

## FAMILY OWNERSHIP AND GROWTH OPPORTUNITY AS DETERMINANT OF FIRM VALUE WITH CSR DISCLOSURE AS AN INTERVENING VARIABLE

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### Abstract

*The study aims to examine the effect family ownership and growth company on firm value by disclosure corporate responsibility as an intermediate variable.. The hypothesis was tasted using PLS-SEM. Family ownership variable are measured by the share of family ownership, the growth company variable is measured by sales growth, the corporate social responsibility disclosure variable measured by CSR disclosure index and the firm value variable is measured by PBV. The result showed that family ownership and growth company has no effect on firm value. CSR disclosure has positive effect on firm value. CSR disclosure is able to intermediate that effect of family ownership in the firm value, while CSR disclosure cannot intermediate the effect of growth company in the firm value*

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## INTRODUCTION

The establishment of the company is based on the goals of its founders, one of the company's long-term goals is the value of the company. The value of the company can be seen from the value of the shares, high stock prices make the company value high and increase market confidence not only in the company's current performance but also in the company's prospects in the future (Rahayu &

Sari, 2018). To achieve company goals, an ownership structure is needed that provides maximum oversight to managers so that they carry out their duties to improve the welfare of the owners. Litz et al (2004) in (Layyinaturrobaniyah *et. al*, 2014) revealed that family ownership can affect financial performance caused by agency costs. Agency costs arise when a company hires outsiders to manage the company. Companies with family ownership have low agency costs, the presence of a family managing the company can reduce agency problems that occur between agents and principals, because decision making and management are carried out by agents as well as principals so as to reduce agency costs. Research by (Astuti & Muna, 2017) reveals family ownership has an effect on firm value. Another factor that affects company value is company growth, (Setyawan, Topowijono, & Nuzula, 2016) reveals that company growth is a company's growth opportunity in the future and is a company's opportunity to invest in things that benefit the company. Information about company growth will be responded well by investors which has an impact on increasing demand for shares, so that share prices increase and company value increases. Research by (Suryandani, 2018) reveals company growth affects company value.

Currently the company is not only focused on the single bottom line concept, but is based on the triple bottom line proposed by John Elkington in 1997 which consists of the economic dimension (profit), social dimension (people), and environment (planet) (Rosyidah, 2017). Disclosure of CSR affects the value of the company because investors need not only financial information, but also non-financial information, one of which is social responsibility information. Research by (Pristianingrum, 2017) reveals CSR disclosure has an effect on company value. CSR disclosure can be influenced by the ownership structure and growth of the company. Ownership structures dominated by families are generally less motivated to disclose CSR, because shareholders can obtain information directly from the company (Tamba, 2011). Companies with high growth tend to make better disclosures. The purpose of this study is to determine the factors that affect the value of the company with the disclosure of CSR. This is because in previous research there was uncertainty about the factors that affect company value, this uncertainty may be due to differences in variables, samples and years of research, so it is necessary to do research again to find out the factors that influence

company value by disclosing CSR.

The object used is a manufacturing company in the consumer goods sector that is listed on the IDX. Using manufacturing companies because manufacturing companies are directly related to the environment such as waste products, pollution from factories, energy and activities that have an impact on community activities. Based on this description, the researcher is interested in taking ***“Family Ownership And Company Growth As Determinant Of Firm Value With CSR Disclosure As An Intervening Variable”***

From the background description and hypothesis Model shows on figure 1, in this way the researcher formulates the research hypothesis as follows:

H1: Family ownership effects firm value

H2: The growth of the company effects the value of the company

H3: Disclosure of CSR effects the value of the company

H4: Disclosure of CSR intervenes in family ownership of firm value

H5: Disclosure of CSR intervenes the company's growth on the value of the company.

## **METHODS**

This study uses a quantitative causality approach, which aims to examine the effect of the independent variables on the dependent variable by involving the influence of the intervening variables, using secondary data taken from the Indonesian Stock Exchange in the form of financial reports. The population in this study are manufacturing companies in the consumer goods sector which are listed on the Indonesia Stock Exchange. The population used was 42 companies and 27 research samples were obtained with the sampling procedure using a purposive sampling method, namely by determining certain criteria.

### **Variables and Measurements**

1. Family ownership (X1) is a company owned by the family, both individuals and companies, at least 5% of the total shares owned, except for state companies, financial institutions (investment institutions, mutual funds, insurance, banks or pension funds) and the public (whose ownership is not required to be recorded) or if less than 5% there is a family member who has a position on the board of directors or board of commissioners of the company.

The selection of these criteria is based on the definition of family ownership from previous studies conducted (Wirawan and Diyanty, 2014) and (Catherine and Septiani, 2017). Family ownership as measured by total family share ownership divided by total outstanding shares. Family ownership, proxied by total family share ownership

$$\text{Family Ownership} = \frac{\text{Total family shareholding}}{\text{Total Number of Outstanding Number}} \times 100\%$$

2. Company growth (X2) is the opportunity to increase the size of a company in the future. Growth opportunities can be calculated by changes in assets and changes in sales every year (Saraswati, 2016). In this study the company's growth is measured using asset growth, asset growth reflects operational success in the past period which can be used as a prediction of future growth.

$$\text{Growth Sales} = \frac{\text{Sales } t - \text{Sales } (t-1)}{\text{Sales } (t-1)}$$

3. CSR disclosure (Z) is the process of communicating the social and environmental impacts of company activities carried out to related parties and society as a whole which is expected to influence people's perceptions of the company. Data disclosed by the company relating to its social activities include: environment, energy, human resources, products and customers, community/community involvement, and the general public. The method for obtaining corporate social responsibility values is the corporate social responsibility disclosure index (CSRDI). CSRDI is measured using the Global Reporting Initiative (GRI) standard, which is based on the latest version, namely GRI-G4. CSR disclosure, which is proxied by the Corporate Social Responsibility Disclosure Index.

$$\text{CSRDI}_j = \frac{\sum x_{ij}}{n_j}$$

Information :

CSRDI<sub>j</sub> : Corporate Social Responsibility Disclosure Index

∑x<sub>ij</sub> : Number of disclosures

N : CSRDI disclosure items

4. Firm Value (Y) is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activity for several years, namely since the company was founded until now. Firm Value, which is proxied by PBV

$$PBV = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$$

Data analysis technique uses Partial Least Square, with SmartPLS 3.8.2 Software. The stages of analysis carried out are:

1. Descriptive analysis, to provide an overview of statistical data from the sample studied.
2. Outer model analysis, which includes validity tests including Convergent validity with a loading factor value of  $> 0.7$ , Discriminant validity with a condition that the loading factor value is greater in the target variable than other variables, and validity testing can be strengthened with the AVE test with conditional value  $> 0.5$ . Reability tests include composite reliability with a conditional value of  $> 0.7$  and Cronbach alpha with a conditional value of  $> 0.6$  (Ghozali & Latan, 2015).
3. Inner model analysis, which includes the coefficient of Determination (R<sup>2</sup>) and Predictive Relevance (Q<sup>2</sup>)
4. Hypothesis testing, carried out by the boostaping process on SmartPLS 3.8.2 Software. data is accepted if t-statistics  $>$  t-table, testing the statistical value at alpha 5% the t-statistic value used is  $> 1.96$  and the probability value with a P-value  $< 0.05$  (Ghozali & Latan, 2015).

### **Data Analysis Methods**

1. Descriptive analysis was carried out to determine the average, median, minimum, maximum and standard deviation values of each indicator on the variable. Following are the results of variable descriptions through data processing using SmartPLS 3.8.2 software

2. Based on table 2 the results of the validity test, the value of all indicators for the latent variables shows a loading factor value greater than 0.7, so these results indicate that each indicator of each variable is valid.
3. Data on tables 3 shows that each indicator has a value of 1,000, which is greater for the variable in question. So the data is said to be valid.
4. Validity can be strengthened by looking at the AVE value. The AVE value in the table 4 for all variables obtains a value above 0.5, meaning that each indicator that has been measured can reflect each variable validly
5. The reability test on table 5 is seen from the composite reliability value with the condition  $> 0.7$  and strengthened by the Cronbachs alpha value with the condition  $> 0.6$ . The table above shows the value of composite reliability and cronbach's alpha of 1,000 so that the data meets the requirements for reliability.
6. The R square on table 6 results show the variable's ability to explain the dependent variable. The R-Square value for CSR disclosure is 0.1628, meaning that family ownership and company growth explain the variance of CSR disclosure by 16.28%, while the remaining 83.72% is explained by other factors outside the research. Firm value has an R-Square value of 0.5188, meaning that family ownership, company growth and CSR disclosure in explaining the variance of firm value is 51.88% and the remaining 48.12% is explained by factors outside the research.

## **RESULT AND DISCUSION**

### **Predictive Relevance**

$$\begin{aligned} Q^2 &= 1 - (1 - R_1^2) (1 - R_2^2) \\ &= 1 - (1 - 0,1628) (1 - 0,5188) \\ &= 0,5971 \text{ or } 59,71\% \end{aligned}$$

The results of the Predictive Relevance calculation show a value of 0.5971 and close to 1 so that the data is said to be relevant and has good ability to make predictions.

### **Hypothesis testing**

The hypothesis test can be seen on table 7 from the original sample value, P-value  $< 0.05$ , and the t-statistic value  $> t$ -table. t-table in this research is 1.9912

### **Discussion**

#### **Family ownership affects firm value**

Family ownership has no effect on firm value. Based on the test results, it shows t-count (0.8215)  $<$  t-statistic (1.9912) with a significance level of 0.05, namely a P-value of 0.4117. Thus H1 which states that family ownership affects firm value is rejected. The results of this study are not in line with research (Astuti & Muna, 2017) which reveals family ownership has an effect on firm value, but research by (Tangke, 2019) shows the same results as this study. This is because family owned companies will not influence value if there are family members who are passive in the company and only work to maintain the existence of the company so that it will not affect the value of the company.

#### **The growth of the company affects the value of the company**

The growth of the company has no effect on the value of the company. Based on the test results, it shows t-count (0.8484)  $<$  t-table (1.9912) with a significance level of 0.05, namely a P-value of 0.3966. Thus H2 which states that company growth affects company value is rejected. The results of this study are not in line with (Suryandani, 2018) which reveals that company growth affects company value, but research by (Kusuma, Suhadak, & Arifin, 2013) shows the same results as this study. This is because the company's high growth causes a high need for funds for investment, so that the higher the company's growth, the less funds left to be distributed to shareholders, while investors tend to be attracted to companies that have high returns compared to companies that are growing, the higher company growth will not affect investor confidence, so it does not affect company value.

#### **Disclosure of CSR affects the Firm Value**

CSR disclosure has a significant positive effect on firm value. Based on the test results, it shows t-count (4.4922)  $>$  t-table (1.9912) with a significance



level of 0.05, namely a P-value of 0.000. Thus H3 which states that CSR disclosure affects firm value is acceptable. The results of this study are not in line with research (Pristianingrum, 2017) which reveals that CSR disclosure does not affect firm value, but research by (Anindita & Yuliati, 2017), shows the same results as this study. This is in accordance with the stakeholder theory that companies not only operate for the benefit of the company, but also must pay attention to the interests of stakeholders, if the company is able to maximize the wishes of stakeholders then satisfaction and the level of investor confidence will arise, which will affect the value of the company. Based on the signaling theory that disclosure needs to be made to provide information to investors and other parties that will provide future economic benefits, CSR disclosure shows that companies do not only pay attention to the economic dimension but also pay attention to the environmental, social and community dimensions, which are expected to provide added value to attract investor interest thereby affecting the value of the company.

#### **Disclosure of CSR intervenes in family ownership of firm value**

Disclosure of CSR intervenes in family ownership of firm value. Based on the test results, it shows t-count (2.0100) > t-table (1.9912) with a significance level of 0.05, namely P-value 0.0450. Thus H4 which states that CSR disclosure intervenes in family ownership of firm value can be accepted. This is supported by the results of the test of family ownership on CSR disclosure, namely family ownership has a significant positive effect on CSR disclosure. This result is in line with research (Sari, 2017), which reveals family ownership has a positive effect on CSR disclosure. Besides that, the test on CSR disclosure on company value, namely CSR disclosure has a significant positive effect on company value, this result is in line with (Anindita & Yuliati, 2017) which revealed the same results. This shows that family ownership affects the extent of CSR disclosure, because companies with high family ownership in addition to carrying out CSR to comply with government regulations and reduce information asymmetry between management and stakeholders, companies also pay attention to the company's reputation and assume that if the company does not disclose CSR it will have an impact on long-term corporate image. If the company has a good image, it will



increase investor confidence, which will increase the value of the company. So it can be concluded that CSR disclosure intervenes in family ownership of firm value.

### **Disclosure of CSR intervenes the company's growth on the Firm Value**

Disclosure of CSR does not interfere with the company's growth on firm value. Based on the test results, it shows the t-statistic (1.5946) < t-table (1.9912) with a significance level of 0.05, namely a P-value of 0.1114. Thus H5 which states CSR disclosure intervenes the company's growth on firm value is rejected. This is supported by the results of the hypothesis test of company growth on CSR disclosure, namely company growth does not affect CSR disclosure (Octarina, Majidah, & Muslih, 2018), with the same result. Although the test results of CSR disclosure on firm value have a significant positive effect, they do not support CSR disclosure in intervening company growth on firm value. This is because the company's growth shows the company's ability to finance the company's activities. Companies that are experiencing growth tend to use costs to increase operational and sales activities, rather than using costs for social and environmental issues which will add to the company's burden.

In addition to the results above, the examiner also produced findings outside the hypothesis, namely:

1. Family ownership influences CSR disclosure. Based on the test results, it shows t-statistic (2.4702) > t-table (1.9912) with a significance level of 0.05, which has a P-value of 0.0138. This is because apart from implementing CSR to comply with government regulations, it is also to reduce asymmetry information between majority shareholders and minority shareholders, and to maintain good reputation and image in society.
2. The company's growth has no effect on CSR disclosure, because based on the test results it shows t-statistic (1.5114) < t-table (1.9912) with a significance level of 0.05, namely P-value 0.1313. This is because growing companies tend to use their costs to increase operational and sales activities in order to increase company profits, rather than disclosing CSR which will increase company costs.

## CONCLUSION

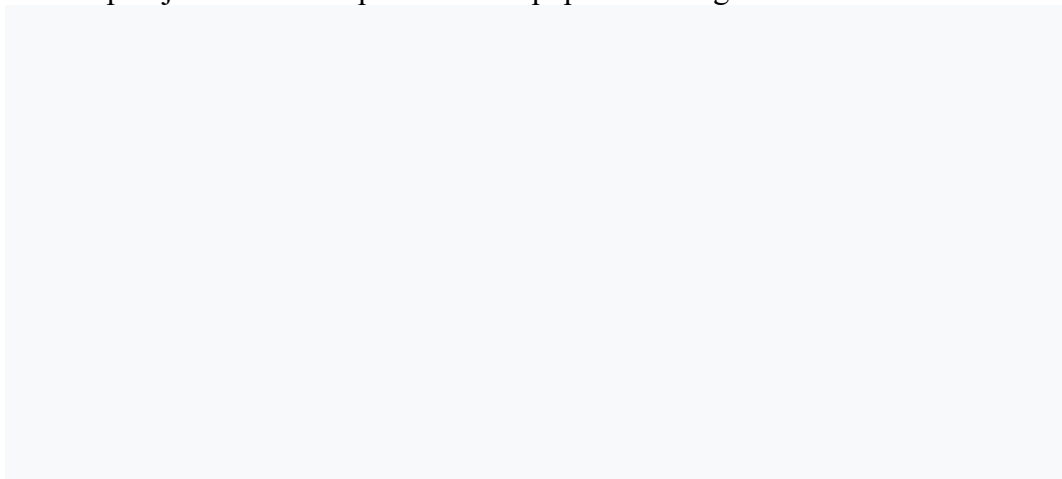
1. Based on the results of research on the effect of family ownership and company growth on firm value with CSR disclosure as an intervening variable found in manufacturing companies in the consumer goods sector in 2016-2018, the following conclusions are obtained:
2. Family ownership has no effect on firm value.
3. The growth of the company has no effect on the value of the company.
4. CSR disclosure has a positive effect on firm value.
5. CSR disclosure intervenes in family ownership of company value.
6. CSR disclosure does not interfere with the company's growth in the company's value.
7. Family ownership has a positive effect on CSR disclosure.
8. The growth of the company has no effect on the value of the company.

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**ATTACHMENT**

**Table 1: Statistic Descriptive**

Variable	Indikator	N	Mean	Median	Min	Max	Std. Deviation
Family Ownership	Family Stock	81	0,690	0,755	0,063	0,925	0,215
Growth Oppurtunity	Sales Growth	81	0,184	0,055	-0,900	9,978	1,166
CSR Disclosure	CSR D Index	81	0,201	0,165	0,022	0,681	0,138
Firm Value	Price to Book Value	81	6,624	1,935	0,295	82,444	13,679

Source: Results of SmartPLS 3.8.2 data processing

**Table 2: loading factor Result**

	FO	GO	CSR D	FV
SO	<b>1.0000</b>			
SG		<b>1.0000</b>		
CSRDI			<b>1.0000</b>	
PBV				<b>1.0000</b>

Source: Results of SmartPLS 3.8.2 data processing

**Table 3 : Cross Loading Result**

	FO	GO	CSR D	FV
SO	<b>1,0000</b>	0,0280	0,2165	0,6878
SG	0,0280	<b>1,0000</b>	0,3464	0,4060
CSRDI	0,2165	0,3464	<b>1,0000</b>	0,6878
PBV	0,0260	0,4060	0,6878	<b>1,0000</b>

Source: Results of SmartPLS 3.8.2 data processing

**Table 4: Average Variance Extracted (AVE)**

	Average Variance Extracted
Family Ownership	1,000
Growth Oppurtunity	1,000
CSR Disclosure	1,000
Firm Value	1,000

Source: Results of SmartPLS 3.8.2 data processing

**Table 5: Reability Test**

	Composite Reliability	Cronbachs Alpha
Family Ownership	1,0000	1,0000
Growth Oppurtunity	1,0000	1,0000
CSR Disclosure	1,0000	1,0000
Firm Value	1,0000	1,0000

Source: Results of SmartPLS 3.8.2 data processing

**Tabel 6: R-Square**

	R-Square
CSR Disclosure	0,1628
Firm Value	0,5188

Source: Results of SmartPLS 3.8.2 data processing

**Table 7: Path Coefficient Result**

	Original Sampel	Sampel Mean	Deviiasi Standard	t- statistik	P- value
Family Ownership → CSR Disclosure	0,2069	0,1913	0,0838	2,4702	<b>0,0138</b>
Growth Oppurtunity → CSR Disclosure	0,3406	0,2431	0,2253	1,5114	0,1313
Family ownership → Growth oppurtunity	-0,1199	-0,1169	0,1459	0,8215	0,4117
Growth Oppurtunity → Firm Value	0,1842	0,1294	0,2172	0,8484	0,3966
CSR Disclosure → Firm Value	0,6500	0,6120	0,1447	4,4922	<b>0,0000</b>
Family ownership → CSR Disclosure → Firm Value	0,1345	0,1222	0,0669	2,0100	<b>0,0450</b>

Growth Oppurtunity → CSR Disclosure	0,2214	0,1458	0,1388	1,5946	0,1114
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Source: Results of SmartPLS 3.8.2 data processing

Figure 1. Hypothesis Model

