insiders with the number of shares owned by investors. A company is represented by directors appointed by shareholders. Managerial ownership is a situation where the manager owns company shares or in other words, the manager is also a shareholder (Nurastikha, 2020). Gunawan & Utami (2016) state that corporate social responsibility has a positive effect on company value. Thus, it is clear that CSR is one of the factors that determines company value. Likewise, Rustiarini (2010) states that CSR has a positive effect on company value. Research results Putri et al. (2016) show that CSR does not affect company value because the quality of CSR disclosure is still low due to the lack of support from companies and there has been no implementation of an index that summarizes the shares of companies that have implemented CSR.

Intellectual capital is a crucial thing for a company, companies need to make improvements in managing intellectual capital if they want to attract market attention where investor interest can increase when the value of intellectual capital is good, this can add value to the company because good information about intellectual capital is needed. Research conducted by (Lestari & Sapitri (2016), Rivandi & Renil (2018) and Maharani

(2023) proves that intellectual capital has a positive effect on company value. Prastuti & Budiasih (2015) state GCG does not moderate the relationship between CSR and company value. This may be because investors in Indonesia tend to buy stock to obtain capital gains (increase in share prices) and tend to buy and sell shares on a daily basis (daily traders), without paying attention to the long-term sustainability of the company. Intellectual capital is classified as an intangible asset that contains value and is a valuable asset in the company which creates company value (Rivandi & Renil, 2018). Through the existence of intellectual capital, it will be influenced by the existence of GCG. Where GCG can have a positive impact on increasing company value (Rivandi & Renil, 2018).

H1: *Corporate Social Responsibility has an influence on Company Value*
H2: *Intellectual Capital has an influence on Company Value*
H3: *Good Corporate Governance moderates the relationship between Corporate Social Responsibility and Company Value*
H4: *Good Corporate Governance moderates the relationship between Intellectual Capital and Company Value*

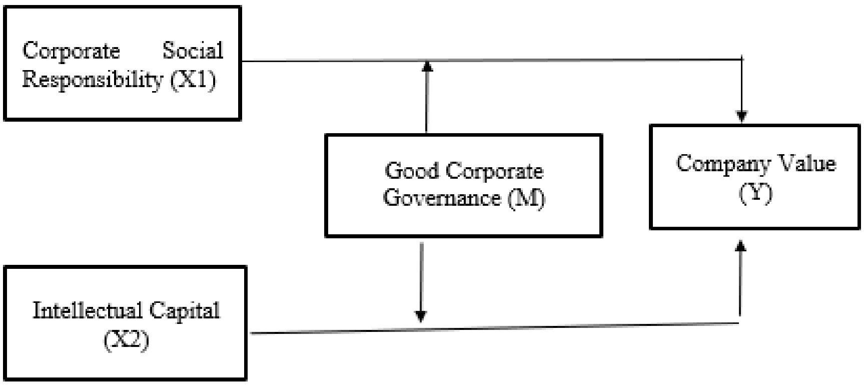
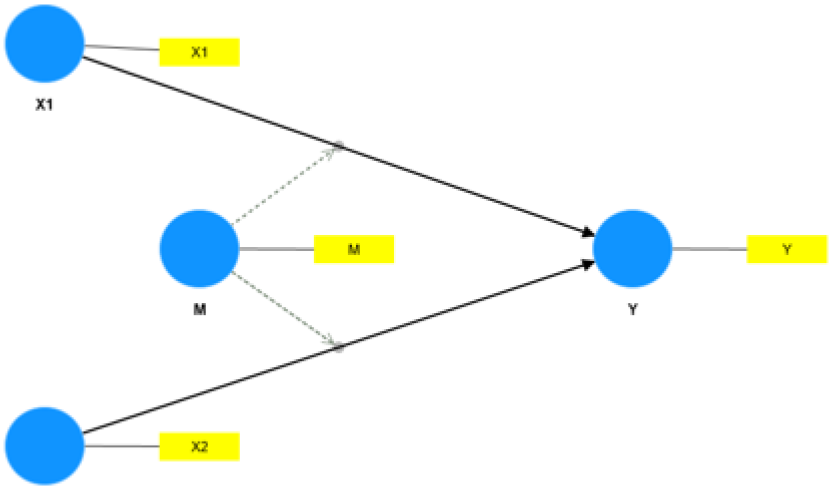


Figure 1. Conceptual framework

RESEARCH METHODS

This research adopts a quantitative methodological approach by applying Purposive Sampling techniques. The research population consisted of 47 banking companies listed on the Indonesia Stock Exchange (BEI). Of this number, 11 banking companies experienced incomplete financial reports during the 2018-2022 period. Therefore, the number of companies taken as research samples was 36, and the final data used reached 180 data. The research data analysis process uses the Partial Least Squares (PLS) method, utilizing the SmartPLS 4.0 application. The variables tested involve Corporate Social Responsibility (CSR) and Intellectual Capital as independent variables, Good Corporate Governance (GCG) as a moderating variable, and Company Value as the dependent variable. This approach explores the relationship between these variables, by considering the influence of CSR and Intellectual Capital on company value, which is then moderated by the principles of Good Corporate Governance. Thus, this research is expected to contribute to understanding the factors that influence the value of banking companies from the perspective of social responsibility and intellectual capital.

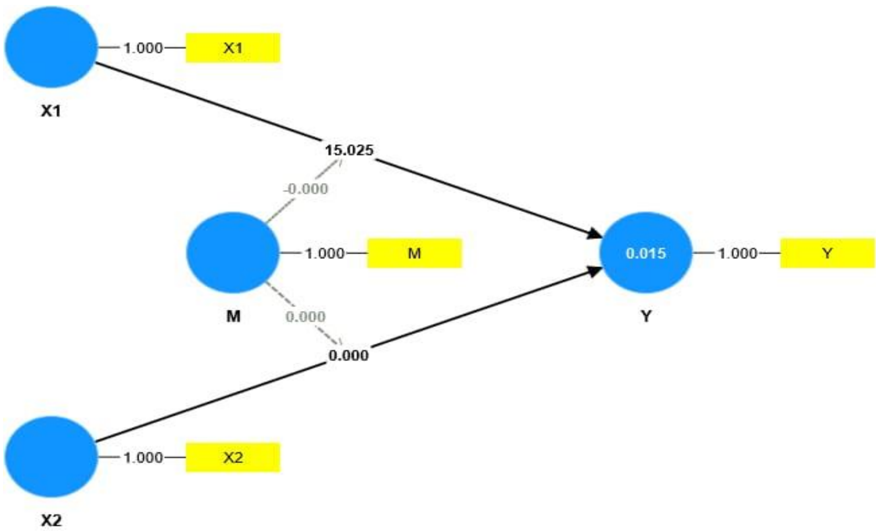


Source: Data processing using SmartPLS 4.0
Figure 2. Research Model

Information:
X1 = Corporate Social Responsibility (CSR)
X2 = Intellectual Capital
M = Good Corporate Governance (GCG)
Y = Company Value

RESULTS AND DISCUSSION

The first test is to examine the influence of Corporate Social Responsibility (CSR) on Company Value. Futhermore, the Intellectual Capital variable was tested on Company Value. Apart from that, testing was carried out on the Good Corporate Governance (GCG) variable in moderating the relationship between Corporate Social Responsibility (CSR) and Intellectual Capital on Company Value.



Source: Data processing using SmartPLS 4.0
Figure 3. Inner Model (Structural Model)

In assessing the model with partial least squares, start by looking at the R-square for the dependent latent variable. The R-square for the dependent latent variable Company Value (Y) is 0.015 or around 1.5% as seen in the circle of the Company Value (Y) latent variable. These results indicate that the dependent latent variable Company Value (Y) can be influenced by the independent latent variable Corporate Social Responsibility (X1) and the independent variable Intellectual Capital (X2) as well as the moderating latent variable

Good Corporate Governance (M) each of 0.015 or around 1, The remaining 5% is explained by other variables outside the proposed model.

Table 1. Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
M -> Y	0,000	0,000	0,000	0,068	0,473
X1 -> Y	15,025	15,067	10,123	1,484	0,069
X2 -> Y	0,000	0,000	0,000	0,005	0,498
M x X1 -> Y	0,000	0,000	0,000	0,077	0,469
M x X2 -> Y	0,000	0,000	0,000	0,000	0,000

Table 1 can be used by researchers to measure the supportability of the hypothesis. According to Hartono (2008), a measure of the significance of hypothesis support can be used by comparing the T-statistic value with the T-table. If T-statistic > T-table then the hypothesis is supported. In this table can see the T-statistic value for each hypothesis. By comparing the T-statistic value with the T-table for each hypothesis, the results of hypothesis testing can be summarized in table 2 below:

Table 2. Conclusion of Test Results

Hipotesis	*T-statistic*	*T-table*	Results
H1	1,484	1,96	Rejected
H2	0,005		Rejected
H3	0,077		Rejected
H4	0,000		Rejected

The results of data testing on the parameter coefficient between Corporate Social Responsibility (CSR) and Company Value show a coefficient value of 15.025 with a T-statistic value of 1.484. This value is smaller than the T-table value of 1.96 with a significance level of 0.05 (5%). Thus, H1 in this study is rejected. The results of data testing on the parameter coefficient between Intellectual Capital and Company Value show a coefficient value of 0.000 with a T-statistic value of 0.005. This value is smaller than the T-table value of -1.96 with a significance level of 0.05 (5%). Thus, H2 in this study is rejected. This implies that Intellectual Capital has no effect on Company Value. This is in line with the research by Kamatra & Kartikaningdyah (2015) and Yanto (2018), stating that Corporate Social Responsibility (CSR) and Intellectual Capital do not affect Company Value. However, this contradicts the findings of Melo & Galan (2011); Kamatra & Kartikaningdyah (2015); Rahmantari et al. (2019); Raza (2020); and Utami & Hasan (2021), which state that CSR and Intellectual Capital significantly influence Company Value.

The results of data testing on the parameter coefficient between Good Corporate Governance moderating the relationship between Corporate Social Responsibility and Company Value show a coefficient value of 0.000 with a T-statistic value of 0.077. This value is smaller than the T-table value of 1.96 with a significance level of 0.05 (5%). Thus, H3 in this study is rejected. This implies that Good Corporate Governance does not moderate the relationship between Corporate Social Responsibility and Company Value. The results are in line with the proposed hypothesis that Good Corporate Governance does not moderate the relationship between CSR and company value in the banking sector (Jizi et al., 2014; Ibrahim, 2020). The results of data testing on the parameter coefficient between Good Corporate Governance moderating the relationship between Intellectual Capital and Company Value show a coefficient value of 0.000 with a T-statistic value of 0.000. This value is smaller than the T-table value of 1.96 with a significance level of 0.05 (5%). Thus, H4 in this study is rejected. This indicates that Good Corporate Governance does not moderate the relationship between Intellectual Capital and Company Value. The results obtained are not in line with the proposed hypothesis that Good Corporate Governance does not moderate the relationship between Intellectual Capital and company value in the banking sector.

CONCLUSION

Based on the results of the tests that have been carried out, several conclusions can be drawn regarding the factors tested in this research. Corporate social responsibility (CSR) is not proven to have a significant influence on company value in the banking sector. These results indicate that, at least in the banking context, the implementation of corporate social responsibility does not directly influence the market's assessment or perception of company value. Intellectual capital is also not proven to have an effect on company value in the banking sector. Although intellectual capital can be considered an important asset, especially in the financial industry, this research did not find a significant correlation between the level of intellectual capital and market assessment of the value of banking companies. Research shows that good corporate governance (GCG) does not act as a significant moderator in the relationship between corporate social responsibility and company value, nor does it play a role in the relationship between intellectual capital and company value. This shows that, at least within the time frame and parameters set in this research, GCG factors do not strengthen or moderate the impact of CSR and intellectual capital on company value in the banking sector. This conclusion provides important insights for practitioners, researchers and policy makers to understand the dynamics of these factors in the context of the banking industry.

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