

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN MODERATING THE EFFECT OF FINANCIAL PERFORMANCE AND CAPITAL STRUCTURE ON FIRM VALUE

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Abstract

Basic Materials companies in Indonesia face challenges in maintaining firm value stability in the post-pandemic period due to fluctuations in financial performance and changes in capital structure. Firm value, measured by Price to Book Value (PBV), is influenced by Return on Assets (ROA) and Debt to Equity Ratio (DER). In addition, Corporate Social Responsibility (CSR) disclosure is considered capable of influencing investor perceptions and stakeholder trust. This study aims to analyze the effect of financial performance and capital structure on firm value with CSR as a moderating variable. The data used are secondary data obtained from annual reports and financial statements of 13 Basic Materials companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The analysis was conducted using panel data regression and Moderated Regression Analysis (MRA) through EViews 10 software. The results show that financial performance and capital structure do not significantly affect firm value. Furthermore, CSR is unable to moderate the relationship between financial performance and firm value, as well as the relationship between capital structure and firm value. Companies are advised to improve profitability management, optimize capital structure, and strengthen CSR disclosure quality to enhance firm value and stakeholder confidence.

Keyword: Capital Structure, Corporate Social Responsibility, Financial Performance, Firm Value.

Introduction

Basic Materials companies play an important role in the Indonesian economy because they provide raw materials for various industries such as construction, manufacturing, infrastructure, chemicals, and pharmaceuticals. This sector contributes significantly to national economic growth because its operational activities support the sustainability of downstream industries. Therefore, the performance and firm value of Basic Materials companies become important indicators for investors and stakeholders in assessing the stability and future prospects of the industrial sector in Indonesia.

In the post-pandemic period, companies in the Basic Materials sector experienced fluctuations in firm value, reflected through unstable Price to Book Value (PBV). PBV is one of the indicators used by investors to measure market confidence in a company because it compares market price with book value. The instability of PBV indicates that investor confidence and market perception toward company performance are still fluctuating due to uncertain economic conditions, rising production costs, and changes in market demand.

Based on Indonesia Stock Exchange data during 2021–2024, the average PBV increased from 78% in 2021 to 85% in 2022, then declined sharply to 42% in 2023 before increasing again to 68% in 2024. These fluctuations indicate that the market valuation of companies in the Basic Materials sector remains unstable. Meanwhile, Return on Assets (ROA) only increased gradually from 1% in 2021–2022 to 4% in 2024, indicating that the companies' ability to generate profits from their assets is still relatively low. Debt to Equity Ratio (DER) also fluctuated significantly during the observation period, reflecting instability in the companies' capital structures and financing decisions.

The fluctuations in PBV are suspected to be influenced by internal company factors such as financial performance and capital structure. Financial performance reflects the company's ability to generate profit efficiently through the utilization of company assets and operational activities. Companies with strong financial performance generally attract greater investor interest because they are considered capable of providing returns and maintaining business sustainability. On the other hand, capital structure reflects the company's funding policy through the proportion of debt and equity used in financing company operations. According to (Muliana & Ahmad, 2021), an inappropriate capital structure may increase financial risk, raise interest burdens, and ultimately reduce firm value in the eyes of investors.

In addition to financial factors, Corporate Social Responsibility (CSR) is also considered important in influencing firm value. CSR reflects the company's commitment to social, environmental, and economic responsibilities toward stakeholders. The implementation of CSR can improve corporate image, strengthen relationships with the community, and increase investor confidence because companies are considered more sustainable and socially responsible. According to (Karina & Setiadi, 2020), CSR can become a competitive advantage that improves company reputation and market value. Companies with good CSR disclosure are often perceived positively by investors because they demonstrate concern for long-term sustainability rather than focusing solely on short-term profits.

Several previous studies still show inconsistent findings regarding the effect of financial performance and capital structure on firm value. Some studies found that financial performance and capital structure significantly affect firm value, while other studies found insignificant effects. These inconsistencies indicate that there may be other variables influencing the relationship between financial performance, capital structure, and firm value. Therefore, CSR is considered as a moderating variable that may strengthen or weaken the relationship between these variables (Wahiddirani Saputri et al., 2022).

Based on these conditions, this study aims to examine the effect of financial performance and capital structure on firm value with Corporate Social Responsibility (CSR) as a moderating variable in Basic Materials companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This research is expected to provide additional insight for companies, investors, and academics regarding the importance of profitability, funding policies, and CSR implementation in increasing firm value and maintaining investor confidence.

Research Method

This study used a quantitative approach with panel data analysis. The population consisted of Basic Materials companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The sample selection technique used purposive sampling, resulting in 13 companies that met the research criteria with a total of 52 observations.

The data used in this study were secondary data obtained from annual reports, sustainability reports, and financial statements published on the Indonesia Stock Exchange website and official company websites.

Financial Performance

Financial performance reflects the company's ability to manage and utilize its resources effectively in generating profit and maintaining operational efficiency. Financial performance is an important indicator used by management, investors, and stakeholders to evaluate the success of company operations and financial condition within a certain period. In this study, financial performance was measured using Return on Assets (ROA), which is one of the profitability ratios used to measure the company's ability to generate net income from total assets owned. According to (Setiawati & Wijaya, 2023), ROA reflects the effectiveness of companies in generating profit from total assets owned. A higher ROA value indicates that the company is more efficient in utilizing its assets to generate earnings and improve profitability, while a lower ROA value indicates less optimal asset utilization in supporting company performance .

(Ihsani & Yudiantoro, (2022) Financial performance was measured using Return on Assets (ROA):

$$ROA = \frac{Laba Bersih}{Total Aset}$$

Capital Structure

Capital structure is the comparison between debt and equity used by a company in financing its operational and investment activities. Capital structure reflects the company's financial policy in determining the proportion of internal and external funding sources to support business sustainability and growth. In this study, capital structure was measured using Debt to Equity Ratio (DER), which is one of the solvency ratios used to compare total debt with total equity owned by the company. According to (Manurung, 2023), DER indicates the extent to which company financing depends on debt. A higher DER value indicates that the company relies more on debt financing, which may increase financial risk and interest burdens, while a lower DER value indicates a more balanced funding structure and lower financial risk.

(Hendry et al., 2022) Financial Performance measured using Debt to Equity Ratio (DER):

$$DER = \frac{Total Utang}{Total Ekuitas}$$

Firm Value

Firm value reflects investor perception of company performance and future prospects, which can influence investment decisions and company market attractiveness. A high firm value indicates that the market has positive confidence in the company's ability to generate profit and maintain business sustainability in the

future. In this study, firm value was measured using Price to Book Value (PBV), which compares the market price of shares with the book value of equity owned by the company. According to (Henryanto Wijaya, 2021) PBV reflects how the market values the company's equity. A higher PBV value indicates that investors value the company above its book value because of positive growth expectations, while a lower PBV value indicates lower market confidence in the company's future performance and prospects.

Firm Value measured using Price to Book Value (PBV):

$$PBV = \frac{\text{Harga Saham}}{\text{Nilai Buku per Saham}}$$

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) represents the company's responsibility toward economic, social, and environmental sustainability as part of its commitment to stakeholders and sustainable business practices. CSR reflects the company's concern not only for profit generation but also for social welfare and environmental preservation through various corporate activities and disclosures. The implementation of CSR can improve company reputation, strengthen public trust, and create a positive corporate image in the eyes of investors and stakeholders. Companies with good CSR practices are generally considered more responsible and sustainable, which can contribute to increasing company value and long-term business sustainability (Fardelia Safira & Tituk Diah Widajantie, 2021).

CSR disclosure was measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on GRI Standards 2021.

$$CSRDI_j = \frac{\sum X_{ij}}{N_j}$$

Data analysis was conducted using panel data regression and Moderated Regression Analysis (MRA) through EViews 10 software.

Results and Discussions

Descriptive Statistics

Table 1. Descriptive Statistics

	X1	X2	Y	Z
Mean	0.022885	0.556923	0.947308	0.653846
Median	0.020000	0.500000	0.595000	0.640000
Maximum	0.310000	5.330000	4.110000	0.860000
Minimum	-0.280000	-7.730000	0.180000	0.520000
Std.Dev	0.090453	1.963153	0.830131	0.086866
Observation	52	52	52	52

Source: EViews 10 software (Data Processed by Researcher, 2026)

Table 1 presents the descriptive statistics of 52 observations used in this study, consisting of the minimum, maximum, mean, median, and standard deviation values for each variable. Financial Performance (X1) has a mean value of 0.022885 with a standard deviation of 0.090453, indicating relatively low profitability and moderate data variation among companies. Capital Structure (X2) has a mean value of 0.556923 and a standard deviation of 1.963153, showing high variation in the use of debt and equity financing among the sampled companies. Firm Value (Y) has a mean value of 0.947308 with a standard deviation of 0.830131, indicating fluctuations in market valuation and investor perception toward company performance. Meanwhile, Corporate Social Responsibility (Z) has a mean value of 0.653846 and a standard deviation of 0.086866, which indicates that CSR disclosure among companies is relatively stable and evenly distributed during the observation period.

Chow Test

Tabel 1. Chow Test

Effect Test	Prob.
<i>Cross-section F</i>	0.0000

Source: Source: EViews 10 software (Data Processed by researches, 2026)

The Chow Test results show a probability value of $0.0000 < 0.05$, indicating that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). This result suggests that there are

significant differences in characteristics among the companies used as research samples, so the model needs to account for individual effects in the panel data analysis. Therefore, the analysis was continued with the Hausman Test to determine the most suitable regression model for this study (Agus & Prawoto, 2022).

Hausman Test

Tabel 2. Hausman Test

Test Summary	Prob.
Cross-section random	0.0298

Source: Source: EViews 10 software (Data Processed by researches, 2026)

Agus & Prawoto (2022) The Hausman Test results show a probability value of $0.0298 < 0.05$, indicating that the Fixed Effect Model (FEM) is the most appropriate model for this study. This result indicates that the individual effects in the panel data are correlated with the independent variables, so the FEM is more suitable for capturing the specific characteristics of each company included in the research sample. Therefore, the Fixed Effect Model was selected because it can provide more accurate and consistent estimation results in analyzing the relationship between financial performance, capital structure, Corporate Social Responsibility, and firm value.

Multikolinearitas Test

Tabel 3. Multikolinearitas Test

Variabel	Centered VIF
X1	1.008773
X2	1.021874
Z	1.016340

Source: Source: EViews 10 software (Data Processed by researches, 2026)

(Ghozali, 2018) The Multicollinearity Test results in Table 4 was conducted to determine whether there is a high correlation among the independent variables in the regression model. The test results show that all independent variables have Variance Inflation Factor (VIF) values below 10, indicating that there is no multicollinearity problem in the research model. Therefore, the independent variables used in this study are considered suitable and do not interfere with the regression analysis results.

Heteroskedastisitas Test

Tabel 4. Heteroskedastisitas Test

Obs*R-squared	Prob. Chi-Square(9)	0.1617
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Source: Source: EViews 10 software (Data Processed by researches, 2026)

The heteroscedasticity test results in Table 5 using the White Test show a probability value greater than 0.05. This indicates that the regression model does not experience heteroscedasticity problems, meaning that the residual variance is constant across observations. Therefore, the model satisfies the classical assumption requirements and is considered reliable for further regression analysis (Ghozali, 2018).

Panel Data Regression Results

Tabel 5. Panel Data Regression Results

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	0.823459	0.815516	1.009740	0.3198
X1	-5.520011	6.772451	-0.815068	0.4207
X2	0.528142	0.500011	1.056262	0.2983
Z	0.391163	1.187697	0.329346	0.7439
X1Z	10.10740	10.25347	0.985754	0.3312
X2Z	-1.304762	0.662636	-1.969047	0.0571

Source: Source: EViews 10 software (Data Processed by researches, 2026)

Table 6 shows the regression results using the MRA test which has been processed using e-views 10 software. So the regression equation is distributed:

$$Y_{it} = 0.823459 - 5.520011.X1_{it} + 0.528142.X2_{it} + 10.10740.X1Z_{it} - 1.304762.X2Z_{it} + \epsilon_{it}.$$

Financial Performance on Firm Value

The hypothesis test results show that Financial Performance has a probability value of $0.4207 > 0.05$, therefore H_1 is rejected. This indicates that Return on Assets (ROA) does not significantly affect firm value in Basic Materials companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Although ROA reflects the company's ability to generate profit from its assets, investors may not fully consider profitability as the main factor in assessing firm value. Investors are likely to pay more attention to other factors such as market conditions, company growth opportunities, and future business prospects. These findings are consistent with (Ayu Arifiani Nurfajri et al., 2022), which stated that financial performance does not significantly affect firm value.

Capital Structure on Firm Value

The hypothesis test results show that Capital Structure has a probability value of $0.2980 > 0.05$, therefore H_2 is rejected. This indicates that Debt to Equity Ratio (DER) does not significantly affect firm value. High debt levels may increase financial risk and interest burdens, but investors may still perceive debt usage as part of the company's financing strategy to support operational and business expansion activities. Therefore, capital structure has not been able to significantly influence investor perceptions toward firm value. These findings are consistent with (Febrinita, 2020) and (Hendry et al., 2022).

Financial Performance on Firm Value with CSR as Moderator

The interaction between ROA and CSR has a probability value of $0.3502 > 0.05$, therefore H_3 is rejected. This indicates that Corporate Social Responsibility (CSR) is unable to moderate the relationship between financial performance and firm value. The results suggest that CSR disclosure has not been fully considered by investors as additional information in evaluating company profitability and market value. Investors in the Basic Materials sector still tend to focus more on financial performance and business conditions rather than social and environmental disclosures.

Capital Structure on Firm Value with CSR as Moderator

The interaction between DER and CSR has a probability value of $0.3175 > 0.05$, therefore H_4 is rejected. This indicates that CSR is unable to moderate the relationship between capital structure and firm value. Although CSR activities can improve company reputation and stakeholder trust, investors still tend to focus more on financial indicators and company risk in assessing firm value. Therefore, CSR disclosure has not been able to strengthen or weaken the relationship between capital structure and firm value in this study.

Conclusion and Suggestion

Based on the results of this study, Financial Performance and Capital Structure do not significantly affect Firm Value in Basic Materials companies listed on the Indonesia Stock Exchange during 2021–2024. In addition, Corporate Social Responsibility is unable to moderate the relationship between Financial Performance and Firm Value, as well as the relationship between Capital Structure and Firm Value.

For future research, it is recommended to expand the research sample and observation period to obtain broader findings. Companies are advised to optimize profitability management, maintain a balanced capital structure, and improve the quality of CSR disclosure to strengthen firm value and investor confidence.

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