Does Ownership Matter? Exploring The Mediating Role of Csr Between Ownership Structure, Financial Performance and Firm Value in Indonesia's Consumer Sector

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Abstract

This study investigates the mediating role of Corporate Social Responsibility (CSR) in the relationship between ownership structure and firm value in the non-cyclical consumer sector listed on the Indonesia Stock Exchange (IDX) from 2016-2024. Using a purposive sampling method, the study analyzes data from 9 companies yielding 81 firm year observations. The research employs Fixed Effect Models (FEM) and the Sobel test to examine the direct and indirect effect of foreign, institutional and public ownership, as well as Return on Equity (ROE) on firm value measured by Price to Book Value (PBV) and Tobin's Q. The findings indicate that ROE significantly influences CSR, PBV and Tobin's Q. Additionally CSR exerts a positive effect on both measures of firm value and mediates the relationship between ROE and firm value. However, CSR does not mediate the effects of foreign, institutional or public ownership on firm value. These results underscore the critical role of financial performance in driving socially responsible initiatives that enhance firm value. This study contributes to the literature by integrating ownership structure, financial performance and CSR into a unified framework offering practical implications for managers, investors and regulators seeking to improve sustainable corporate value particurly in emerging markets.

Keywords: *corporate social responsibility, ownership structure, ROE, firm value, Tobin's Q*

Introduction

Efforts to maximize shareholder welfare and enhance firm value remain central objectives of good corporate governance. According to (Ben Fatma &Chouaibi, 2023; Hersugondo et al., 2019), enhancing a company's market value is vital to support shareholder prosperit, as share prices reflect the overall wealth of capital owners. With the evolution of modern governance perspectives, there is growing awareness that companies must also consider the interests of other stakeholders such as employees, communities, and regulators. This highlights the importance of Corporate Social Responsibility (CSR) in shaping corporate reputation and fostering long-term value creation (D'Amato &Falivena, 2020; Mishra & Suar, 2010).

CSR has transformed from a moral obligation into a strategic business component that can enhance market performance and organizational sustainability (Joshi et al., 2023; R.L. & Mishra, 2020). Effective CSR practices have been positively associated with improved financial indicators and increased firm valuation, emphasizing the role of goodwill and stakeholder trust within the corporate structure (Sahasranamam et al., 2019).

Ownership structure significantly influences governance quality and participation in CSR initiatives. For example, concentrated or institutional ownership can strengthen oversight, promote transparency and encourage greater involvement in CSR activities as supported by several studies (Zhang et al., 2019). Different types of ownership such as foreign, institutional and public ownership, play important roles in CSR implementation and its effect on firm value. Firm with foreign ownership often engage in CSR activities to enhance legitimacy and build reputation particularly in developing markets contexts (Jeroh, 2020; Ye & Kong-yue, 2020). Additionally financial performance metrics such as Return on Equity (ROE) are crucial as profitable firms are better positioned to allocate resources toward socially responsible engagements (Akben-Selçuk, 2019; Halaç et al., 2021).

While numerous studies have focused on the direct relationships between ownership structures, CSR and firm value limited attention has been paid to CSR as a mediating variable in these interactions (Benlemlih et al., 2022; Zeng, 2020). Some research indicates that CSR can amplify the effects of ownership structure on firm value however, empirical investigations that examine these relationships concurrently remain scarce (R. Ali et al., 2019). This complexity reveals a critical gap in the literature that warrants further exploration to better understand the interplay among ownership characteristics financial performance and CSR within corporate governance systems.

In response to this gap, this present study aims to examine the influence of foreign, institutional and public ownership along with ROE on firm value with CSR serving as a mediating variable. This research focuses on non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2015–2023. The sector was selected due to its relative stability and emphasis on fulfilling basic societal needs, making it a relevant context for examining the intersection of social responsibility and economic outcomes.

Literature Review

Agency Theory and Stakeholder Theory

Agency Theory (Dey, 2008; Kumar &Zattoni, 2017; Maznorbalia et al., 2023), explains the principal agent relationship that arises when ownership and control are separated within a company. This separation can lead to agency problems particularly when managers' incentives are not aligned with shareholders' interests (Chrisman et al., 2004; Dalton et al., 2007). This issue is further examined in the context of family firms, where ownership concentration often aligns the interests of owners and managers thereby reducing agency conflict. (Lien et al., 2016), support this by stating that family control can enhance corporate governance by minimizing information asymmetry and promoting a unified decision making approach. (van Aaken et al., 2017), argue that family firms often substitute traditional governance mechanisms by aligning ownership with control to reduce agency costs. In contrast, firms with more dispersed ownership requires stronger governance mechanisms to align incentives (Huu Nguyen et al., 2020; Schulze et al., 2003). Additionally, (Al-Qadasi, 2024; Effendi & Prima, 2023; Hikmah et al., 2019) highlight that institutional investors can strengthen governance and oversight, improve financial performance and reduce earnings management (Elyasiani& Jia, 2008; Kabaciński et al., 2022).

Stakeholder Theory (Dmytriyev et al., 2021), posits that companies are accountable not only shareholders but also to a broader range of stakeholders including employees, customers and the surrounding community (W. Ali et al., 2017). CSR disclosure is considered an important tool for enhancing corporate credibility and addressing stakeholder concerns (Mai Tran & Tran, 2022; Martínez-Ferrero et al., 2016), ultimately contributing to improved performance and image.

Foreign Ownership and CSR

Foreign ownership may enhance CSR practices and improve company performance, as aligned with Law No. 25 of 2007 on Foreign Investment. Empirical studies suggest that higher foreign ownership is associated with better corporate governance and improved decision-making processes (X. Li et al., 2024).

H1= Foreign ownership positively influences Corporate Social Responsibility (CSR)

Institutional Ownership and CSR

Institutional ownership (Al-Qadasi, 2024), plays a crucial role in strengthening oversight and guiding firm companies toward long-term sustainability goals. Institutional investors are often more active in influencing policy decisions and reducing opportunistic behavior (Choi et al., 2012), as well as limiting earnings management (Elyasiani& Jia, 2008).

H2 = Institutional ownership positively influences Corporate Social Responsibility (CSR)

Public Ownership and CSR

Public ownership (Giannarakis et al., 2016; Harada & Nguyen, 2011; Thanatawee, 2012), often characterized by dispersed ownership, can weaken oversight, leading to increased moral hazard and agency costs (Harada & Nguyen, 2011).

H3 = Public ownership positively influences Corporate Social Responsibility (CSR)

Return on Equity (ROE) and CSR

Return on Equity (ROE) reflects firm’s ability to generate profits from shareholders equity. A higher ROE boosts investor confidence and firm valuations (Kaizoji&Miyano, 2019). Strong financial performance also facilitates CSR implementation by providing the necessary financial resources (Oware&Mallikarjunappa, 2019).

H4 = Return on Equity (ROE) positively influences Corporate Social Responsibility (CSR)

CSR and Firm Value

(M. Bande, 2023) found a strong link between ROE and CSR, emphasizing the role of CSR in improving transparency and market trust (Palaščáková&Michalska, 2023). Other studies (Crisóstomo et al., 2011; Perrini et al., 2011) confirm that CSR enhances financial performance and competitive advantage.

H5= CSR positively influences Price to Book Value (PBV).
H6= CSR positively influences Tobin’s Q.

Ownership Structure and Firm Value

Previous research provides mixed evidence regarding the direct impact of ownership structure on firm value. Some studies suggest a positive role through better monitoring, while others find no significant effect (X. Li et al., 2024; Liang &

Pathak, 2019).

H7: Foreign ownership positively influences PBV.
H8: Institutional ownership positively influences PBV.
H9: Public ownership positively influences PBV.
H11: Foreign ownership positively influences Tobin's Q.
H12: Institutional ownership positively influences Tobin's Q.
H13: Public ownership positively influences Tobin's Q.

Return on Equity (ROE) and Firm Value

ROE measure a company's ability to generate returns on shareholders equity. Empirical evidence (Brigham & Ehrhardt, 2017; Kaizoji&Miyano, 2019) supports its positive effect on both PBV and Tobin's Q.

H10: Return on Equity (ROE) positively influences PBV.
H14: Return on Equity (ROE) positively influences Tobin's Q.

Mediating Role of CSR

CSR is proposed as a mediating variable between ownership structure and firm value. While ownership may influence CSR, the impact on value is often realized through CSR implementation (Benlemlih et al., 2022; Zeng, 2020).

H15: CSR mediates the effect of foreign ownership on PBV.
H16: CSR mediates the effect of Institutional ownership on PBV.
H17: CSR mediates the effect of public ownership on PBV.
H18: CSR mediates the effect of ROE on PBV.
H19: CSR mediates the effect of foreign ownership on Tobin's Q.
H20: CSR mediates the effect of Institutional ownership on Tobin's Q.
H21: CSR mediates the effect of public ownership on Tobin's Q.
H22: CSR mediates the effect of ROE on Tobin's Q.

Methodology

Research Design

This study adopts an explanatory quantitative research design using panel data analysis. The purpose of the research is to examine the direct and indirect effects of ownership structure and financial performance on firm value, with corporate social responsibility (CSR) as a mediating variable. This design allows for the integration of multiple constructs into a single mediation model to evaluate the dynamics of corporate governance and social responsibility in the context of emerging markets.

Population and Sampling

The population comprises all companies in the non-cyclicals consumer sector listed on the Indonesia Stock Exchange (IDX) from 2015–2023 with a total of 153 firms. This sector was selected due to its stable nature and relevance in fulfilling basic societal needs, making it highly appropriate for analyzing the factors influencing firm value.

A purposive sampling method was used to select 9 companies that met following criteria:

1. Operate in the non-cyclicals consumer sector and have published complete annual reports during the period 2015–2023.
2. Provide data on CSR, foreign ownership, institutional ownership, public ownership, Return on Equity (ROE), Price to Book Value (PBV) and Tobin's Q for the specified period.
3. Actively traded on the IDX during the period 2015-2023.

Variable Measurement

The population comprises all companies in the non-cyclicals consumer sector listed on the Indonesia Stock

Variable	Type	Measurement	Source
Foreign Ownership	Independent	Percentage of company shares owned by foreign investors.	(Abraham, 2013)
Institutional Ownership	Independent	Percentage of company shares owned by institutions (e.g., mutual funds, pension funds).	(Ajay & Madhumathi, 2015)
Public Ownership	Independent	Percentage of company shares owned by the public or general investors.	(Kelley & Tetlock, 2013; Syamala et al., 2014)
Return on Equity (ROE)	Independent	Net Income ÷ Shareholder's equity indicates a firm's ability to generate profit from equity.	(H. Li & Grundy, 2023)
Corporate Social Responsibility (CSR)	Mediating	CSR expenditures or their percentage of total spending as reported in annual reports.	(Fuoli, 2018; Kim & Kim, 2019; Nag &Bhattacharyya, 2016)
Price to Book Value (PBV)	Dependent	Market price per share ÷ Book value per share; reflects investors valuation.	(Abraham, 2013; H. Li & Grundy, 2023)
Tobin's Q	Dependent	Market value of assets ÷ Replacement cost of assets; reflects indicates market performance.	(Gaspar et al., 2013; H. Li & Grundy, 2023)

Table 1. Variable definition and measurement

Conceptual Framework

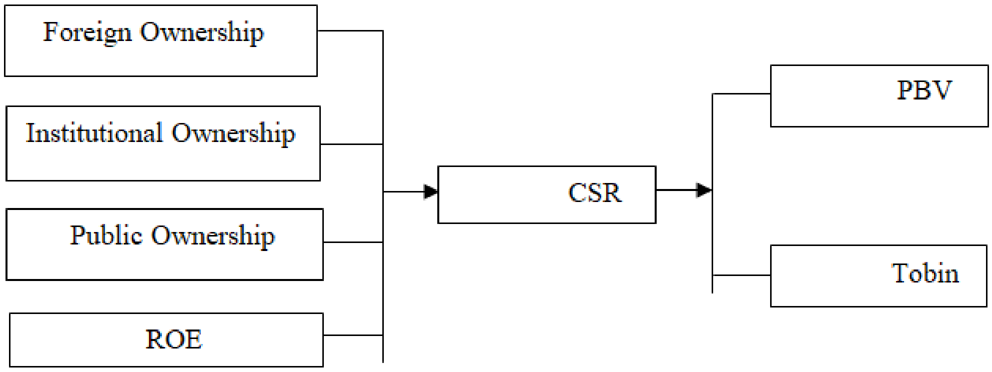

Figure 1. Conceptual framework.

Results

Descriptive Statistics

The descriptive analysis of 81 observations reveals a wiode variation across variables. The mean PBV is 9.19, indicating strong market valuation. However, the low median (2.99) and high standard deviation (16.97) point to significant dispersion and the presence of outliers, with the PBV peaking at 82.44. Tobin's Q follows a similar trend, with a mean of 3.76, a median of 1.69, and a standard deviation of 4.92 again reflecting considerable variation in market based asset valuation (Tabel 2).

	PBV	TobinQ	Foreign Ownership	Institutional Ownership	Public Ownership	ROE	CSR
Mean	9.186667	3.764074	0.181821	0.346225	0.481132	26.85922	41.57765
Median	2.990000	1.690000	0.074300	0.161400	0.511600	17.25630	43.08000
Maximum	82.44000	23.29000	0.920600	0.900600	0.997500	144.6388	61.31000
Minimum	0.600000	0.740000	0.001400	0.001100	0.002200	-70.62660	15.69000
Std. Dev	16.97395	4.920651	0.271096	0.355714	0.405695	40.64350	11.86317
Observations	81	81	81	81	81	81	81

Table 2. Descriptive statistics analysis

Ownership structures are also highly dispersed. Foreign ownership averages 18.18%, but the median is only 7.43%, indicating minimal foreign investment in most firms. Institutions investors hold an average of 34.62% of shares, while public ownership dominates at 48.11%, with high variability (SD = 40.57%).

The average ROE is 26.86%, with extreme values ranging from -70.63% to 144.64%, underscoring substantial differences in financial performance. CSR scores range from 15.69 to 61.31, with a moderate standard deviation (11.86), suggesting some consistency in CSR reporting among firms.

Model Testing

Chow Test: FEM is suitable for Structure I (X → Z) and Tobin's Q; CEM is more appropriate for PBV.

Hausman Test: Confirms FEM as the preferred model across all structure based on significant p-values.

Classical Assumption Tests:

Multicollinearity: No issues detected (correlations < 0.80).

Heteroscedasticity: No significant heteroscedasticity across all models ($p > 0.05$).

Regression Results

Structure I (X → Z):

ROE has a significant positive impact on CSR ($\beta = 0.1681$; $p < 0.0001$).

Foreign, institutional and public ownership have no significant effect on CSR ($p < 0.05$).

Structure II (Z → Y):

CSR significantly affects both PBV ($\beta = 0.4059$; $p < 0.0035$) and Tobin's Q (($\beta = 0.1070$; $p < 0.0187$).

Structure III (X → PBV):

ROE significantly affects PBV ($\beta = 0.2816$; $p < 0.0001$).

All ownership variables (foreign, institutional, public) have no significant effect on PBV ($p > 0.05$).

Structure IV (X → Tobin's Q):

ROE significantly affects TobinQ ($\beta = 0.0831$; $p < 0.0001$).

Ownership variables do not significantly influence Tobin's Q ($p > 0.05$).

Sobel Test (CSR as Mediator)

Mediator = PBV				
Variable	t-statistic	table-t	Description	Result
Foreign Ownership	0.40	1.99	t-statistic < table-t	Insignificant
Institutional Ownership	0.02	1.99	t-statistic < table-t	Insignificant
Public Ownership	1.09	1.99	t-statistic < table-t	Insignificant
ROE	2.83	1.99	t-statistic < table-t	significant
Mediator = TobinQ				
Variable	t-statistic	table-t	Description	Result
Foreign Ownership	0.40	1.99	t-statistic < table-t	Insignificant
Institutional Ownership	0.03	1.99	t-statistic < table-t	Insignificant
Public Ownership	1.18	1.99	t-statistic < table-t	Insignificant
ROE	2.32	1.99	t-statistic < table-t	significant

Table 3. Sobel test

Discussion

The Role of ROE

Research on the relationship between Return on Equity (ROE) and its positive influence on Corporate Social Responsibility (CSR), Price to Book Value (PBV), and Tobin's Q has been supported by various academic studies. These findings align with previous research (Kaizoji&Miyano, 2019; Oware&Mallikarjunappa, 2019), which suggests that profitability enables companies to make strategic investments in social initiatives to strengthen sustainability and market trust. The findings indicate that companies with higher ROE tend to be more active and consistent in implementing strong CSR initiatives. This relationship aligns with stakeholder theory, which states that organizations excelling in financial performance are better equipped to fulfill their social obligations effectively, thereby enhancing their reputation and long-term sustainability (Dakhli, 2022).

Additionally, (Dakhli, 2022) supports that effective CSR practices positively impact financial performance metrics, including ROE, proving that stakeholder engagement through CSR results in better financial flexibility and enhanced competitive advantage (Dakhli, 2022; Joo et al., 2017). This argument is further strengthened by examining how CSR investments can be viewed through the lens of the business ecosystem, highlighting the efficiency and relevance of leveraging social capital to achieve financial success (Joo et al., 2017).

In addition to confirming the supportive role of ROE in pursuing CSR, these studies also suggest that the implementation of strong CSR initiatives often leads to increases in PBV and Tobin's Q. (Ikram et al., 2020), illustrates this by highlighting the interaction between corporate reputation, stakeholder engagement, and overall financial performance, suggesting that companies actively engaged in CSR can achieve positive impacts on various financial performance metrics, including PBV and Tobin's Q.

Hypothesis	Variable	Result	Conclusion
H1	Foreign Ownership→CSR	(+) Not Significant	H1 Rejected
H2	Institutional Ownership→CSR	(+) Not Significant	H2 Rejected
H3	Public Ownership→CSR	(+) Not Significant	H3 Rejected
H4	Return on Equity (ROE)→CSR	(+) Significant	H4 Accepted
H5	CSR→PBV	(+) Significant	H5 Accepted
H6	CSR→TobinQ	(+) Significant	H6 Accepted
H7	Foreign Ownership→PBV	(-) Not Significant	H7 Rejected
H8	Institutional Ownership→PBV	(+) Not Significant	H8 Rejected
H9	Public Ownership→PBV	(-) Not Significant	H9 Rejected
H10	Return on Equity (ROE)→PBV	(+) Significant	H10 Accepted
H11	Foreign Ownership→TobinQ	(+) Not Significant	H11 Rejected
H12	Institutional Ownership→TobinQ	(+) Not Significant	H12 Rejected
H13	Public Ownership→TobinQ	(+) Not Significant	H13 Rejected
H14	Return on Equity (ROE)→TobinQ	(+) Significant	H14 Accepted
H15	Foreign Ownership→CSR→PBV	Not Significant	H15 Rejected
H16	Institutional Ownership→CSR→PBV	Not Significant	H16 Rejected
H17	Public Ownership→CSR→PBV	Not Significant	H17 Rejected
H18	Return on Equity (ROE) →CSR→PBV	Significant	H18 Accepted
H19	Foreign Ownership→CSR→TobinQ	Not Significant	H19 Rejected
H20	Institutional Ownership→CSR→TobinQ	Not Significant	H20 Rejected
H21	Public Ownership→CSR→TobinQ	Not Significant	H21 Rejected
H22	Return on Equity (ROE)→ CSR→TobinQ	Significant	H22 Accepted

Table 3. Recapitulation hypothesis

The Mediating Effect of CSR

Research on the influence of ownership structure on corporate social responsibility (CSR) engagement and firm value in Indonesia's non-cyclical consumer sector provides meaningful insights into corporate governance dynamics. The study finds that foreign, institutional, and public ownership types do not play a significant governance role in shaping CSR strategies or enhancing firm value in the Indonesian context. These findings suggest that ownership structure has limited influence in emerging markets like Indonesia, particularly in sectors that may be less sensitive to institutional pressures. (Sahasranamam et al., 2019), found that ownership structure particularly family ownership does not significantly influence CSR activities related to community engagement in emerging markets. This reinforces the argument that passive investment behavior among foreign and institutional shareholders may limit their ability to influence strategic decisions related to CSR.

Additionally, empirical evidence from diverse international contexts yields mixed results regarding the relationship between ownership type and CSR engagement. For example, while some studies link institutional ownership to better CSR performance (Nurleni et al., 2018), others emphasize that this relationship is highly dependent on contextual elements such as capital market maturity and prevailing governance systems (Akben-Selçuk, 2019; Tokas& Yadav, 2023). This inconsistency highlights that the impact of ownership structure on CSR is not universally consistent and must be interpreted within the context of local institutional and cultural frameworks.

The Role of Ownership Structure

Corporate Social Responsibility (CSR) is increasingly recognized as a key mediating factor in the relationship between Return on Equity (ROE) and company value. This mediation suggests that profits indirectly contribute to company value assessment through socially responsible activities. This finding aligns with (D'Amato &Falivena, 2020), who emphasize that CSR is not only an ethical obligation but also a strategic mechanism for enhancing corporate value. Their study also highlights that the impact of CSR on corporate value is moderated by specific company characteristics, such as size and age, indicating that profitability alone does not guarantee an increase in valuation without meaningful CSR engagement.

The dynamics of this relationship become more complex when ownership structure is considered. Previous literature suggests that the absence of a mediating effect of CSR between ownership type and corporate value reflects the limitations of ownership in influencing sustainability outcomes unless actively integrated into the corporate governance framework (Oware&Mallikarjunappa, 2019).

Additionally, several studies have explored how ownership characteristics and governance practices moderate the influence of CSR on financial performance, with varying results. For example, (Oware&Mallikarjunappa, 2019) report a significant positive relationship between CSR investments and financial metrics such as ROE, indicating that good governance can strengthen the financial returns from CSR initiatives. This perspective is supported by (Kamaliah, 2020), who asserts that corporate governance acts as a mediator in strengthening the impact of CSR on corporate value, thereby highlighting the importance of institutional mechanisms in achieving effective CSR outcomes.

Although CSR can function as a channel through which profitability, particularly ROE, enhances company value, this process depends on the existence of a strong corporate governance structure. Ownership, on its own, is insufficient rather, the synergistic alignment between ownership characteristics and governance commitment is crucial for CSR to contribute meaningfully to sustainability goals and corporate valuation (Khan et al., 2024).

Implications for Emerging Markets

The findings presented highlight the distinctive characteristics of corporate governance in emerging markets, where financial performance is often prioritized over ownership structure when formulating corporate social responsibility (CSR) strategies and enhancing corporate value. This statement is consistent with recent literature showing that the governance landscape in emerging markets is significantly influenced by local institutional contexts and informal practices, suggesting that policymakers and investors should actively promote ownership patterns that strengthen environmental, social, and governance (ESG) criteria, particularly in sectors critical to community well-being (Feng et al., 2017; Wang & Li, 2018). Effective CSR integration which is fundamentally linked to financial objectives is positioned as a strategic tool for corporate managers aiming to develop sustainable long-term value, reflecting an evolving paradigm shift where CSR is viewed as an intrinsic part of business success rather than merely an additional activity (Vishwanathan et al., 2019).

Additionally, existing research highlights that while ownership structures and governance mechanisms play a vital role in corporate operations the unique challenges and opportunities presented by emerging markets necessitate tailored approaches to governance and CSR strategies. For example, communities in these markets may exhibit varying levels of institutional support thereby influencing corporate decision making and engagement in CSR efforts (Alahdal et al., 2021; Atwi et al., 2017).

The literature supports the idea that integrating CSR into core business strategies enhances operational efficiency through environmentally friendly initiatives and strengthens corporate reputation and performance in a competitive landscape, thereby validating the hypothesis that companies that align CSR with their financial ambitions tend to achieve better overall results (Alahdal et al., 2021; Vishwanathan et al., 2019).

The importance of a robust corporate governance structure that is responsive to evolving market realities cannot be overlooked. Engagement in proactive ESG behavior is crucial as it not only meets societal expectations but also supports strategic business interests. Integrating financial performance with responsible governance practices creates an environment conducive to sustainable growth (Jabbouri&Almustafa, 2020), an essential consideration for stakeholders aiming to achieve resilience and competitiveness in an ever-evolving economic landscape.

Conclusion

This study examines the relationship between ownership structure, financial performance Return on Equity (ROE) and Corporate Social Responsibility (CSR) in influencing firm value within the non-cyclical consumer sector in Indonesia. Firm value is measured using Price to Book Value (PBV) and Tobin's Q as key indicators. The main findings reveal that ROE has a positive and significant effect on CSR, PBV and Tobin's Q, indicating that profitability is a critical driver of both social performance and corporate valuation.

CSR is also shown to have a positive and significant impact on firm value, reinforcing its strategic role in enhancing corporate reputation, investor confidence, and long-term competitiveness. Mediation analysis further confirms that CSR serves as a significant mediator in the relationship between ROE and firm value. This implies that firms with strong financial performance are more likely to implement CSR initiatives thereby improving their market valuation.

In contrast, ownership structure comprising foreign, institutional and public ownership does not exert a significant direct or indirect influence on firm value through CSR. This finding suggests that while ownership has the potential to improve governance practices, shareholders in this context have not actively shaped the strategic direction of CSR.

These results underscore the importance of strengthening financial performance and strategically integrating CSR to enhance firm value, especially in sectors critical to public welfare. Moreover, greater involvement from shareholders in corporate governance is essential, particularly in driving sustainability related decision making and CSR initiatives.

This study is limited by its relatively small sample size and focus on a single industrial sector. Future research is encouraged to broaden the scope by including additional sectors, increasing the sample size and exploring other relevant factors such as CSR intensity, CSR disclosure quality or macroeconomic variables that may moderate the ownership value relationship. Incorporating qualitative or longitudinal approaches could also offer deeper insights into the dynamics of sustainability strategy within corporate governance frameworks.

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