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The Influence of Corporate Social Responsibility on Company Value with Cash Flow as a Moderating Variable in Manufacturing Companies Listed on the Indonesia Stock Exchange

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ABSTRAK

Penelitian ini menganalisis dampak tanggung jawab sosial perusahaan pad nilai perusahaan berdasarkan rasio harga pada nilai buku dan arus kas operasi sebagai variabel moderasi pada perusahaan manufaktur yang terdaftar di BEI. Tiga variabel kontrol yang digunakan ialah likuiditas, ukuran perusahaan, dan profitabilitas. Sampel penelitian terdiri dari 88 perusahaan dari tahun 2018-2022, dengan data yang dikumpulkan dari ESG Intelligence, Thomson Reuters, dan laporan perusahaan sampel. Analisis dilakukan dengan metode analisis regresi linear berganda (MRA). Hasilnya menjelaskan adanya dampak positif dan sig antara CSR dan nilai perusahaan, dan arus kas memperkuat dampak CSR terhadap nilai perusahaan di pasar Indonesia.

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Keywords:
Firm Value, Corporate Social Responsibility, Cash Flow

ABSTRACT

This research points to explore the impact of corporate social obligation (CSR) on firm esteem, as spoken to by the price-to-book esteem proportion, with working cash stream acting as a directing calculate, in fabricating companies recorded on the Indonesia Stock Trade. Furthermore, three control variables return on resources, company estimate, and liquidity are included within the investigation. The test comprises of 88 firms, chosen utilizing purposive inspecting from a pool of 227 fabricating companies recorded on the trade between 2018 and 2022, coming about in 153 information focuses. Auxiliary information was gotten from ESG Insights, Thomson Reuters, and the yearly reports of the chosen companies. The examination utilized Directed Relapse Examination (MRA). The findings demonstrate that CSR and firm value have a positive and significant relationship, and that cash flow enhances this relationship in the Indonesian market.

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INTRODUCTION

Many companies in Indonesia focus on short-term profits, neglecting long-term goals to maximize company value. Purbawangsa et al., (2020) state that maximizing company value is essential for providing maximum prosperity to shareholders through increased stock prices. Companies with high value attract investor attention and enhance confidence in investment, while fluctuations in company value can be influenced by Corporate Social Responsibility (CSR).

Companies are now focusing on Triple Bottom Lines, not just on financial value, and according to stakeholder theory, business success requires attention to stakeholder interests as well as a equaly of social, economic and environmental values (Tiep Le & Nguyen, 2022). Companies disclose CSR initiatives to meet the information demands of shareholders, in accordance with stakeholder theory (Michelon et al., 2015; Nekhili et al., 2017). Extensive CSR disclosure in annual reports enhances communication and stakeholder satisfaction. As noted by Butt et al., (2020), CSR has now become a requirement for organizations to conduct business ethically, in alignment with Article 74 of Law No. 40 of 2007 and Article 15 of Law No. 25 of 2007. Al-Shaer et al., (2023) imply that assessing the influence of CSR on firm value is complex and depends on aspects unique to each organization, such as cash flow. Positive cash flow funds corporate activities, including CSR, and operating cash flow covers surplus for positive-value projects as well as daily operational costs (Olaoye & Olaniyan, 2021). The larger the positive cash flow, the more capable the organization is of engaging in CSR initiatives that demonstrate concern for the well-being of stakeholders and the environment. Increased CSR disclosures indicate better company performance prospects, potentially enhancing firm value.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder Theory refers to an individual or group who is affected by and influences a company's process in achieving its goals. Stakeholder theory offers a basic structure for comprehending and addressing the needs and concerns of different stakeholders, with implications that can extend to other areas such as corporate social responsibility (CSR) (Mahajan et al., 2023). Stakeholder theory proposes that CSR can elicit positive responses from key stakeholders, which directly enhances company performance (Donaldson & Preston, 1995).

Firm Value

Firm value represents investors' views on a company's degree of success, typically associated with its stock prices. Wirawan et al., (2020) state that firm value can also be measured by market value, as companies boost shareholder wealth by raising stock prices. A high stock price enhances the firm’s value and bolsters market confidence, Demonstrating confidence in the company's present performance as well as its future prospects.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is defined by the Organisation for Economic Cooperation and Development (OECD) as a company's ongoing commitment to create a mutually beneficial relationship with society, fostering common progress (Cho et al., 2019). CSR demonstrates a company's commitment to being conscious of its social and environmental impact and taking responsibility to make a good contribution to the communities and environments where it operates (Situmeang, 2016).

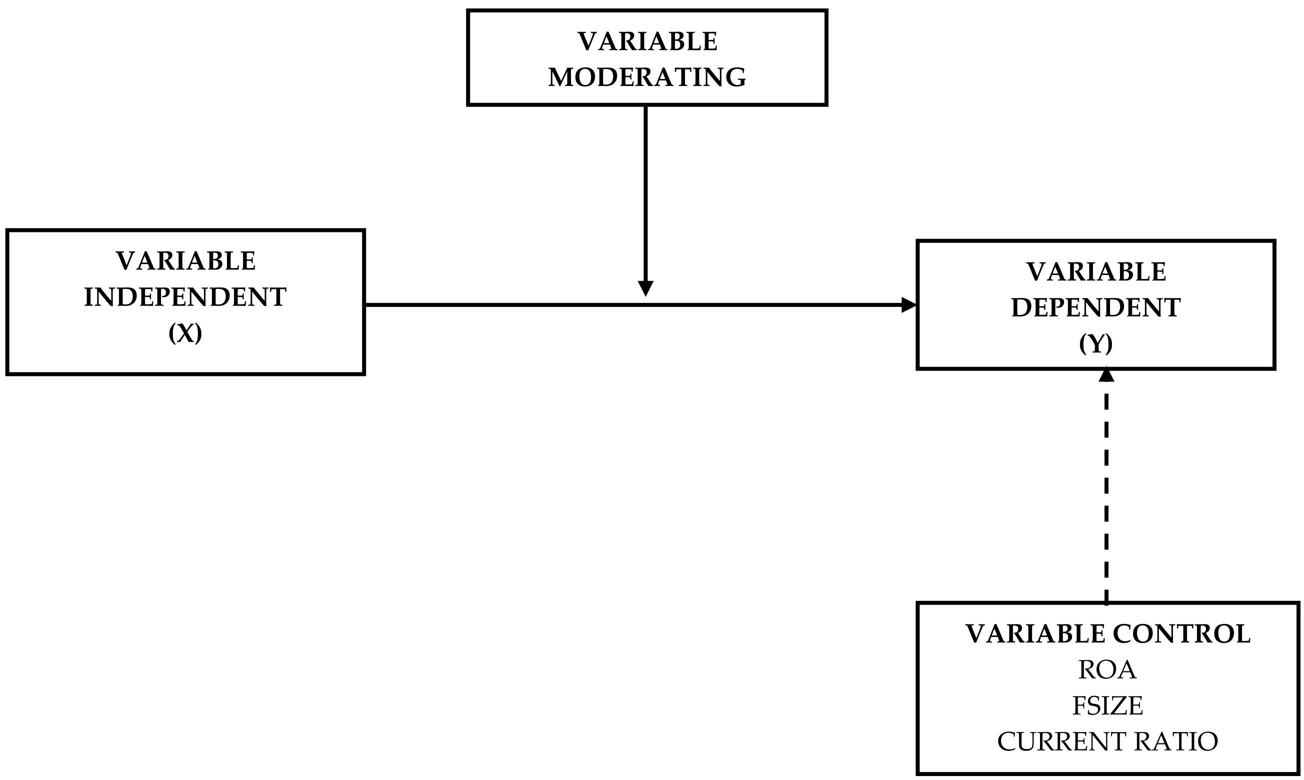
Cash Flow

Cash flow is the inflow and outflow of cash within a period, reflecting the company management's responsibility in handling cash from operating, financing, and activities of investment. Cash flow from operating is a company's major source of revenue, which is used to support operations, service debts, distribute dividends, and for other purposes (Sarah & Susetyo, 2024). A positive (+) Operating Cash Flow indicates a healthy company, while a negative (-) one signifies a struggling or "bleeding" company.

H1: Corporate social responsibility has a positive and considerable impact on firm value.

H2: Cash flow amplifies the effect of Corporate Social Responsibility disclosure on firm value.

Conceptual Framework



METHOD

Types of Research

The research employs a quantitative methodology, where this research focuses on testing theory by measuring research variables using numerical data, and then analyzing the data using statistical techniques (Machali, 2021:23). Based on the issues and objectives formulated, The research conducted in this study is classified as causal research. It explores the relationship for this study, Corporate Social Responsibility is the independent variable and Firm Value is the dependent variable, with Cash Flow (CF) acting as a moderating factor.

Object of Research

This research focuses on manufacturing businesses listed on the Indonesia Stock Exchange between 2018 and 2022.

Population

According to Machali (2021:67), The population refers to the complete group of objects or subjects identified by the researcher for study. In this case, the population comprises of all 227 manufacturing firms listed on the Indonesia Stock Exchange during the specified period.

Sample

A sample is a subset taken from the entire object being studied and is considered to represent the whole population. This study uses purposive sampling, a data selection method based on specific predetermined criteria. This non-random sampling technique is guided by certain quotas and considerations (Indriantoro et al., 2018:113-128).

a. Manufacturing enterprises were listed on the Indonesia Stock Exchange between 2018 and 2022.
b. Manufacturing companies that consistently published their annual reports from 2018 to 2022.

Operational Definition and Sample Measurements

The operational definitions and methods of measuring variables used in this investigation are presented in the table below:

Table 1. Operational and Sample Measurements

Variabble	Operational Definitions	Proxy	Resource
Variabel Dependen			
Firm Value		$PBV = \frac{Stock\ Price\ per\ Share}{Book\ Value\ per\ Share}$	D'Amato & Falivena, (2020)
Variable Independent			
Corporate Social Responsibility (CSR)	A concept and action taken by a company as its obligation to the society and environment in which it functions.	Using the total number of disclosure items sourced from ESG Intelligence (ESGI).	*GRI Standards*
Variable Moderating			
Cash Flow	It serves to benchmark the company's financial stability and its capacity to generate	$OCF = \frac{Operating\ Cash\ Flow}{\text{Total Assets}}$	Al-Shaer et al., (2023)

	cash. from core business activities.		
Variable Control			
Profitability	A measure to determine the extent of management effectiveness in managing the company.	$ROA = \frac{Earning\ After\ Tax\ (EAT)}{Total\ Assets}$	
Firm Size	The extent of the scale and operational capacity of the company in generating revenue.	$Size = \log\ (total\ pendapatan)$	(Al-Shaer et al., 2023)
Liquidity	How well the company can pay its current liabilities using its current assets.	$CR = \frac{Aset\ lancar}{Kewajiban\ lancar}$	

Resource: Various Journals

Multiple Regression Analysis

Machali (2021:196) defines multiple regression analysis as a method for determining the effect of numerous independent factors on a dependent variable. The analysis used in this study looked into how firm value (PBV) was affected by corporate social responsibility (CSR). Return on Assets (ROA), firm size, and liquidity were also included as control factors in the study. Examining the potential impact of these variables on the CSR-PBV relationship is the primary objective of this study. This approach was used to test the influence among the study variables, the following regression model is used:

$PBV = \alpha + \beta_1 \mathrm{CSR} + \beta_2 \mathrm{CF} + \beta_3 \mathrm{ROA} + \beta_4 \mathrm{FSIZE} + \beta_5 \mathrm{CR} + \mathrm{e}$ (**Model 1**)

Moderated Regression Analysis

An improved version of multiple linear regression, Moderated Regression Analysis (MRA) incorporates interaction terms into the regression equation. In MRA, the regression equation includes interaction elements formulated as follows:

$PBV = \alpha + \beta_1 \mathrm{CSR} + \beta_2 \mathrm{CF} + \beta_3 \mathrm{CSR.CF} + \beta_4 \mathrm{ROA} + \beta_5 \mathrm{FSIZE} + \beta_6 \mathrm{CR} + \mathrm{e}$ (**Model 2**)

RESULT AND DISCUSSION

Deskriptive Statistic

Data analysis was performed using IBM SPSS Version 23. Once the data collection and processing were completed, the following table presents a statistical summary, to provide a general overview of each research variable, the following table, Table 2 is presented:

Table 2. Statistik Deskriptif

	N	Min	Max	Mean	Std. Deviation
PBV	153	-2.55111	2.54130	.0000000	1.00000000
CSR	153	6.00	114.00	60.3464	17.43873
CASH FLOW	153	-.69	239.65	4.2001	28.62230
ROA	153	-.37	.32	.0512	.09093
FSIZE	153	23.48	33.34	29.3302	1.79444
CR	153	.27	10.67	2.2321	1.87107
Valid N (listwise)					

Resource: Data processed, 2024

Classic Assumption Test

Normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test are included in the classical assumption test. The normality test is used to assess whether the data distribution in the regression model follows a normal distribution. Data that has a distribution close to normal is considered good. In this study, the normality test was carried out with Kolmogorov-Smirnov. If the data significance level is > 0.05, the data is considered to be normally distributed. Based on the results of the normality test, the Kolmogorov-Smirnov value in this study was 0.42 (Model 1) and 0.44 (Model 2) with an Exact Sig. (2-tailed) value > 0.05 of 0.200. Because the research sig value is > 0.05 (0.200 > 0.05), the results state that the research data is normally distributed. To identify multicollinearity, the Tolerance Value (TOL) and VIF methods are used. If the TOL value exceeds 0.1 (TOL> 0.1) and the VIF value <10 (VIF <10), then it is concluded that there is no indication of model multicollinearity (Ghozali, 2011). This study, model 1 and model 2 show that Tolerance (T)> 0.1 and VIF <10. This study uses the Glejser test to test for heteroscedasticity. The results of the study indicate that there is no heteroscedasticity in models 1 and 2. The significance value of both is> 0.05. Finally, the Durbin-Watson (DW) statistic to test for autocorrelation. If dU<dw<4-dU, then the study does not experience autocorrelation. From the results of the autocorrelation test, models 1 and 2 produce Durbin-Watson values of 1.985 and 2.037, respectively, with a dU value of 1.7488. Thus, the conditions applicable to this study are (dU<dw<4-dU) (1.7488 < 1.985 < 2.2512) and (1.7488 < 2.037 < 2.2512), so there are no signs of autocorrelation.

Multiple Regression Analysis (Model 1)

The aim of multiple linear regression analysis is to assess the impact of the independent variable, Corporate Social Responsibility, on the dependent variable, firm value, with cash flow serving as a moderating factor. MRA is utilized to investigate factors that may either enhance or reduce the link between the independent and dependent variables. The findings from the Moderated Regression Analysis (MRA) are outlined below.

Table 3. Multiple Linear Regression Test with MRA

	Model 1				Model 2			
	Unstandardized Coefficients				Unstandardized Coefficients			
	B	Std. Error	t	Sig.	B	Std. Error	t	Sig.
(Constant)	-1.249	1.279	-.977	.330	-.670	1.358	-.493	.623
CSR	.008	.004	1.995	.048	.013	.004	2.922	.004
ROA	5.079	.909	5.585	.000	5.069	1.141	4.443	.000
FSIZE	.019	.044	.441	.660	.008	.046	.174	.862
CR	-.039	.043	-897	.371	-.085	.048	-1.768	.080
CF					.213	.085	2.500	.014
CSR*CF					.431	.135	3.183	.002

The multiple linear regression equation derived from the aforementioned table is as follows:

PBV = -1,249+0,008CSR+5,079ROA+0,019FSIZE + -0,039CR + e

PBV = -.670+0,013CSR+0,213CF+0,431CSR*CF+5,069ROA+0,008FSIZE+-0,085CR+e

Coefficient of Determination Test (R2)

Based on the R^2 test, the results for model 1 state the R Square (R^2) value of 0.498. This means that the influence of the CSR variable on the company value variable (PBV) simultaneously is 49.8%. The remaining percentage is influenced by additional variables not included in the research model. Meanwhile, in model 2 the R Square value after the inclusion of the moderating variable (CF) increased to 0.606, meaning that the independent variable (CSR) increased the PBV variable simultaneously to 60.6%. The remaining part is influenced by additional variables not included in this research model.

Statistical F Test

Model 1 and 2 have a significance level of 0.000, according to the results of the F statistical test. Since 0.000 < 0.05, this indicates a sig simultaneous influence of variable X on variable Y. Furthermore, it is concluded that the independent variables are worthy of testing because they can explain the dependent variable.

Hypothesis Test (T Test)

The significance value obtained is compared with α = 0.05 to produce a t-test. Based on the results of the t-test, the CSR coefficient is positive at 0.008 with a t value of 1.995 and a significance level (0.048 <0.05). This states that the company value (PBV) is influenced by corporate social responsibility (CSR). Therefore, it is concluded that the H1 hypothesis is accepted. Meanwhile, the CSR*CF coefficient is 0.431 with a t value of 3.183 and a sig level (0.002 <0.05). This means that CSR has a positive effect on PBV through the moderating variable, namely Cash Flow. Therefore, the H2 hypothesis is accepted.

Corporate Social Responsibility's Impact on Manufacturing Companies' Excess Firm Value

Statistical analysis states that CSR has a positive and significant impact on firm value. Thus, it is concluded that hypothesis H1 is accepted. The results show that firm value is positively correlated with CSR activities. Effective and sustainable CSR enhances the company's image and fosters trust and loyalty among stakeholders. This is in line with stakeholder theory, emphasizing the importance of maintaining good relationships with various groups that have an interest in the company.

The alignment between CSR and stakeholder theory strengthens the argument that CSR is not just an obligation, but a strategic investment that can optimize the company's value in the long term. Thus, if a company wants to increase its value, it must build its CSR initiatives. This implies that company managers must work to improve CSR efforts and communicate them effectively to stakeholders in order to optimize the company's value. In contrast, investors tend to look for businesses that have high value.

The findings of this study are in line with the objectives of previous studies (Al-Shaer et al., 2023; Butt et al., 2020; Harjoto & Laksmana, 2016; Kim et al., 2018; Nekhili et al., 2017; Wirawan et al., 2020) which reveals that CSR disclosure has a positive and significant impact on company value.

The Impact of Corporate Social Responsibility on Firm Value in Manufacturing Companies: The Moderating Effect of Cash Flow

This study reveals that the impact of CSR on company value in manufacturing companies is influenced by operating costs (OCF). This means that the H2 hypothesis is accepted. This finding is in line with the research of Al-Shaer et al., (2023) which revealed that Cash Flow moderates the impact of CSR on company value.

This study shows that when a business has strong cash flow, the company is better able to invest in significant CSR programs, which in turn can improve the image and reputation of the company in the eyes of stakeholders. According to Al-Shaer et al., (2023), the moderating effect of cash flow shows that shareholders evaluate CSR only when the company shows the ability to generate significant cash flow from its operations. This is in accordance with stakeholder theory which states that businesses are responsible to stakeholders who have additional interests besides their shareholders. Thus, healthy cash flow strengthens the influence of CSR in increasing company value, because it allows the company to consistently meet the expectations and needs of its stakeholders, which ultimately strengthens the company's positive relationship with the community and supports long-term business sustainability.

CONCLUSSION

The purpose of the study was to determine whether CSR can affect the value of manufacturing companies listed on the IDX from 2018 to 2022. The results of the study stated that CSR as an independent variable has a significant effect on company value, with company value proxied by Price to Book Value. In addition, the use of operating cash flow as a moderating variable can show how CSR affects company value.

The CSR coefficient value is 0.008 and the sig level is 0.048 < 0.05, the H1 hypothesis is accepted. Based on the introduction, theoretical studies, data analysis, and previous discussions, it means that CSR has a positive and significant effect on company value. However, the results of the H2 hypothesis test show that the relationship between CSR and company value is strengthened by cash flow. With a CSR*CF coefficient of 0.431 and a sig level of 0.002 <0.05, the H2 hypothesis is accepted.

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