

Effect of Value Added Human Capital, Disclosure of Corporate Social Responsibility, Intensity of Research and Development on Intrinsic Value of Companies with Profitability as an Intervening Variable in the Plantation Sector

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ABSTRACT

The theory of the firm states that the company's survival can be maintained by maximizing the company's wealth or value by obtaining maximum profit. Plantation companies are national industries which are strategic industries in the macro economy, regional economic development and poverty reduction. The plantation sector is one of the mainstays of generating foreign exchange for the non-oil and gas sector, which tends to continue to increase. Where the intrinsic value of this company is the net present value of the projection of free cash flow to firm (FCFF). This research was conducted to analyze the significant effect of value added human capital, disclosure of corporate social responsibility, intensity of research and development on intrinsic value of companies with profitability as an intervening variable in the plantation sector listed on the Indonesia Stock Exchange (IDX). This population was selected as a target population with a total of 5 sample companies with an observation period from 2010 to 2018. Hypothesis testing uses structural equation modeling data analysis techniques. The results of this study indicate that value added human capital has a positive and most significant effect on profitability. The disclosure of corporate social responsibility has a positive and significant effect on profitability. The intensity of research and development has a positive but

insignificant effect on profitability. Value added human capital has a positive and most significant effect on the intrinsic value of companies, disclosure of corporate social responsibility has a positive and significant effect on intrinsic value of companies, intensity of research and development has a negative and significant effect on intrinsic value of companies, profitability has a positive and significant effect on intrinsic value of companies. Profitability is not able to mediate the relationship between value added human capital and intrinsic value of companies, profitability is not able to mediate the relationship between disclosure of corporate social responsibility and intrinsic value of companies and profitability is not able to mediate the relationship between research and development intensity and intrinsic value of companies.

Keywords: Value Added Human Capital, Disclosure of Corporate Social Responsibility, Intensity of Research and Development, Profitability, Intrinsic Value of Companies.

INTRODUCTION

The theory of the firm states that the company's survival can be maintained by maximizing the company's wealth or value by obtaining maximum profit.

Company value has an important role in projecting the performance of a

company so that it can influence the perceptions of investors and potential investors towards the company (Sumarsono, 2016). The value of a company is very important because high company value will be followed by high prosperity for shareholders (Brigham and Houston, 2013). The company value can describe the condition of the company, with good company value, the company will be considered well by potential investors (Hermuningsih, 2012). One of the factors that influence firm value internally or can be controlled is company profitability. The profitability of the company is a measurement of the company's achievements arising from the management decision-making process, because it has a relationship between the effectiveness of capital utilization, efficiency and profitability from performance activities (Fidhayatin and Dewi, 2012).

In this study, company profitability is represented by return on assets (ROA). Return on assets is used because it can reflect the company's profitability by looking at the effectiveness and efficiency of a company by comparing the number of assets they have to generate net income. According to Susilawati (2012) profitability can describe a company's ability to make a profit through its capabilities and all available resources, such as cash, capital, number of employees, sales activities, number of branches, etc. High or low company profitability can affect firm value. However, it depends on how investors perceive an increase in the profitability of a company. To see the value of a company, investors usually use profitability.

One of the intangible assets is intellectual capital, because it is not included in the company's financial statements, it is often used in valuing a company. Value added human capital is a lifeblood in intellectual capital. This is where the source of innovation and improvement is, but it is a component that is difficult to measure. Value added human capital is also a very useful source of

knowledge, skills and compensation in an organization or company. Value added human capital reflects the collective ability of a company to produce the best solutions based on the knowledge possessed by the people in the company (Ulum, 2017).

The idea underlying the emergence of corporate social responsibility is that a company not only has a big responsibility to its shareholders, but also to other interested parties (stakeholders). Parties with an interest in a company include customers, owners or investors, suppliers, employees, communities and competitors (Nurlela and Islahuddin, 2008).

In line with the increasing awareness of the global community towards products/goods that are environmentally friendly and produced with due observance to social principles, awareness to implement social responsibility becomes very important. This social responsibility occurs from the company with all stakeholders, including customers, owners or investors, government, suppliers and even competitors, owners or investors, government, suppliers and even competitors, employees, communities. A company also has responsibilities towards parties such as government, consumers and society, in addition to providing benefits for shareholders. Harmonization between a company and the surrounding community can be achieved if there is full commitment from the company's top management to the implementation of corporate social responsibility (CSR) as public accountability (Erlinda, 2014).

Research and development is expenditure that supports business, develops new products, improves product quality, helps launch new businesses, increases production efficiency, and expands the technological capabilities of a company. David (2009) states that companies invest in research and development that later it is expected to be able to sell products or services that are superior and can provide a competitive advantage. The budget issued for research and development is directed at

developing new products and improving the quality of products produced by the company. Research and development is one of the management strategies in development. products that are expected to increase firm value by spending promotional costs and advertising costs. This can make investors' assessment of the company will increase and will also affect the stock market price (Gunawan, 2011).

Plantation companies are national industries which are strategic industries in the macro economy, regional economic development and poverty reduction. The plantation sector is one of the mainstays of generating foreign exchange for the non-oil and gas sector, which tends to continue to increase.

Where the intrinsic value of this company is the net present value of the projection of free cash flow to firm (FCFF).

This research was conducted to analyze the significant effect of value added human capital, disclosure of corporate social responsibility, intensity of research and development on intrinsic value of companies with profitability as an intervening variable in the plantation sector listed on the Indonesia Stock Exchange (IDX).

RESEARCH METHODS

This research was conducted in a quantitative form, namely research data in the form of numbers or numbers. This type of research is casual associative, this type of research is associative causal (cause and effect) is research that aims to find whether there is a relationship between two or more variables and how far the correlation exists. among the exact variables.

This population was selected as a target population with a total of 5 sample companies with an observation period from 2010 to 2018.

Hypothesis testing uses structural equation modeling data analysis techniques.

RESULT

Overview

According to the Central Statistics Agency (BPS), the agricultural sector is a sector that has a strategic role in the structure of national economic development, either directly or indirectly. Directly, namely its contribution to gross domestic product (GDP), provision of foreign exchange sources, industrial raw materials, bioenergy sources, poverty alleviation, providing employment and increasing people's income. While indirectly in the form of a multiplier effect through the linkage of input-output between industries, consumption and investment. The agricultural sector has several subsectors listed on the IDX, namely food crops, plantations, fisheries, and others. As one of the important sub-sectors in the agricultural sector, the plantation sub-sector has traditionally made a significant contribution to the Indonesian economy. The plantation sub-sector is also one of the subsectors experiencing the most consistent growth, both in terms of area and production. Of several important plantation commodities in Indonesia (rubber, oil palm, coconut, coffee, cocoa, tea and sugar cane), oil palm, rubber and cocoa are growing faster than other plantation crops with a growth rate of over 5% per year.

Plantation companies are national industries which are strategic industries in the macro economy, regional economic development and poverty reduction. The plantation sector is one of the mainstays of generating foreign exchange for the non-oil and gas sector, which tends to continue to increase.

The rapid growth of these three commodities is generally related to the relatively better profitability of these commodities as well as government policies to encourage expansion of the area for these commodities. Oil palm is a crop of palm oil and palm kernel which is one of the leading crops in the plantation sub-sector which is a source of foreign exchange for Indonesia. The bright prospects for the palm oil

Andi Satrion et.al. Effect of value added human capital, disclosure of corporate social responsibility, intensity of research and development on intrinsic value of companies with profitability as an intervening variable in the plantation sector.

commodity in the world vegetable oil trade have encouraged the development of oil palm plantations. The area of oil palm plantations in Indonesia has grown every year. The area of oil palm plantations has experienced rapid development since 1990 until now.

Analysis of Direct Effect, Indirect Effect, and Total Effect

Table 1. Standardized Direct Effects (Group Number 1 - Default Model)

	X3	X2	X1	Y1
Y1	.029	.444	.625	.000
Y2	-.171	.181	.659	.169

Source: Processed Amos Output Data

Table 2. Standardized Indirect Effects (Group Number 1 - Default Model)

	X3	X2	X1	Y1
Y1	.000	.000	.000	.000
Y2	.005	.075	.106	.000

Source: Processed Amos Output Data

Table 3. Standardized Total Effects (Group Number 1 - Default Model)

	X3	X2	X1	Y1
Y1	.029	.444	.625	.000
Y2	-.171	.181	.659	.169

Source: Processed Amos Output Data

The results of this study indicate that value added human capital has a positive and most significant effect on profitability. The disclosure of corporate social responsibility has a positive and significant effect on profitability. The intensity of research and development has a positive but insignificant effect on profitability. Value added human capital has a positive and most significant effect on the intrinsic value of companies, disclosure of corporate social responsibility has a positive and significant effect on intrinsic value of companies, intensity of research and development has a negative and significant effect on intrinsic value of companies, profitability has a positive and significant effect on intrinsic value of companies. Profitability is not able to mediate the relationship between value added human capital and intrinsic value of companies, profitability is not able to mediate the relationship between disclosure of corporate social responsibility and intrinsic value of companies and profitability is not able to mediate the

relationship between research and development intensity and intrinsic value of companies.

CONCLUSION AND SUGGESTION

The results of this study indicate that value added human capital has a positive and most significant effect on profitability. The disclosure of corporate social responsibility has a positive and significant effect on profitability. The intensity of research and development has a positive but insignificant effect on profitability. Value added human capital has a positive and most significant effect on the intrinsic value of companies, disclosure of corporate social responsibility has a positive and significant effect on intrinsic value of companies, intensity of research and development has a negative and significant effect on intrinsic value of companies, profitability has a positive and significant effect on intrinsic value of companies. Profitability is not able to mediate the relationship between value added human capital and intrinsic value of companies, profitability is not able to mediate the relationship between disclosure of corporate social responsibility and intrinsic value of companies and profitability is not able to mediate the relationship between research and development intensity and intrinsic value of companies.

Based on the research results, the suggestions that the authors can give are as follows:

1. For Appraisers

For business appraisers who provide value opinions using the income approach and the discounted cash flow (DCF) method, they must know very well the ins and outs of the company to be assessed considering that the assessment using this method uses many projections.

2. For the Company

For companies in the plantation sector, it is hoped that they can invest more optimally in intangible assets given the growing challenges in the plantation sector,

starting from anti-palm oil sentiment and the imposition of tariffs that are not impartial to oil palm entrepreneurs in Indonesia. It is also hoped that companies in the plantation sector will pay attention to Value Added Human Capital considering the results of the research show that there is a big influence on the performance and value of the companies in the sector. Corporate responsibility also has a great influence in improving company performance so that companies can increase the form of corporate responsibility to improve quality. Research and development does not have a significant effect, but that does not mean that the company can put this aside, considering that research and development results tend to be felt in the long term. In terms of increasing the company's intrinsic value, companies are required to have maximum value-added human capital and corporate responsibility so that the expected company value can be realized. Regarding the negative direction of research and development, it shows that no matter how big the research and development is carried out by the company, if it is not followed by the price of fresh fruit bunches (FFB), the costs incurred by the company become a burden.

3. For Investors

Investors in making a decision to invest in a company listed on the stock exchange are advised to pay attention to the intrinsic value (fair value) of the company, the intrinsic value of the company is more reflective of the company's performance prospects which are based on expectations of cash flows received in the future by considering the elements the risk that is reflected in the cost of capital.

4. For Academics

In further research it is suggested to be able to assess the company's equity using free cash flow to equity so that the intrinsic value of the company's equity and the intrinsic value of the company's shares can be compared face to face with stock prices

on the market so that it can be seen whether the stock price is overvalued or undervalued.

5. For Regulators

Regulators are expected to consider variables that have a significant effect on company performance as well as those that can increase company value in making decisions related to company policies that have the potential to maximize the quality of the company's assets.

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Andi Satrio et.al. *Effect of value added human capital, disclosure of corporate social responsibility, intensity of research and development on intrinsic value of companies with profitability as an intervening variable in the plantation sector.*

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