

The Effect of Financial Performance, Dividend Policy on Company Value with Corporate Social Responsibility (CSR) as A Moderating Variable: A Case Study of Manufacturing Companies on the Indonesia Stock Exchange

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ABSTRACT

This study restructures and synthesizes an empirical study on financial performance, dividend policy, corporate social responsibility (CSR), and firm value in Indonesian manufacturing firms listed on the Indonesia Stock Exchange. The original study was driven by the assumption that firm value is shaped not only by profitability and dividend distribution but also by how companies manage liquidity, leverage, and social responsibility in a competitive market. Using secondary data from annual reports and the Indonesian Capital Market Directory for 2007–2011, the study selected 10 manufacturing firms through purposive sampling and produced 50 firm-year observation. Firm value was proxied by Tobin's Q; financial performance was represented by liquidity, leverage, and profitability ratios; dividend policy was measured by the dividend payout ratio; and CSR disclosure was treated as a moderating variable based on economic, environmental, and social disclosure items. The analysis combined descriptive statistics, classical assumption tests, simple regression, and moderated regression analyses. The findings show that profitability has a positive and significant effect on firm value, and dividend policy also contributes positively to firm value. In contrast, liquidity and leverage do not show significant direct effects in the simple models. CSR does not generally strengthen the relationship between financial performance and firm value, nor does it strengthen the relationship between dividend policy and firm value, although it significantly moderates the leverage–firm value relationship. Overall, the study suggests that investors in the sampled firms responded more strongly to earnings capacity and dividend signals than to CSR disclosure alone.

Keywords: corporate social responsibility; dividend policy; financial performance; firm value; Indonesia; Tobin's Q

JEL Classifications: JEL Classifications codes.

1. INTRODUCTION

In modern capital markets, firm value remains one of the most important indicators of whether a company is managed effectively and whether its future prospects are viewed favorably by investors. A firm's value is not merely a reflection of its current profits. It also signals market confidence in management quality, capital allocation, risk control, growth potential, and sustainability of the firm's relationship with stakeholders. In manufacturing industries, these issues are especially visible because such firms rely on significant physical assets, intensive financing decisions, production continuity and exposure to social and environmental scrutiny. Therefore, the interaction among financial performance, dividend policy, and corporate social responsibility deserves sustained attention in both academic literature and practical corporate governance debates (Jihadi et al., 2021; Margono & Gantino, 2021; Sudiyatno et al., 2021).

The source study summarized in this article examines manufacturing firms listed on the Indonesia Stock Exchange and starts from a straightforward but still relevant question: What drives firm value in a setting where investors face both financial information and broader expectations regarding corporate accountability? From a classical finance perspective, firm value is strongly linked to the efficiency with which managers transform assets and capital into earnings and cash flow. Therefore, profitability, liquidity, and leverage are central signals. Profitability indicates whether a firm can convert its asset base and equity into returns that justify investor confidence. Liquidity reflects a firm's short-term financial resilience and ability to meet operational obligations without distress. Leverage points to the way management balances internal funds and debt financing, raising questions about tax advantages, financial discipline and default risk (Jaworski & Czerwonka, 2021; Nurwulandari, 2021; Rehman & Rehman, 2021).

However, firm value is not shaped by internal performance alone. Investors also evaluate how management treats shareholders through the dividend policy. Dividend decisions carry strategic meaning because they affect internal retention, future financing needs, and market interpretations. A stable or rising dividend can be interpreted as a sign that managers are confident about cash-generating capacity. Conversely, low or unstable payouts can suggest either a rational growth orientation or managerial uncertainty, depending on the context. This signaling role of dividends remains prominent in emerging markets, where investors often combine market indicators with direct payout expectations when assessing firm

attractiveness (Setyabudi, 2021; Yuwono & Aurelia, 2021; Saputri & Bahri, 2021).

Simultaneously, the governance environment surrounding listed firms has changed. Companies are no longer judged only on financial returns and dividend yields. They are also expected to demonstrate responsibility toward employees, local communities, regulators, consumers and the natural environment. Corporate social responsibility (CSR) has evolved from a peripheral communication tool to a strategic disclosure mechanism tied to legitimacy, risk management, and long-term value creation. In Indonesia, this shift is reinforced by legal and institutional expectations that firms, especially those whose operations affect a wider society, disclose their social and environmental commitments more transparently. A growing body of evidence suggests that CSR may directly improve firm value, reduce reputational risk, strengthen stakeholder trust, and sometimes amplify the positive effect of financial performance on market valuation (Sugiyanto et al., 2021; Kartika, 2021; Haryanto et al., 2021).

However, the empirical record is far from being settled. Some studies show that profitability, liquidity, leverage, and dividend policy have strong direct effects on firm value, while others find weak, mixed or sector-specific results. The same inconsistency appears in CSR research as well. In some cases, CSR disclosure is positively valued by investors because it signals good governance quality and future resilience. In other cases, the market appears indifferent, especially when CSR reporting is symbolic, limited in scope, or not clearly linked to financial outcomes. This ambiguity creates a useful research gap. This suggests that CSR may not operate as a simple stand-alone predictor of value; rather, it may work as a contextual factor that modifies how investors interpret financial signals such as profitability, capital structure, and dividend policy (Senjaya et al., 2021; Ardillah & Chandra, 2021; Gerged et al., 2021).

The source study addresses this gap by positioning CSR as a moderating variable in the relationship between financial performance, dividend policy, and firm value. This is an important conceptual move. If CSR matters as a moderator, then the question is not only whether socially responsible firms are valued more highly but also whether CSR changes the way investors read conventional financial information. A profitable firm that also discloses credible CSR activities may be seen as more sustainable than a profitable firm with weak disclosure. Likewise, a highly leveraged firm might be interpreted differently when its broader governance and stakeholder commitments are stronger. This moderated logic is consistent with current research showing that firm value emerges from combined

signals rather than isolated ratios (Aprilia & Wahjudi, 2021; Bukit et al., 2021; Zamzamin et al., 2021).

Another reason why this study remains relevant is its manufacturing focus. Manufacturing firms are often under pressure from both market discipline and societal expectations. They require capital to maintain fixed assets, fund production, and support distribution networks; however, they are also more likely to generate environmental externalities, labor concerns, and community impacts than many purely service-based firms. Manufacturing firms provide a useful setting for examining whether investors prioritize financial outcomes alone or whether they also reward a broader model of responsible corporate conduct. Evidence from Indonesian listed companies indicates that market participants increasingly consider governance, sustainability, and disclosure quality, even if financial fundamentals still dominate valuation decisions (Cordiaz et al., 2021; Aprilyani et al., 2021; Aryantini & Jumono, 2021).

Therefore, this article converts the original thesis-style document into a scientific article format by condensing its argument into six core sections: abstract, introduction, theoretical basis, methods, results and discussion, and conclusion. The content remains faithful to the structure and empirical logic of the source document while using clearer academic prose and updated 2021 literature to position this study within a more current scholarly conversation. The article's central proposition is that the value of manufacturing firms is best understood through the combined effects of internal financial performance, dividend decisions, and CSR disclosure, but that not all of these relationships are equally strong. The evidence shows that profitability and dividend policy are the most consistent direct drivers of firm value, while CSR plays a more selective role by significantly moderating the leverage relationship rather than uniformly strengthening all financial effects.

2. LITERATURE REVIEW

The theoretical basis of this study connects firm value, financial performance, dividend policy, and corporate social responsibility. Firm value refers to the market's assessment of a company's current and future prospects. In listed firms, value is commonly reflected in stock price-based measures because market prices summarize investor expectations about earnings, growth, and risk. The source study uses Tobin's Q, which compares the market value of a firm with the book value of its assets and liabilities. A higher Tobin's Q suggests that the market expects the firm to generate returns above the recorded value of its resources and, therefore, sees stronger growth potential (Jihadi et al., 2021; Sudyatno et al., 2021; Margono & Gantino, 2021).

In this study, financial performance is represented by liquidity, leverage, and profitability. Liquidity captures a firm's ability to meet short-term obligations and maintain operational continuity. While adequate liquidity can reduce financial distress, excessively high liquidity may imply the presence of idle resources. Leverage reflects the degree to which a company relies on debt financing. In theory, leverage can raise value through tax advantages and financial discipline, but it can also reduce value when debt increases the risk of distress. Profitability is usually the clearest positive signal because it shows how effectively management converts resources into earnings and returns for investors (Jaworski & Czerwonka, 2021; Bukit et al., 2021; Aryantini & Jumono, 2021).

Dividend policy adds a market-communication dimension. According to signaling theory, dividends convey management's expectations regarding future cash flow and earnings stability. Investors often interpret stable or rising dividends as evidence that a company is financially sound and that management is confident about future performance. However, dividend policy must also be balanced against internal financing needs, especially in manufacturing firms that require continuous investment in assets and operations. Thus, dividend policy becomes a strategic choice between immediate shareholder distribution and long-term growth (Setyabudi, 2021; Yuwono & Aurelia, 2021; Saputri & Bahri, 2021).

CSR broadens the analysis beyond shareholders. From the legitimacy and stakeholder perspectives, companies are accountable not only to investors but also to employees, communities, regulators, consumers, and the environment. CSR disclosure helps firms maintain social acceptance, manage reputational risks, and demonstrate broader accountability. The source study follows the Global Reporting Initiative logic by grouping CSR into economic, environmental, and social disclosure. This framework treats CSR as a structured disclosure of how a firm's operations affect wider stakeholders, not merely as charity (Sugiyanto et al., 2021; Kartika, 2021; Senjaya et al., 2021).

The moderating role of CSR is particularly important. The source document does not assume that CSR directly determines firm value in all cases. Instead, it proposes that CSR may alter investors' interpretation of conventional financial signals. A profitable company with credible CSR disclosure may be perceived as more sustainable than a similarly profitable company with weak disclosure. Likewise, a leveraged firm may be valued differently when its social and environmental reporting signals are stronger. This logic is consistent with recent arguments that firm value emerges from blended financial and non-financial information rather than

isolated ratios alone (Haryanto et al., 2021; Gerged et al., 2021; Ardillah & Chandra, 2021).

From this theoretical structure, four propositions follow: financial performance affects firm value; dividend policy affects firm value; CSR moderates the relationship between financial performance and firm value; and CSR moderates the relationship between dividend policy and firm value.

The literature updated for this study largely supports the expectation that market valuation is multi-causal. Profitability and payout policy often show direct positive links with firm value, while leverage and liquidity show more conditional effects depending on the firm context and governance quality. CSR studies also indicate mixed outcomes: some find that disclosure directly increases value, while others show that CSR matters more as a moderator of financial interpretation than as a standalone market signal. This mixed evidence helps justify the design of the source study, which simultaneously tests the direct financial effects and the conditional role of CSR in shaping market responses (Aprilia & Wahjudi, 2021; Arsyad et al., 2021; Haryanto et al., 2021).

3. RESEARCH METHOD

This article synthesizes the empirical design presented in the uploaded source. The original research used a quantitative explanatory approach to test whether financial performance and dividend policy affect firm value and whether CSR disclosure moderates these relationships in manufacturing firms listed on the Indonesia Stock Exchange. The population consisted of 131 manufacturing companies registered until 2011. Using purposive sampling, firms were included only if they provided complete annual reports for 2007–2011 and complete data for all study variables. After these criteria were applied, the final sample contained ten firms and 50 firm-year observations. This filtering approach is common in archival market studies because balanced observations are required for ratio-based comparisons and regression analyses (Jihadi et al., 2021; Nurwulandari, 2021; Rehman & Rehman, 2021).

This study relied entirely on secondary data drawn from annual reports and the Indonesian Capital Market Directory. The source document classified this approach as a non-behavioral observation because the researcher did not interact with respondents but instead observed, recorded, and extracted information from published company documents. This approach is appropriate for firm value research because variables such as market value, leverage, profitability, payout policy, and disclosure breadth are observable in corporate reports and public market data (Cordiaz et al., 2021; Aprilyani et al., 2021; Setyabudi, 2021).

Firm value is the dependent variable and is measured using Tobin's Q. This proxy compares the market value of equity plus debt to the book value of assets and debt, thereby indicating how highly the market values a firm relative to its recorded resources. The independent variables were the financial performance and dividend policy. Financial performance is represented by three indicators: liquidity, leverage, and profitability. Liquidity was measured using the cash ratio, leverage using the debt-to-equity ratio, and profitability using a return-based profitability measure described in the source as return on equity. Dividend policy was measured using the dividend payout ratio, defined as dividends per share divided by earnings per share. These proxies are widely used in valuation research because they capture short-term resilience, capital structure, return generation and shareholder distribution policy (Bukit et al., 2021; Yuwono & Aurelia, 2021; Sudiyatno et al., 2021).

CSR was modeled as a moderating variable. The source adopted the Global Reporting Initiative framework and grouped CSR disclosures into economic, environmental, and social dimensions. Because the sampled firms did not uniformly issue stand-alone sustainability reports, CSR was measured by disclosure scoring in the annual reports. Each relevant CSR item received a score of 1 when disclosed and 0 when not disclosed; thus, the final CSR score reflected the breadth of disclosure rather than the monetary size of CSR spending. This is consistent with disclosure-based CSR research, in which capital market responses are linked to what firms communicate publicly (Sugiyanto et al., 2021; Senjaya et al., 2021; Haryanto et al., 2021) (see Table 1).

Table 1. Operational Summary of the Original Study

Component	Operationalization	Interpretive use
Firm value	Tobin's Q	Captures market valuation relative to recorded resources.
Liquidity	Cash ratio	Indicates short-term payment capacity and operating resilience.
Leverage	Debt-to-equity ratio	Represents the firm's reliance on

		debt financing.
Profitability	Return-based indicator reported as ROE in the source	Signals efficiency in generating earnings for investors.
Dividend policy	Dividend payout ratio	Shows the proportion of earnings distributed to shareholders.
CSR	Economic, environmental, and social disclosure score	Measures the breadth of stakeholder-oriented disclosure.

The statistical procedure involved three stages. First, descriptive statistics were used to summarize the minimum, maximum, mean, and standard deviation of each variable. Second, classical assumption tests were conducted to assess the model feasibility. Normality was examined using normal probability plots and the logic of the Kolmogorov–Smirnov test, while heteroskedasticity was checked using residual scatterplots. Third, the hypotheses were tested using simple linear regression and Moderated Regression Analysis with SPSS. Separate equations were estimated for liquidity, leverage, profitability, and dividend policy, and each interaction term with CSR was examined to determine whether CSR changed the strength of the relationship with the firm value. Statistical decisions were based on the coefficient of determination, F-test, and t-test at the 5 percent significance level (Aprilia & Wahjudi, 2021; Kartika, 2021; Saputri & Bahri, 2021).

In operational terms, the source study estimated a simple regression and a moderated regression for each explanatory variable. The simple models tested whether liquidity, leverage, profitability, and dividend policy individually affect firm value. The moderated models then added CSR and the interaction term between CSR and relevant predictors. A significant interaction coefficient indicates that CSR changes how investors interpret the variable in relation to firm value. This structure was suitable for separating direct effects from conditional effects and for showing whether CSR acted as an explanatory enhancer or merely as a parallel disclosure variable (Setyabudi, 2021; Sugiyanto et al., 2021; Yuwono & Aurelia, 2021).

4. RESULTS AND DISCUSSION

The empirical results begin with the sample composition. Of the 131 manufacturing firms listed on the Indonesia Stock Exchange, only 20 had complete annual reports for the entire 2007–2011 period, and only 10 of those firms provided complete data for all variables used in the study. The final sample therefore consisted of PT Astra Graphia Tbk, PT Astra International Tbk, PT Astra Otoparts Tbk, PT Hanjaya Mandala Sampoerna Tbk, PT Kalbe Farma Tbk, PT Selamat Sempurna Tbk, PT Unilever Indonesia Tbk, PT Fajar Surya Wisesa Tbk, PT Merck Tbk, and PT United Tractors Tbk. Over five years of observation, this produced 50 firm-year observations. Although the sample is modest, it is analytically useful because it captures firms with sufficiently complete disclosures and financial information to test the relationships among market value, accounting ratios, payout policy, and CSR. In corporate finance studies based on archival data, such purposive filtering is common when full and comparable observations are required for panel-style analysis (Jihadi et al., 2021; Cordiaz et al., 2021; Margono & Gantino, 2021).

The descriptive statistics reveal important patterns in the valuation environment of the sampled firms. Firm value, measured by Tobin’s Q, had a mean of 31.4556 and a standard deviation of 30.88068, indicating substantial dispersion among companies. The lowest value was recorded by PT Astra Graphia Tbk at 2.00, whereas the highest was observed for PT Selamat Sempurna Tbk at 127.05. This wide spread suggests that market participants did not value all manufacturing firms uniformly. Instead, investors sharply differentiate firms based on their expected returns, operating reputation, growth opportunities, and possibly the clarity of their financial and non-financial signals. Such variation is consistent with more recent evidence that firm value in Indonesian listed companies is highly sensitive to heterogeneous combinations of profitability, leverage, and governance-related information rather than to one dominant factor (Sudiyatno et al., 2021; Aryantini & Jumono, 2021; Yuwono & Aurelia, 2021).

Liquidity, measured by the cash ratio, had a mean of 63.6206 and a very large standard deviation of 92.60181. The minimum value was 2.40 for PT Selamat Sempurna Tbk, while the maximum value was 395.40 for PT Merck Tbk. This level of dispersion indicates that cash-holding behaviors differ markedly across firms. Some firms maintained extremely strong short-term liquid reserves, whereas others operated with relatively thin cash reserves. In principle, strong liquidity can reduce short-term risks and reassure creditors. However, excessive cash balances can also create inefficiency concerns because idle liquidity may imply underutilized funds that could be invested,

distributed, or used to improve operations. Modern research similarly notes that the liquidity value effect is not always linear. Investors may appreciate prudent liquidity, but they do not automatically reward very high cash balances if these balances are not accompanied by strong earnings or strategic clarity (Jaworski & Czerwonka, 2021; Haryanto et al., 2021; Putri & Wiksuana, 2021).

Leverage, proxied by the debt-to-equity ratio, showed a mean of 72.1571 and a standard deviation of 43.03169. The lowest leverage was reported by PT Kalbe Farma Tbk at 0.47, while the highest was recorded by PT Unilever Indonesia Tbk at 185.00. This suggests that the sampled firms differ substantially in their financing choices. Some firms relied heavily on equity or internal funding, whereas others used large amounts of debt. From a theoretical standpoint, debt can increase discipline and potentially improve firm value if it is used efficiently; however, it can also increase distress risk. The descriptive results alone cannot determine which mechanism dominates, but they indicate that leverage is materially important within the sample. More recent studies have also shown that leverage's effect on firm value is often contingent on profitability, governance, and investor perceptions of how debt is used, rather than on debt levels alone (Bukit et al., 2021; Saputri & Bahri, 2021; Setyabudi, 2021).

Profitability showed a mean of 33.3806 and a standard deviation of 22.36619, with the lowest value for PT Fajar Surya Wisesa Tbk at 2.79 and the highest for PT Unilever Indonesia Tbk at 113.20. Relative to liquidity and dividend payout, this distribution is more interpretable as an indicator of operational effectiveness than Tobin's Q. Higher profitability means that management is better able to convert resources into earnings, which has direct implications for reinvestment capacity, dividend distribution, and future performance. Therefore, the descriptive pattern suggests that profitability should have explanatory relevance in the regression models. This expectation is strongly aligned with contemporary findings that profitability remains among the most stable determinants of firm value in both developed and emerging markets because it directly signals earnings power and internal efficiency (Sudiyatno et al., 2021; Bolton & Kacperczyk, 2021; Zamzamin et al., 2021).

Dividend policy, measured by the dividend payout ratio, shows one of the widest spreads in the sample. The mean was 73.3581 and the standard deviation was 107.36232, with a minimum of 12.37 for PT Hanjaya Mandala Sampoerna Tbk and a maximum of 592.19 for PT Selamat Sempurna Tbk. Such extreme variation implies that firms do not follow a single payout pattern. Some retained a large portion of their earnings, while others distributed a very large proportion. In valuation terms, this matters

because dividend policy communicates management's confidence in future cash flows and affects shareholders' immediate returns. Research published in 2021 continues to show that dividend policy can act as a strong market signal, particularly in contexts where investors are sensitive to observable cash distribution rather than to retained earnings arguments (Yuwono & Aurelia, 2021; Sheikh et al., 2021; Rehman & Rehman, 2021).

CSR disclosure had a mean of 23.7078 with a standard deviation of 5.40410, a minimum of 13.33 for PT Kalbe Farma Tbk, and a maximum of 30.67 for PT Astra International Tbk, PT Astra Otoparts Tbk, PT Fajar Surya Wisesa Tbk, and PT United Tractors Tbk. Compared with the financial ratios, the spread in CSR disclosure was narrower, which suggests that firms were somewhat closer to each other in how much social and environmental information they disclosed. However, the mean indicates that CSR reporting was not extensive. This is important because a moderate or relatively narrow level of disclosure may help explain why CSR did not emerge as a universal moderator. Contemporary literature repeatedly notes that markets respond not only to the presence of CSR disclosure but also to its depth, credibility, and strategic relevance. Limited disclosure breadth may therefore weaken the direct market effect of CSR, especially when investors are more focused on profitability and dividends (Sugiyanto et al., 2021; Senjaya et al., 2021; Ardillah & Chandra, 2021).

Before running the main regressions, the source study conducted classical assumption testing. The normal probability plots showed observations distributed around the diagonal line, indicating acceptable normality, and the scatterplots showed no clear pattern of heteroscedasticity, with residuals spread randomly above and below zero. These tests support the use of linear regression for final estimations. While assumption tests do not make the underlying theoretical relationships true, they increase confidence that the estimated coefficients are not driven by obvious distributional issues. This procedural rigor is important because small-sample corporate finance studies are especially sensitive to regression distortions if diagnostics are ignored (Aprilia & Wahjudi, 2021; Kartika, 2021; Cordiaz et al., 2021).

The first substantive regression concerns liquidity and firm value. In the simple model, the estimated equation was $Y = 33.166 - 0.027X_1$, and the liquidity coefficient was not significant ($p = 0.578$). This means that higher liquidity, as measured by the cash ratio, did not significantly increase firm value in the sample. The negative sign of the coefficient is noteworthy, although it is insignificant. This suggests that investors may not interpret higher cash balances as unambiguously positive. One explanation is that

excess liquidity can signal idle resources, weak investment opportunities and overly cautious capital management. In manufacturing firms, cash that is not productively deployed may not improve the expected returns. This result is consistent with studies showing that liquidity does not always command a premium in market valuation unless it is clearly associated with efficient reinvestment or improved risk-adjusted performance (Jaworski & Czerwonka, 2021; Putri & Wiksuana, 2021; Nurwulandari, 2021).

When CSR was added as a moderator of the liquidity–firm value relationship, the moderated equation became $Y = 98.623 - 0.143X_1 - 2.607Z + 0.003X_1Z$. The interaction term between liquidity and CSR was insignificant ($p = 0.918$). In other words, CSR disclosure does not alter the way liquidity affects firm value. This finding is theoretically meaningful. This implies that investors do not regard CSR disclosure as a lens that could turn cash holdings into a more favorable valuation signal. If CSR disclosure had been strong and credible enough to reassure the market that liquid resources were being managed responsibly and strategically, a moderation effect might have been expected. The absence of this effect indicates that the market probably evaluated liquidity on narrow financial grounds and did not integrate CSR information into that specific interpretation. This echoes more recent findings that CSR's influence on value may be selective rather than universal, depending on which financial variable is being interpreted (Haryanto et al., 2021; Sugiyanto et al., 2021; Senjaya et al., 2021).

The second direct regression test was conducted on leverage. The simple equation was $Y = 25.199 + 0.087X_1$, but the coefficient was again not significant ($p = 0.403$). The positive sign suggests that the market did not immediately penalize debt, but the effect was statistically weak. This supports a nuanced interpretation of leverage. Investors may understand that debt can finance expansion, increase tax efficiency, and support operational growth, especially in larger manufacturing firms. However, unless debt is translated into strong earnings, market share, or strategic advantage, leverage alone does not guarantee a higher firm value. This result is in line with contemporary research showing that leverage can have mixed valuation effects and is often interpreted in combination with firm quality, profitability, and disclosure context rather than in isolation (Bukit et al., 2021; Saputri & Bahri, 2021; Margono & Gantino, 2021).

The moderated regression for leverage produced interesting results. The equation was $Y = 12.013 + 1.435X_1 + 0.483Z - 0.053X_1Z$, and the interaction term was significant ($p = 0.005$). The source document interprets this as evidence that CSR strengthens the leverage–firm value relationship,

although the negative interaction coefficient also suggests that the slope changes materially depending on the CSR disclosure level. The safest interpretation is that CSR significantly moderates the relationship between leverage and firm value. This is the only moderated effect that emerged significantly in the study, and it is arguably the most important contribution of this study. This means that market participants do not view corporate debt in a vacuum. Instead, they assess debt more favorably or less unfavorably when broader disclosure signals imply that management is accountable, stakeholder-conscious, and more transparent. In practical terms, CSR may function as a governance-related credibility device when leverage levels are high. This is consistent with research arguing that non-financial disclosure can reduce uncertainty around financial risk by signaling stronger managerial discipline and broader legitimacy (Gerged et al., 2021; Kartika, 2021; Haryanto et al., 2021).

The third direct regression tested profitability, where the source study found its clearest conventional result. The simple equation was $Y = 6.220 + 0.756X_1$, and the coefficient was highly significant ($P = 0.000$). Therefore, profitability has a strong positive effect on firm value. This is unsurprising but remains important. This confirms that earnings capacity remains the most visible and persuasive signal for investors in the sampled firms. Profitability directly affects firm value because it reflects efficient management, supports dividend payments, improves internal financing capacity, and strengthens market expectations for the future. Unlike liquidity and leverage, which can be interpreted in multiple ways, profitability offers a more immediate and credible indicator of whether corporate resources are used successfully. This result aligns closely with the 2021 evidence from Indonesian and international contexts showing that profitability is among the most consistent positive determinants of firm value (Akhmadi & Januarsi, 2021; Aryantini & Jumono, 2021; Sudiyatno et al., 2021).

However, when CSR was introduced as a moderator of the profitability–firm value relationship, the effect disappeared. The moderated equation was $Y = 66.376 - 0.614X_1 - 2.466Z + 0.058X_1Z$, and the interaction term was not significant ($p = 0.441$). This indicates that CSR did not significantly strengthen or weaken the effect of profitability on firm value. One interpretation is that profitability is already such a strong direct signal that CSR adds little explanatory power to investors' interpretation. Investors may reward profitable firms regardless of whether CSR disclosure is more extensive, provided that profitability is credible and sustained. Another interpretation is that CSR disclosure in the sample may not have been rich enough to differentiate among profitable firms in a way that changes their market

valuation. Either way, this finding suggests that, in this setting, profitability speaks more loudly than CSR. This pattern is not uncommon. Several recent studies find positive CSR associations, but they also acknowledge that profitability tends to dominate valuation decisions unless social responsibility disclosure is particularly substantive or sector-sensitive (Sugiyanto et al., 2021; Senjaya et al., 2021; Ardillah & Chandra, 2021).

The fourth direct regression focuses on dividend policy. The simple equation was $Y = 22.236 + 0.126X_2$, and the dividend payout coefficient was significant ($P = 0.002$). This means that dividend policy has a positive direct effect on firm value. This result reinforces the signaling role of dividends in the Indonesian manufacturing context. Investors appear to interpret larger or clearer dividend payouts as evidence that firms generate real distributable earnings and that management is willing to share returns with shareholders. In settings where information asymmetry remains meaningful, dividend policy can operate as a credible signal because managers are unlikely to commit to higher payouts without confidence in the firm's performance. This result strongly supports dividend signaling arguments and is consistent with 2021 studies showing that payout decisions remain a major determinant of investor response and firm valuation, while payout behavior itself is shaped by firms' activity, liquidity, and profitability (Yuwono & Aurelia, 2021; Sheikh et al., 2021; Rehman & Rehman, 2021; Arsyad et al., 2021).

The moderated regression for dividend policy produced the equation $Y = 44.064 + 0.450X_2 - 0.850Z - 0.015X_2Z$, but the interaction term was insignificant ($p = 0.288$). Therefore, CSR did not moderate the dividend policy–firm value relationship. This finding implies that investors do not interpret dividend decisions differently simply because a firm disclosed more CSR information. In practical terms, dividend policy and CSR appear to operate on separate interpretive tracks. Shareholders valued payouts as a direct financial benefit, whereas CSR disclosure did not meaningfully alter the perceived value of those payouts. This may occur when dividend policy is seen as a hard signal backed by realized earnings, whereas CSR remains a softer disclosure that is less immediately tied to the shareholder cash flow. Contemporary research on dividend policy and CSR similarly shows that the link between social responsibility and payout decisions is context-dependent and not always strong enough to shift investor valuation behavior (Senjaya et al., 2021; Sheikh et al., 2021; Sugiyanto et al., 2021).

Taken together, these results show a hierarchy of market signals. Profitability and dividend policies are the strongest direct drivers of firm value in the sample. Although liquidity and leverage are

financially important, they do not generate significant direct valuation effects on their own. CSR is not a universal amplifier; it matters only in the leverage model, where it significantly changes the relationship between capital structure and value. This hierarchy is theoretically revealing because it suggests that investors in the sampled manufacturing firms still prioritize earnings and distributions over broader disclosure breadth. CSR mattered when it helped contextualize financial risk but not when investors were evaluating already powerful signals such as profit and dividends. In other words, CSR was complementary, rather than dominant. This reading is well aligned with studies that view CSR as a contingent governance signal whose market relevance increases when it reduces uncertainty surrounding financial risk or legitimacy (Gerged et al., 2021; Kartika, 2021; Haryanto et al., 2021).

The findings also have practical implications for corporate managers. First, improving firm value requires more than simply maintaining large liquid balances or taking on debt for expansion purposes. Management must show that liquid resources and borrowed funds are translated into earnings and strategic advantages. Second, dividend policy is a powerful communication tool. Firms that can consistently distribute dividends may strengthen investor trust, provided that payouts do not undermine future operational needs. Third, CSR should not be treated as a ceremonial disclosure. The results imply that CSR contributes the most when it improves the credibility of risk-related decisions, especially leverage. Therefore, managers should connect CSR more explicitly to financing discipline, operational sustainability, and stakeholder risk management, rather than presenting it as an isolated reporting obligation (Setyabudi, 2021; Sugiyanto et al., 2021; Senjaya et al., 2021).

This study has implications for investors and regulators. Investors should avoid reducing firm value analyses to one-dimensional ratios. The study shows that not all traditional metrics function in the same manner. Profitability and dividend payout have clearer market consequences, whereas liquidity and leverage require contextual interpretation. Meanwhile, regulators may draw a separate lesson: if CSR disclosure is expected to matter more in capital market decisions, disclosure quality and comparability must improve. Limited or inconsistent CSR reporting weakens the market's ability to incorporate sustainability information into valuation. Standardized, decision-useful disclosure is therefore essential if CSR is to influence investment analysis more broadly (Ardillah & Chandra, 2021; Gerged et al., 2021; Kartika, 2021).

Finally, the results should be interpreted with methodological caution. The sample size is limited to

10 firms and 50 observations, and the period studied ends in 2011, even though the article is reframed in light of the 2021 literature. For this reason, the empirical contribution lies less in presenting a universally generalizable causal model than in showing how a classic Indonesian manufacturing dataset reveals an interaction between capital structure and CSR, alongside the robust direct effects of profitability and dividend policy. The updated literature confirms that these themes remain highly relevant. Even in more recent studies, profitability continues to dominate valuation, dividend policy remains a meaningful signal, and CSR tends to influence firm value selectively rather than uniformly. This continuity is precisely what makes the original study worth converting into an article.

5. CONCLUSION AND IMPLICATION

This study reformulates the uploaded source document into a scientific article structure and clarifies its main contribution: firm value in Indonesian manufacturing companies is shaped most clearly by profitability and dividend policy, while CSR plays a narrower but still meaningful conditional role. The empirical evidence from 10 listed manufacturing firms over the 2007–2011 period shows that profitability has a positive and significant effect on firm value, confirming that investors continue to reward firms with stronger earnings capacities. Dividend policy also has a positive and significant effect, suggesting that cash distribution remains an important signal of managerial confidence and shareholder orientation. In contrast, liquidity and leverage do not exert significant direct effects in the simple regression models, indicating that investors do not automatically value cash holdings or debt levels without additional performance context.

The moderating results support this conclusion. CSR disclosure does not significantly change the relationship between liquidity and firm value, nor does it strengthen the relationship between profitability and firm value. Similarly, CSR does not significantly moderate the relationship between dividend policy and firm value. However, CSR significantly moderates the relationship between leverage and firm value. This indicates that social responsibility disclosure becomes more relevant when investors interpret financing risks. Debt is not evaluated only as a balance sheet number; it is also read through the wider signals of transparency, legitimacy, and stakeholder accountability. In this sense, CSR functions less as a universal value driver and more as a contextual governance signal that matters most when firms are exposed to higher financial risk.

Substantively, this study suggests that Indonesian investors in the sampled manufacturing

firms placed greater weight on hard financial outcomes than on broad CSR disclosure. Earnings quality and dividend capacity are the strongest valuation anchors. CSR was relevant only where it helped explain how the firm managed leverage. This does not mean that CSR is unimportant. Rather, it shows that CSR must be credible, decision-relevant, and integrated with core financial policies to affect valuation more broadly. Firms that treat CSR as a detached reporting formality are unlikely to receive strong market recognition.

The article also implies that managers seeking to increase firm value should prioritize profitable operations, balanced dividend decisions and disciplined financing policies. CSR should be embedded in risk communication and strategic governance rather than used merely as symbolic disclosure. For researchers, this study highlights the value of examining moderation effects instead of assuming that CSR has a direct and uniform impact on market valuation. Future studies should expand the sample, include additional sectors, use richer CSR indicators, and incorporate complementary governance variables, such as board quality or good corporate governance measures. Even with its limited sample, the study remains useful because it shows that market value is produced through layered signals and that the strongest signals are earnings, payouts, and the credibility with which financial risk is managed.

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