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THE EFFECT OF INSTITUTIONAL OWNERSHIP AND MANAGERIAL OWNERSHIP ON CORPORATE SOCIAL RESPONSIBILITY WITH FINANCIAL PERFORMANCE AS A MODERATING VARIABLE

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ABSTRACT

This study aims to investigate the effect of institutional ownership and managerial ownership on corporate social responsibility. The study also examines the effect of financial performance on the relationship between institutional ownership and managerial ownership on corporate social responsibility. The data used in this study is secondary data sourced from the annual reports and sustainability reports of energy, basic materials, and industrial sector listed on Indonesia Stock Exchange (IDX) during the 2020-2022. The research sample was selected using purposive sampling method in order to obtain 40 companies as samples. The data analysis used to test the hypothesis is multiple linear regression and moderated regression analysis methods using the EViews 10 software. The results show that managerial ownership has a negative and significant effect on corporate social responsibility, but the institutional ownership has no effect on corporate social responsibility. This study also indicate that financial performance cannot strengthen the relationship between managerial ownership and corporate social responsibility. Similarly, the relationship between institutional ownership and CSR fails to be strengthened by financial performance. Based on this study, managerial ownership focuses on short-term financial gains. The implication of this study is in order to maintain a high level of CSR, it is crucial to manage the percentage of managerial ownership to be minimal in a company.

Keywords: *Institutional Ownership, Managerial Ownership, Corporate Social Responsibility, Financial Performance*

1. INTRODUCTION

Operational activities carried out by companies inevitably have an impact on the surrounding community and environment, such as deforestation, global warming, and environmental pollution. According to IEA (International Energy Agency) data [1], carbon dioxide (CO_2) emissions from energy combustion increased from 10 gigatons in 1999 to 36.8 gigatons in 2022. That is a threefold increase over the past 23 years. This shows that companies need to take actions as a form of responsibility to stakeholders. This is in line with stakeholder theory, which states that companies are not only responsible to their shareholders but also to their stakeholders. Companies can meet the needs and expectations of their stakeholders by engaging in corporate social responsibility initiatives. Corporate social responsibility is a business entity's commitment to really reducing negative effects and improving operations as much as possible on all stakeholders in the economic, social, and environmental domains in order to realize the objective of sustainable development [2].

The decisions made in a company cannot be separated from the role of the company's ownership structure [3], including decisions related to corporate social responsibility. There are different categories of ownership in an organization, including managerial ownership, institutional ownership, and public ownership [4]. Depending on the time frame for goal to be accomplished in accordance with their own particular interests, the perspectives held by each firm owner while making decisions regarding corporate social responsibility will vary [5]. As a form of accountability for a company in carrying out its social responsibility activities, the company prepares a sustainability report.

Given the many ownership structures that a company may have, the motives for and methods adopted by each owner to make decisions on CSR-related initiatives as well as how to disclose them in sustainability reports are equally diverse. If the owner's interests are long-term, they will consider this corporate social responsibility initiative as a form of long-term investment and will not hesitate to allocate resources to corporate social responsibility activities [6]. However, if the owner's interest is short-term then they will not be much interested in investing in this form of corporate social responsibility activity but will be more interested in financial returns.

According to the results of a study conducted by Rivandi [7], it shows that institutional ownership has a positive influence on corporate social responsibility. The results of this study are in accordance with the results of research conducted by Yani & Suputra [8] and Singal & Putra [9]. This proves that the higher portion of institutional ownership in a company, the level of corporate social responsibility carried out by the company will also increase. However, this is not in accordance with the results of studies conducted by Sari & Rani [10] and Htay et al. [11] who argue that institutional ownership has a negative effect on corporate social responsibility.

A study by Merawati & Pramitha [12] discovered a negative relationship between managerial ownership and corporate social responsibility. This is consistent with research by Rivandi [7] and Dakhli [6] which found that a company's level of social responsibility will decline when managers hold a large portion of the business. This, however, contrasts with the findings of studies conducted by Putri & Gunawan [13] and Cho & Ryu [14] which reveal that managerial ownership has a positive impact on corporate social responsibility, where the higher the level of managerial ownership in an entity, the company's level of corporate social responsibility will also increase.

In addition to ownership structure, there are other factor to consider in the company's involvement in corporate social responsibility, such as financial performance. This is because financial performance has an influence in making strategic decisions and ensuring the successful implementation of innovative strategies, including corporate social responsibility. According to Dakhli [6], financial performance moderates the relationship between institutional ownership and corporate social responsibility, where the interaction between the financial performance variable and institutional ownership makes the effect of institutional ownership on corporate social responsibility become significantly positive. This is not in line with the research of Agustina & Lestari [15] and Naufal et al. [16] whose results reveal that financial performance cannot moderate the relationship between institutional ownership and corporate social responsibility.

Based on the results of research conducted by Dakhli [6] and Naufal et al. [16], financial performance moderates the relationship between managerial ownership and corporate social responsibility, where the interaction between the financial performance variable and managerial ownership makes the effect of managerial ownership on corporate social responsibility even more significantly negative. Yet another study conducted by Agustina &

Lestari [15] showed that the impact of managerial ownership on corporate social responsibility could not be moderated by financial performance.

The results of this study are expected to provide empirical evidence regarding the effect of institutional ownership and managerial ownership on corporate social responsibility, also the moderation effect of financial performance on those relationship. Also, it is hoped that the findings of this study can be taken into consideration for companies to pay more attention to variables that can affect corporate social responsibility.

Stakeholder Theory

Stakeholders are any individuals or groups, who have the power to affect or are otherwise impacted by the company's operation [17]. It is expected that business will take ethical values into account when making decisions or developing plans because stakeholder theory discusses the interests of various parties, which strengthens the notion that a company is responsible not only to its shareholders but also to its stakeholders [18]. Companies should be aware of their interactions with stakeholders since they are accountable to them [19].

Because firms are accountable to stakeholders, it is crucial that they focus on their connection with them. Additionally, stakeholders' support has an impact on a company's sustainability, thus it is critical for business to keep up their interaction with them. Thus, it may be said that stakeholder theory that takes stakeholder group interests into account. Where these stakeholders have the ability to affect how the organization makes strategic decisions. Stakeholder groups also have a big impact on how corporations report on their CSR initiatives [20]. With this disclosure, it is anticipated that stakeholder confidence in the business would rise, which may lead to positive working relationship between the business and its stakeholders and help the business achieve sustainability in the long run.

Legitimacy Theory

Legitimacy theory presupposes that business and society have a social compact outlining how they will interact [21]. Therefore, it is possible to say that this theory has something to do with how business and society interact. It also has to do with the expectations society has of how businesses ought to behave in order to continue to exist. It is appropriate for a corporation to conduct itself in line with the standards outlined in the social contract. When a firm enters into a social contract, it is similar to an agreement whereby the company's actions are seen as legitimate by society or receive legitimacy from it [22].

Businesses must be able to contribute to society, therefore businesses always make an effort to ensure that their operational activities and other activities do not contravene local laws [23]. When a firm tries to disclose its social responsibilities, it is assumed that the community will accept the practices the company uses. The environment which the business operates and its interactions with the community can ensure its existence, thus the business requires the recognition from the surrounding community [24]. Therefore, companies engage in corporate social responsibility activities in an effort to gain recognition from it. If management believes that the community wants the company to disclose its operations, the company will do so voluntarily [21]. Companies that engage in social responsibility initiatives believe that their presence and actions are recognized by the community [22].

Corporate Social Responsibility

Corporate social responsibility is a company's ongoing commitment to carry out its operations in an ethical manner and to support the economic growth of the local community and society as a whole [25]. Corporate behaviour that prioritizes profit over the environment, which is essentially a natural resource that businesses need to operate, can give rise to corporate social responsibility [26]. From here, it can be seen that businesses must obtain social benefits from their relationships with the community in the form of public trust in the business; this can be done if the business can engage with and adapt to the community.

The more the corporation's commitment to social and environmental responsibility, the higher the company will be regarded by the public [27]. Investors will be drawn to the company if it has a positive reputation in the community. Therefore, businesses can use CSR as a strategy to make long-term investments that will help control their business growth [28]. The social responsibility carried out by a company is ideally disclosed in a sustainability report. There is no obligation in terms of what items must be disclosed because in reality, firms frequently only reveal their CSR activities in annual reports whose content is voluntary [29].

Institutional Ownership

Institutional ownership refers to the ownership of corporate shares held by organizations or financial institutions, such as investment firms, banks, and insurance firms [30]. The amount of outside influence over the company increases with the percentage of institutional ownership. According to Jensen & Meckling [4], increasing institutional ownership can reduce agency costs, because it can encourage optimal supervision of management performance. Because share ownership indicates authority that can be utilized to enhance manager success, institutional owners will encourage maximal supervision of management performance [31]. According to Diantimala & Amril [32] and Agustina & Lestari [15], institutional ownership negatively and significantly affects corporate social responsibility. Yet, according to Dakhli [6] and Yani & Suputra [8], institutional ownership positively and significantly affects corporate social responsibility.

Institutional ownership is the possession of firm shares by organizations, allowing them to make strategic decisions with more expertise and experience. Institutional owners will also look for the best monitoring possible to prevent management from acting opportunistically. The manager's interest in pursuing his or her own interests will rise when management is subjected to little scrutiny. In this approach, managers who are subject to the direction and control of institutional owners will also report and reveal the company's CSR activities. Furthermore, this disclosure is made in order to lessen informational asymmetry between owners and management. Therefore, it may be inferred that institutional owners will participate more actively in CSR initiatives because they are thought to have long-term benefits for the business. Based on the explanation above, this hypothesis is developed:
H1: Institutional ownership has a significant positive influence on corporate social responsibility (see Figure 1)

Managerial Ownership

In a condition known as managerial ownership, management serves as a shareholder for the company as well [33]. According to Rivandi & Gea [34], the managerial ownership structure can be evaluated by examining the percentage of ordinary shares that are held by managers. The managerial in question is the internal party of the company, i.e., the top management, which includes the board of commissioners and the board of directors, who make decisions and oversee operational activities. According to Singal & Putra [9] and Putri & Gunawan [13], managerial ownership positively and significantly affects corporate social responsibility. Yet, according to Dakhli [6] and Ullah et al. [35], managerial ownership negatively and significantly affects corporate social responsibility.

There should be an equal balance of interests between managers and shareholders in situations when there is a high level of managerial ownership. Because the manager in this situation serves as both the decision-maker and the person who will be impacted by their own choice. However, managers with a short-term mindset prefer strategies with high rate of return due to their mentality. This is so that managers can receive incentives based on the profits the business makes during that time. Meanwhile, corporate social responsibility activities carried out by the company will not increase a manager's incentive because the benefits obtained cannot be seen in a short period of time. So it can be concluded that companies with a high level of managerial owners will prioritize their personal needs so that they will not be too actively involved in corporate social responsibility activities. Based on the explanation above, this hypothesis is developed:
H2: Managerial ownership has a significant and negative effect on corporate social responsibility (see Figure 1)

Financial Performance
Financial performance is a financial condition that represents the accomplishment of the firm's success so that it can be determined whether the financial situation of the company is good or bad [36]. Business entities must measure and analyze their financial performance in order to assess and enhance their operational activities. This will help the business make decisions going forward and serve as a decision-making guide. A company's own value can be used to determine its financial performance because it can describe the company's success as indicated by its stock price [37]. Firm value is described as the investor's assessment of the company's success expressed in the form of stock prices [38], due to the fact that a company's value increases when its share price increases [39]. The Tobin's Q ratio, which depicts a situation where there are investment opportunities from a company or there is prospective growth in the organization, can be used to quantify firm value [40]. In other words, Tobin's Q may assess a company's financial performance in relation to its potential market worth.

Agustina & Lestari [15] found that financial performance has no moderation effect on the relationship between institutional ownership and corporate social responsibility. Yet, according to Dakhli [6] financial performance has moderating effect on the relationship of institutional ownership and corporate social responsibility. Company owners must be aware of financial performance data so that it can be used to assess the level of success of the firm based on management's actions and decisions. Companies who perform well financially, will have a lot of resources. Seeing the many resources owned by the company, institutional owners will take financial performance into account when making investment choices in the form of social responsibility. This is because institutional owners are more focused on the company's long-term viability and the advantages that can be gained from actively pursuing corporate social responsibility. In light of this, it can be concluded that financial performance strengthens the relationship between institutional ownership and CSR. Based on the explanation above, this hypothesis is developed:
H3: Financial performance strengthens the relationship between institutional ownership and corporate social responsibility (see Figure 1)

Beside that, the research done by Agustina & Lestari [15] also found that financial performance has no moderation effect on the relationship between managerial ownership and

corporate social responsibility. This is in contrast with research done by Dakhli [6] who found that financial performance has moderating effect on the relationship of managerial ownership and corporate social responsibility. This is due to managerial owner's feelings of security and their conviction that the business can handle any economic conditions without the need for long-term investments in the form of corporate social responsibility when the company's financial performance is strong. So that the company's successful financial performance will motivate managers to prioritize boosting their own wealth more. As a result, managers with significant ownership will allocate fewer resources to social responsibility activities by making decisions that sacrifice corporate social responsibility initiatives. So it can be concluded that financial performance strengthens the relationship between managerial ownership and CSR. Based on the explanation above, this hypothesis is developed:
H4: Financial performance strengthens the relationship between managerial ownership and corporate social responsibility (see Figure 1)

The following is the conceptual framework based on the hypothesis formulated above:

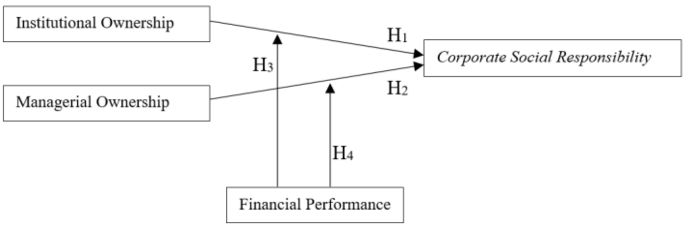


Figure 1. Research Framework

2. RESEARCH METHOD

This research uses a descriptive research design and collects data using a quantitative approach. This study sees secondary data in the form of financial and sustainability reports for energy, basic materials, and industrials companies listed on the Indonesia Stock Exchange in the 2020-2022 period which can be accessed through the website www.idx.co.id and related company website. Data processing in this study used EViews software version 10 and Microsoft Excel 2019. In this study, the population used is all energy, basic materials, and industrials sector companies listed on the IDX (Indonesia Stock Exchange) during the 2020-2022 period. The sample selection used in this study was purposive sampling with the following criteria: 1) Energy, basic materials, and industrials sector companies listed on the IDX during the research period of 2020-2022, 2) Publish financial report data during the research period of 2020-2022, 3) Publish sustainability report data during the research period of 2020-2022.

The operationalization of variables used in this study consists of four types of variables. The dependent variable used is corporate social responsibility, the independent variable used are institutional ownership and managerial ownership, the moderating variable used is financial performance, and the control variable used is leverage and company size. The total companies that are valid to be the sample of this study is 40, with the total data sample of 120. The variables and proxy used in this study are concluded below:

Table 1. Operationalization of Research Variables
Source: Compiled by Author

Variable	References	Formula	Measurements

CSR	Puspitasari & Ermayanti, (2019) [41]	$CSRj = \frac{\sum x_{ij}}{n_j}$	Ratio
Institutional Ownership	Arianti & Putra (2018) [42]	$\frac{\sum \text{Shares owned by institution}}{\text{Total outstanding shares}}$	Ratio
Managerial Ownership	Arianti & Putra (2018) [42]	$\frac{\sum \text{Shares owned by managerial}}{\text{Total outstanding shares}}$	Ratio
Financial Performance	Adnantara (2013) [43]	$Tobin's\ Q = \frac{MVE+D}{TA}$	Ratio
Leverage	Fitria et al., (2022) [44]	$Debt\ to\ Asset\ Ratio = \frac{Total\ debt}{Total\ assets}$	Ratio
Firm Size	Hantono (2016) [45]	$Firm\ Size = Ln\ Total\ Assets$	Nominal

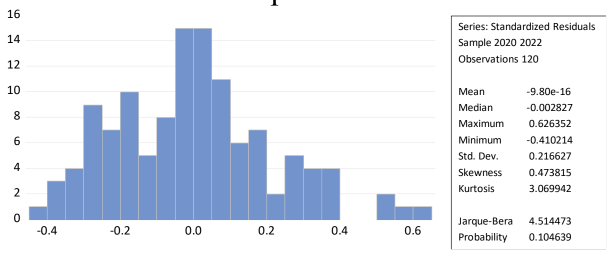
3. RESULTS AND DISCUSSIONS

Table 2. Descriptive Statistic Results
Source: Output of Microsoft Excel 2019

Variabel	Maximum	Minimum	Mean	Standard Deviation
CSR	1	0.0602	0.4323	0.2492
INST	0.9857	0	0.6031	0.2404
MGR	0.7642	0	0.0583	0.1672
LEV	1.4037	0.048	0.4383	0.2382
SIZE	33.6552	26.6469	30.4765	1.3491
FP	2.3728	0.1171	0.6071	0.3419

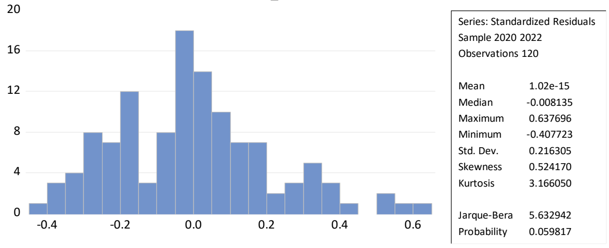
According to the descriptive statistic results, the mean of corporate social responsibility is 0.4323, indicating that the average corporate social responsibility item disclosed in a company is only 43.23% of the total number of items that should be disclosed. This shows that there are still few CSR items disclosed in the company's sustainability report. The average value of institutional ownership is 0.6031, which indicates that the average institutional ownership in the company sample is more than 50%. Therefore, it may be said that the ownership level of a company is generally dominated by institutional ownership. Contrasted with the mean of managerial ownership of 0.0583, this indicates that the average level of managerial ownership in a company tends to be low. Tobin's Q ideal value for the financial performance variable is 1, which denotes that the market has been successful in fairly valuing the company. According to the average value of the financial performance variable, which is 0.6071 points below 1, the average market value of the firm is less than its book value, which may entice investors to purchase the business. DAR (Debt to Asset Ratio) number under 1 indicates a company has low leverage. The leverage variable's mean is 0.438687, indicating that 48.38% of the company's assets are typically financed by debt from outside sources, with the remaining assets being financed by capital. It can be inferred that the average corporation has a solid ability to pay off debt given that the average value of leverage tends to be be low (below 50%).

Figure 2. Normality Test Results (Model 1)
Source: Output of EViews 10



With a sample of 120 data, it can be seen that the results of the normality test in model 1 are normally distributed, because the Jarque-Bera p-value is 0.104639 (>0.05), so it can be said that this data has met the assumption of normality and can be used for further testing.

Figure 3. Normality Test Results (Model 2)
Source: Output of EViews 10



With a sample of 120 data, it can be seen that the results of the normality test in model 2 are also normally distributed, because the Jarque-Bera p-value is 0.059817 (>0.05), so it can be said that this data has met the normality assumption and can be used for further testing.

Table 3. Multicolinearity Test Results
Source: Output of EViews 10

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
INST	0.010510	10.94813	1.490108
MGR	0.021572	1.581967	1.400272
LEV	0.007537	5.413433	1.049464
SIZE	0.000245	563.6944	1.093240
C	0.244535	604.9863	NA

Based on the multicollinearity test results above, it can be seen that there is no VIF value ≥10, therefore it can be concluded that in this study there are no independent variables and control variables that have a strong correlation between fellow variables, so this study is free from multicollinearity problems.

Table 4. Heteroscedasticity Test Results (Model 1)
Source: Output of EViews 10

F-statistic	2.068891	Prob. F(4,115)	0.0894
Obs*R-squared	8.055673	Prob. Chi-Square(4)	0.0896
Scaled explained SS	7.426098	Prob. Chi-Square(4)	0.1150

Based on the Breusch-Pagan-Godfrey test results in Table 4 above, it can be concluded that model 1 does not experience heteroscedasticity problems. This can be seen from the Chi-Square probability value of OBS R-Squared of 0.0896 which is greater than the 5% significance value (0.0896>0.05).

Table 5. Heteroscedasticity Test Results (Model 2)
Source: Output of EViews 10

F-statistic	1.852752	Prob. F(7,112)	0.0841
Obs*R-squared	12.45356	Prob. Chi-Square(7)	0.0866
Scaled explained SS	11.10254	Prob. Chi-Square(7)	0.1342

Based on the Breusch-Pagan-Godfrey test results in Table 5 above, it can be concluded that model 2 does not experience heteroscedasticity problems. This can be seen from the Chi-

Square probability value of OBS R-Squared of 0.0866 which is greater than the 5% significance value (0.0866>0.05).

Table 6. Autocorrelation Test Results (Model 1)
Source: Output of EViews 10

	C1
R1	65
R2	0.455399

Based on the results of the run test in Table 6, the R2 value is a probability value of 0.455399. This value is greater than the significance value (0.455399>0.05). So, it can be concluded that this study does not experience autocorrelation problems.

Table 7. Autocorrelation Test Results (Model 2)
Source: Output of EViews 10

	C1
R1	59
R2	0.722689

Based on the results of the run test in Table 7, the R2 value is a probability value of 0.722689. This value is greater than the significance value (0.722689>0.05). So, it can be concluded that this study does not experience autocorrelation problems.

The next step is to create a panel data regression model after making sure the research is free of classical assumption issues. The Chow test, Hausman test, and Lagrange Multiplier test must all be tested in order to choose the model that will be applied. The REM (Random Effect Model) is the most suitable model to use as the regression model in this research, according to the test's results. The first regression model utilizes multiple linear regression. While MRA (Moderated Regression Analysis) is used in the second model. The following two regression models are used in this study:

CSRj = -2.021547 + 0.156940 *INST* – 0.440624 *MGR* - 0.035642 *LEV* +0.078837 *SIZE* + ε

$$CSRj = \beta_0 + \beta_1 INST + \beta_2 MGR + \beta_3 FP + \beta_4 INST * FP + \beta_5 MGR * FP + \beta_6 LEV + \beta_7 SIZE + \varepsilon \ldots (2)$$

Explanation:

CSRj	= CSR disclosure index of company j
INST	= Institutional ownership
MGR	= Managerial ownership
FP	= Financial performance
*INST * FP*	= Interaction between institutional ownership and financial performance
*MGR * FP*	= Interaction between managerial ownership and financial performance
LEV	= Leverage
SIZE	= Firm size
ε	= Error term

According to the previous equations, if either independent variable or moderating variable are modified by 1 unit, dependent variable will change by the coefficient of each variable in this regression model. Below is an explanation of each regression model's findings:

Table 8. Regression Test Results of Model 1
Source: Output of EViews 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INST	0.156940	0.120178	1.305900	0.1942
MGR	-0.440624	0.176335	-2.498785	0.0139
LEV	-0.035642	0.102098	-0.349093	0.7277
SIZE	0.078837	0.018587	4.241566	0.0000
C	-2.021547	0.586728	-3.445459	0.0008

Regression analysis on the institutional ownership in model 1 generate results with a significance value of 0.1942 and a coefficient of 0.156940. This variable's significance is higher than the significance value that was used in this research (0.156940>0.05). It can be concluded that the institutional ownership has no significant effect on corporate social responsibility.

Meanwhile managerial ownership variable in model 1 generate results with a significance value of 0.0139 and a coefficient of -0.440624. This variable's significance is lower than the significance value that was used in this study (-0.440624<0.05). It can be inferred that the managerial ownership has significant and negative impact on corporate social responsibility.

Table 9. Regression Test Results of Model 2
Source: Output of EViews 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INST	0.258558	0.323332	0.799666	0.4256
MGR	-0.516833	1.161421	-0.445001	0.6572
FP	0.159935	0.384269	0.416206	0.6781
FP_INST	-0.160715	0.463219	-0.346952	0.7293
FP_MGR	0.089976	1.749223	0.051438	0.9591
LEV	-0.097315	0.157436	-0.618125	0.5377
SIZE	0.081340	0.020432	3.980939	0.0001
C	-2.167403	0.726727	-2.982415	0.0035

The financial performance and institutional ownership interaction variable in the regression performed on model 2 has a significance value of 0.7293 and a coefficient of -0.160715. From these results, it can be inferred that financial performance fails to strengthen the relationship between institutional ownership and corporate social responsibility.

Same with the financial performance and managerial ownership interaction variable in model 2 generate results with significance value of 0.9591 and a coefficient of 0.089976. Therefore, it can be concluded that financial performance also fails to strengthen the relationship between managerial ownership and corporate social responsibility.

The F-statistic probability value is 0.000046 in regression model 1 and 0.000845 in regression model 2. Each regression model's F-statistic probability value is below significance level (<0.05), suggesting that all of the independent variables in each model simultaneously impacted corporate social responsibility, which served as the dependent variable in this research.

In this study, the ability of the independent variable to explain the dependent variable was evaluated using the Adjusted R Square (R^2) test. According to the first model's Adjusted R Square value of 0.167157, concludes that the independent variables in this study are able to explain the dependent variable by 16.71%. Meanwhile, Adjusted R Square value in the second model is decreased to 0.144039, meaning that 14.4% of the dependent variable can be explained by the independent variable. The remaining not explained by the independent variable is explained by other factors not taken in to account in the study.

H1: Institutional ownership has a significant positive influence on corporate social responsibility.
The findings of this study indicate that institutional ownership views CSR initiatives as a way to lessen the possibility of a decline in the company's reputation rather than as a value-creating effort. This viewpoint is based on the knowledge that corporate social responsibility can be crucial in preserving a company's reputation, with institutional ownership realizing how important it is having a positive corporate image in luring clients and investors. Events that are unfavourable to a company, such as natural disasters, labor disputes, or ethical mistakes, can damage its reputation very easily. Initiatives in corporate social responsibility assist businesses in aligning with public expectations and lowering the likelihood of receiving negative media publicity. Institutional owners are aware of how quick a company's worth can be diminished by reputational harm. As a result, institutional ownership are reactive rather than proactive. When it is evident that bad corporate social responsibility performance will risk their interests, specifically the company's reputation, they will get more involved in social responsibility activities.

The results of the study is align with studies by Putri & Gunawan [13] and Naufal *et al.* [16] both of which discovered that institutional ownership has an insignificant impact on corporate social responsibility. Meanwhile, the results of this study conflict with those by Yani & Suputra [8] and Dakhli [6], who discovered that institutional ownership has a positive and significant impact on corporate social responsibility.

H2: Managerial ownership has a significant and negative effect on corporate social responsibility.
When managers possess a significant proportion of a company's shares, they often prioritize short-term financial benefits instead of long-term ones in order to boost the value of their holdings. Decisions that emphasize profitability above corporate social responsibility initiatives may result from the focus on short-term financial benefits. Due to their tendency to give more importance on profit maximization, businesses with high managerial ownership typically devote fewer resources to social responsibility activities. Even if these approaches will be detrimental to long-term corporate social responsibility objectives, managers will prioritize those that offer immediate financial returns. This conflict may inhibit commitment to CSR practices and lead to a lack of transparency and accountability in corporate social responsibility reporting.

The findings of the study is consistent with studies by Agustina & Lestari [15] and Dakhli [6] both of which discovered that managerial ownership has significant and negative effect on corporate social responsibility. However, this finding is not in line with study by Naufal *et al.* [16] who discovered that managerial ownership has an insignificant effect on corporate social responsibility.

H3: Financial performance strengthens the relationship between institutional ownership and corporate social responsibility.
In this study, the market value of a firm which is represented by the market price of its shares is used to assess its financial performance. Where there is short-term price fluctuation due to market volatility, which has an effect on stock prices. Unlike institutional owners, who typically perceive long-term business strategy. As a result, institutional investors do not take

financial performance into account when making judgments about their investment in the form of social responsibility.
The results of the study is align with studies by Agustina & Lestari [15] and Naufal *et al.* [16] both of which discovered that financial performance has no moderating effect on the relationship of institutional ownership and corporate social responsibility. Meanwhile, the results of this study conflict with those by Dakhli [6], who discovered that financial performance strengthened the effect of institutional ownership on corporate social responsibility.

H4: Financial performance strengthens the relationship between managerial ownership and corporate social responsibility.
Because the financial performance in this research evaluates how the market values the company. Investor attitude, market movements, competition, and erratic economic conditions are all taken into account in this market evaluation. This indicates that there is market volatility, and as market valuations can change drastically over time, a company's financial performance does not ensure that it will offer managerial owners an established level of financial stability. As a result, managerial owners who make investment decisions for social responsibility do not take financial performance into account.

The findings of the study is consistent with studies by Agustina & Lestari [15] which discovered that financial performance has no moderating effect on the relationship of managerial ownership and corporate social responsibility. However, this finding is not in line with study by Dakhli [6] who discovered that financial performance strengthened the effect of managerial ownership on corporate social responsibility.

4. CONCLUSIONS AND SUGGESTIONS

According to this study's findings, managerial ownership placed more importance on instant financial gain rather on long-term commitment in social responsibility. They may make choices that compromise corporate social responsibility programs in order to maximize their own profitability. Given that managerial ownership has a detrimental effect on corporate social responsibility, corporate governance is crucial and a balance between management objectives and stakeholder interests is required. According to Livia & Imelda [46] a vital component in preventing managers from being unaccountable for the environmental impacts of their operations on stakeholders is good corporate governance. This highlights the importance for an effective governance system, which may be accomplished through promoting accountability and open communication between management and stakeholders. In order to provide neutral monitoring, company can also elect independent boards of directors that are unaffiliated to management or large shareholders. The amount of managerial ownership should ideally be taken into account to ensure that the company's participation in social responsibility initiatives. With a low portion of managerial ownership, it can increase the company's involvement in social responsibility engagement.

The research is inseparable from various limitations that need to be improved in further research. The first limitation is that the sample taken in the study is only based on a three-year period, 2020-2022. This relatively short period of time increases the possibility that there is information or other conditions that cannot be displayed so that the research results become irrelevant. The second limitation is regarding variables, which only consists of two independent variables, namely institutional ownership and managerial ownership, as well as one moderating variable which is financial performance, with the dependent variable corporate social responsibility. This is because there is a possibility of other variables that can explain corporate social responsibility more broadly. The third limitation is that the sample used in this study only comes from energy, basic materials, and industrials sector companies. By conducting research on other subjects, such as companies in other sectors or companies engaged in other fields with different characteristics, it is possible that the research results will also be different.

The following are suggestions that can be given for the benefit of future research, such as: (1) Increase the number of research samples and increase the year of the observation period so that the research results reflect the actual conditions better. (2) Replacing the independent variables of institutional ownership and managerial ownership with other influential variables or adding independent variables outside the research model that are thought to have an effect on corporate social responsibility. (3) Replace the proxy for financial performance variables other than Tobin's Q such as using ROA (Return on Asset). (4) Replacing financial performance moderation variable with other variables such as leverage.

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