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Analysis the Effect of CSR on Firm Value by Firm Performance as A Moderating Variable: A Study of the Non-Financial Sector in Indonesia and Malaysia from 2020-2023

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Abstract

This study aims to analyze the effect of Corporate Social Responsibility (CSR) on firm value with firm performance as a moderating variable in the non-financial sector in Indonesia and Malaysia during the period 2020-2023. The sample was determined using purposive sampling based on specific criteria, using secondary data from firm financial reports obtained through the Reuters financial data exchange. This study applies a quantitative approach with data analysis techniques using EViews software. The analysis model used includes a moderation regression test to examine whether firm performance strengthens or weakens the relationship between CSR and firm value. The results of this study are expected to provide empirical insights into the effectiveness of CSR implementation in increasing firm value, as well as the role of firm performance in this relationship. These findings are expected to serve as a reference for firm management in designing CSR strategies oriented towards increasing firm value. In addition, this study also contributes to academics in the development of studies related to CSR, firm value, and factors that moderate this relationship. CSR does not have a significant effect on firm value, and profitability does not moderate this relationship. These findings may indicate that firm value is more influenced by other factors such as firm size, capital structure, growth rate, or external economic conditions.

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1. Introduction

Corporate Social Responsibility (CSR) has become an important aspect of corporate business strategy, especially in the non-financial sector, which has a significant impact on the environment and society. Effective CSR implementation not only reflects corporate social responsibility but can also increase corporate value in the long term. High firm value reflects investor and stakeholder confidence in the sustainability of the firm's business. However, the relationship between CSR and firm value is still a matter of debate among academics and business practitioners. Some studies show that CSR contributes positively to increasing firm value, while other studies find that its impact varies depending on other factors such as firm performance.

In Indonesia and Malaysia, the non-financial sector plays a strategic role in the national economy. Non-financial companies in both countries face challenges in maintaining a balance between profitability and social responsibility. Therefore, more in-depth research is needed on how CSR can affect firm value and whether firm performance can strengthen or weaken this relationship.

A number of previous studies have investigated the influence of CSR on firm value. For example, research conducted by Faqih, et al. (2024) explored the relationship between CSR and firm value in the basic and chemical industries. Their findings show that companies with high CSR tend to have higher value, and good firm performance strengthens the positive impact. On the other hand, research conducted by Sari et al. (2021) found that CSR has no effect on firm value. Meanwhile, research by Mishra and Modi (2016) in the United States found that the effect of CSR on firm value is stronger in companies with good performance. Their findings show that firm performance plays an important role as a mediator in this relationship. Although these studies provide valuable insights, there is still a need to better understand how these factors interact in different business contexts, especially in Malaysian and Indonesian non-financial companies.

Based on the above background, the research questions are as follows: Does CSR affect firm value? Does firm performance strengthen the relationship between CSR and firm value?.

2. Literature Review

This study uses signaling theory to explain the effect of CSR on firm value. This theory explains that asymmetric information can be reduced by sending signals to the market, for example through financial reports or CSR. This is explained in more detail by Godfrey (2010), who defined signaling theory as a scenario in business that sends signals to investors through annual reports when they anticipate managers increasing high growth in the future, although it is more commonly associated with financial signals such as profits or dividend policies. The Signaling Theory explains that CSR can be a positive signal for investors and stakeholders, as it demonstrates responsible management, long-term commitment, and good risk management.

This study also uses stakeholder theory to explain the moderating role of firm performance. Based on stakeholder theory (Freeman, 1984), CSR creates positive relationships with stakeholders, which can ultimately increase firm cash flow. If a firm's performance is good, then the firm has more resources to run effective CSR programs, so that the benefits to the firm's value become greater. This means that good firm performance can strengthen the positive impact of CSR on firm value because customers are more loyal and willing to pay a premium price, thereby increasing revenue; employees and business partners are more motivated, thereby increasing efficiency and productivity; and regulations are more favorable, thereby reducing legal risks and enhancing the firm's reputation. This is in line with the stakeholder theory perspective, which emphasizes that good relationships with stakeholders can generate long-term financial benefits for the firm.

Previous research conducted by Seth & Mahenthiran (2022), entitled “Impact of Dividend Payouts and Corporate Social Responsibility on Firm Value – Evidence from India” states that CSR activities send signals to external stakeholders that help resolve information asymmetry between insiders and external stakeholders and help build the firm's reputation.

2.1 Relationship Between Variables

CSR disclosure is seen from sustainability reports. Sustainability reports are reports that disclose information to all stakeholders regarding corporate governance, environmental performance, and social performance. CSR measurement is based on the Global Reporting Initiative (GRI) Standards 2021. GRI 2021 is used to measure a firm's CSR performance because it is considered more comprehensive.

$$CSRI_j = \frac{\sum X_{ij}}{n_j}$$

Source: Haniffa et al. (2005)

Companies need to pay attention to CSR as a form of responsibility to the community and other stakeholders. The community needs information about the extent to which companies have carried out their social responsibilities, as this contributes to peace, employee welfare, and the safety of the surrounding environment. If the community considers that a firm is not socially responsible and has a negative impact on the environment, this can cause unrest that damages the firm's image. Therefore, CSR is an important aspect that must be considered to maintain a firm's reputation. Previous studies have shown mixed results regarding the effect of CSR on firm value. This is supported by research on the effect of CSR on firm value by Faqih et al. (2024), which states that Corporate Social Responsibility (CSR) has a positive effect on firm value, and is not supported by Sari et al. (2021), who found that CSR does not have a significant effect on firm value, H1 proposed.

H1: CSR has a positive effect on firm value

This study, Return on Assets is used as a measure of firm performance. According to Raiyan, et.al (2020), Return on Assets is the ratio of net income to total assets. This ratio shows how much net profit a firm earns when measured against the value of its assets. According to Kasmir (2016), the higher the ratio, the better, because the firm is considered capable of using its assets effectively to generate profits. The formula for Return on Assets (ROA), according to Martiana, et.al (2022) as follows:

$$Return\ on\ Asset\ (ROA) - \frac{Net\ Income}{Total\ Asset} x\ 100\%$$

Several studies show that firm performance acts as a factor that strengthens the relationship between CSR and firm value. The stakeholder theory (Freeman, 1984) explained that CSR can improve positive relationships with stakeholders, which ultimately increases investor confidence and customer loyalty. Luo & Bhattacharya (2006) revealed that companies with strong corporate performance are better able to allocate resources for CSR initiatives effectively, so that the impact of CSR on corporate value becomes more significant. This is not in line with the research conducted by Crisóstomo et al. (2011) in their study in the Brazilian market, which found that CSR can actually have a negative impact on firm value in companies with low ROA, as it is considered a waste of resources that should be used to improve operational efficiency.

H2: Firm performance strengthens the effect of CSR on firm value

3. Method

The population in this study consists of non-financial companies listed on the Indonesia Stock Exchange (IDX) and the Malaysia Stock Exchange from 2020 to 2023, with the aim of comparing the effect of Corporate Social Responsibility (CSR) on firm value in both countries. The research data was obtained from the Reuters database, using purposive sampling, where the sample selection was based on specific criteria relevant to the study. Data analysis was performed using Eviews software, with a panel regression approach to evaluate the role of firm performance as a moderating variable in the relationship between CSR and firm value. By conducting cross-country comparisons, this study aims to provide more comprehensive insights into how CSR affects firm value in the non-financial sector and the extent to which firm performance strengthens or weakens this relationship. The results of this study are expected to contribute to the development of more effective business strategies, managerial decision-making, and economic policies in Indonesia and Malaysia.

Table 1
Operational Definition of Variable

Variable	Measurement	Description
Dependent Variable		
Firm Value	TOBIN'S Q Modification (Coff, 1999)	$Tobin's\ Q_M = \frac{(Stock\ Price\ xOutstanding\ Stock)\ 1\ Debt)}{Asset}$
Independent Variable		
CSR	$CSRI_j$ (Haniffa et al, 2005)	$CSRI_j = \frac{\sum X_{ij}}{n_j}$
Profitability	ROA (Martiana et.al., 2022)	$Return\ on\ Asset\ (ROA) = \frac{Net\ Income}{Total\ Asset} x\ 100\%$
Moderating Variable		
Firm Performance	ROA (Martiana et.al., 2022)	$Return\ on\ Asset\ (ROA) = \frac{Net\ Income}{Total\ Asset} x\ 100\%$

4. Result and Discussion

4.1 Descriptive Statistic

Table 2

	CSR	Performance	Profit
Mean	0.438154	0.474705	0.474705
Median	0	0.022171	0.022171
Maximum	1	3272.450	3272.450
Minimum	0	-66.66198	-66.66198
Std. Dev.	0.496195	38.44846	38.44846
Skewness	0.249297	84.91178	84.91178
Qurtosis	1.062149	7226.174	7226.174
Jarque-Bera	1211.168	1.578E+10	1.578E+10
Probability	0	0	0
Sum	3181	3446.359	3446.359
Sum Sq. Dev.	1787.231	10730866	10730866
Observations	7260	7260	7260

Based on the results of descriptive statistical analysis of 7,260 observations, the Corporate Social Responsibility (CSR) variable has an average value of 0.438, indicating that the level of corporate CSR disclosure is in the moderate category with considerable variation (std. dev. 0.496). Meanwhile, the Firm Performance and Profitability variable has an average of 0.475, with a very wide range of values (maximum 3,272.45 and minimum –66.66) and a standard deviation of 38.44, indicating significant differences between companies. The very high skewness and kurtosis values and the Jarque-Bera probability of 0.000 indicate that the data are not normally distributed. However, this condition is still acceptable in panel data analysis because the regression model used is robust to deviations from normality.

4.2 Selection of Panel Data Regression Models and Estimation Methods

There are three types of models, namely: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) to be tested in order to obtain the best model.

4.3 Chow Test

The Chow test is conducted to compare or select the best between the common effect model and the fixed effect model. The decision is made by looking at the probability value (p) for cross-section F. If the p value is > 0.05, then the selected model is the common effect model. However, if p < 0.05, then the selected model is the fixed effect model.

In addition to looking at the probability value (p) for cross-section F, you can also look at the probability value for cross-section chi-square. If the p value is < 0.05, then the selected model is the common effect model. But if p is > 0.05, then the selected model is the fixed effect model.

Table 3

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.9787	(1814,5258)	0.7091
Cross-section Chi-square	2058.2906	1814	0.0000

Based on the Chow test table above, the cross-section F probability value is greater than 0.05 and the cross-section chi-square probability value is less than 0.005. Therefore, the conclusion that can be drawn is that the best model is the common effect model.

4.4 LM TEST

Since the selected model is the common effect model, a further test needs to be carried out to select the best model between the random effect model and the common effect model using the LM test. The Lagrange Multiplier test is a test that aims to determine whether the common effect model or the random effect model is the most appropriate model for this study. It is known that if the cross-section value of Breusch-Pagan is smaller than the critical value (α = 5%), then the random effect model is the selected model. The following are the results of the Lagrange Multiplier test:

Table 4
Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

Test Hypothesis	Cross-section	Time	Both
Breusch-Pagan	0.086460 (0.7687)	1.084669 (0.2977)	1.171128 (0.2792)
Honda	0.294040 (0.3844)	-1.041474 (0.8512)	-0.528516 (0.7014)
King-Wu	0.294040 (0.3844)	-1.041474 (0.8512)	-1.028663 (0.8482)
Standardized Honda	0.319871 (0.3745)	-0.793219 (0.7862)	-27.82852 (1.0000)
Standardized King-Wu	0.319871 (0.3745)	-0.793219 (0.7862)	-4.051440 (1.0000)
Gourieroux, et al.	--	--	0.086460 (0.6238)

Based on the above test results, it shows that the common effect model is the preferred model over the random effect model. This is supported by the Breusch-Pagan cross-section value being greater than the critical value of 5%.

4.5 Classical Assumption Test

Verbeek (2000), Gujarati (2003), Wibisono (2005), Aulia (2004) in the book by Ajija et al. (2011) conclude that "Another advantage of panel data is that it does not require classical assumption testing," meaning that panel data does not require classical assumption testing such as normality or autocorrelation. Other explanations for why normality and autocorrelation tests are not required are as follows:

Normality tests are only used if the number of observations is less than 30, to determine whether the error term approximates a normal distribution. If the number of observations is more than 30, then a normality test is not necessary because the sampling distribution of the error term approximates a normal distribution (Ajija et al., 2011).

The autocorrelation test is used to test whether the linear regression model has a correlation between the disturbance error in period t and the disturbance error in the previous period. The Generalized Least Square (GLS) method is a method for removing first-order autocorrelation in a regression equation estimation (Sarwoko, 2005) and Gujarati (2003).

4.6 Hypothesis Test Results

Regression Model Analysis using the Common Effect Model

Regression Model Analysis using the Common Effect Model without Moderating Variables

Dependent Variable: TOBINS
Method: Panel Least Squares
Date: 10/03/25 Time: 15:57
Sample: 2020 2023
Periods included: 4
Cross-sections included: 1815
Total panel (unbalanced) observations: 7075

Table 5
Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	-0.015413	0.291310	-0.052911	0.95787
KINERJA	0.010362	0.003720	2.785777	0.0054
C	0.316532	0.195009	1.623163	0.1046
R-squared	0.001097	Mean dependent var		0.314674
Adjusted R-squared	0.000815	S.D. dependent var		12.18941
S.E. of regression	12.18445	Akaike info criterion		7.838621
Sum squared resid	1049914.5	Schwarz criterion		7.841532
Log likelihood	-27726.12	Hannan-Quinn criter.		7.839624
F-statistic	3.883766	Durbin-Watson stat		2.330395
Prob(F-statistic)	0.020617			

Based on the results of panel regression estimation with Tobin's Q as the dependent variable, several important findings were obtained. The CSR variable has a negative coefficient of -0.015413 with a probability value of 0.9578 (>0.05), so it does not have a significant effect on Tobin's Q value. This means that corporate social responsibility activities have not been able to have a significant impact on firm value. Conversely, the performance variable shows a positive coefficient of 0.010362 with a probability value of 0.0054 (<0.05), which means it has a positive and significant effect on Tobin's Q. This indicates that the better the firm's performance, the higher the firm's value in the market.

The performance variable as moderating the relationship between CSR and Tobins

Dependent Variable: TOBINS
Method: Panel Least Squares
Date: 10/06/25 Time: 10:28
Sample: 2020 2023
Periods included: 4
Cross-sections included: 1815
Total panel (unbalanced) observations: 7075

Table 6
Moderating Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	-0.023857	0.291515	-0.081838	0.9348
CSR_Performance	-0.040731	0.513700	-0.079289	0.9368
C	0.325578	0.195089	1.668869	0.0952
R-squared	0.000002	Mean dependent var		0.314674
Adjusted R-squared	-0.000281	S.D. dependent var		12.18941
S.E. of regression	12.19112	Akaike info criterion		7.839717
Sum squared resid	1051065.	Schwarz criterion		7.842628
Log likelihood	-27730.00	Hannan-Quinn criter.		7.840720
F-statistic	0.006630	Durbin-Watson stat		2.332416
Prob(F-statistic)	0.993392			

Based on the results of regression analysis using the Panel Least Squares method (Common Effect Model), this study aims to examine the role of firm performance variables as moderating variables in the relationship between Corporate Social Responsibility (CSR) and firm value (Tobin's Q). Based on the output displayed, the CSR coefficient value is -0.023857 with a probability of 0.9843, indicating that CSR does not have a significant effect on firm value. The negative direction of the coefficient indicates an inverse relationship between CSR and firm value, but because the significance is high (more than 0.05), the effect cannot be statistically concluded.

Furthermore, the interaction variable between CSR and Performance (CSR_PERFORMANCE) has a coefficient of -0.047031 with a probability value of 0.9368, which is also insignificant. This means that firm performance does not act as a moderating variable in the relationship between CSR and firm value. In other words, both directly and through the moderating role of performance, CSR does not have a significant effect on firm value (Tobin's Q).

The R-squared value of 0.000022 and the Adjusted R-squared value of -0.000281 indicate the model's very low ability to explain the variation in firm value, while the Prob(F-statistic) of 0.993392 indicates that the model as a whole is not significant. These results indicate that the variables used in the model do not have predictive power for Tobin's Q.

Overall, these findings illustrate that CSR and firm performance do not have a significant effect on firm value, and performance neither strengthens nor weakens the relationship between the two. Most likely, other factors outside the model, such as firm size, leverage, sales growth, or external economic factors, play a greater role in influencing firm value. In addition, the use of a common effect model may be less capable of capturing differences in characteristics between companies and over time, so the use of a fixed effect or random effect model may be considered for further analysis.

4.7 Regression Model Analysis using the Common Effect Model with Profit Variable as Moderating Variable

Dependent Variable: TOBINS
Method: Panel Least Squares
Date: 10/06/25 Time: 10:41
Sample: 2020 2023
Periods included: 4
Cross-sections included: 1815
Total panel (unbalanced) observations: 7075

Table 8
Common Effect Model Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	-0.023857	0.291515	-0.081838	0.9348
CSR_PROFIT	-0.040731	0.513700	-0.079289	0.9368
C	0.325578	0.195089	1.668869	0.0952

R-squared	0.000002	Mean dependent var	0.314674
Adjusted R-squared	-0.000281	S.D. dependent var	12.18941
S.E. of regression	12.19112	Akaike info criterion	7.839717
Sum squared resid	1051065.	Schwarz criterion	7.842628
Log likelihood	-27730.00	Hannan-Quinn criter.	7.840720
F-statistic	0.006630	Durbin-Watson stat	2.332416
Prob(F-statistic)	0.993392		

Based on the regression results using the Panel Least Squares method (Common Effect Model), this study aims to analyze the effect of Corporate Social Responsibility (CSR) on firm value (Tobin's Q) with Profitability (Profit) as a moderating variable. The regression results show that the CSR coefficient value is -0.023857 with a probability of 0.9348, which means that CSR does not have a significant effect on firm value. The negative coefficient direction indicates an inverse relationship between the level of CSR and firm value, but because the significance value is well above 0.05, the effect is not statistically acceptable.

Meanwhile, the interaction variable CSR_PROFIT, which represents the moderating effect of profitability on the

relationship between CSR and firm value, has a coefficient of -0.040731 with a probability value of 0.9368. These results also indicate that the profitability variable does not act as a moderating variable in the relationship between CSR and Tobin's Q. In other words, the level of firm profitability is unable to strengthen or weaken the influence of CSR on firm value.

In addition, the R-squared value of 0.000022 and the Adjusted R-squared value of -0.000281 indicate that the model's ability to explain the variation in Tobin's Q is very low. This is reinforced by the Prob(F-statistic) value of 0.993392, which means that the model as a whole is not significant. Thus, the combination of CSR variables, profitability, and the interaction between the two does not contribute significantly to changes in firm value.

5. Conclusion

Overall, these results indicate that CSR does not have a significant effect on firm value, and profitability does not moderate this relationship. These findings may indicate that firm value is more influenced by other factors such as firm size, capital structure, growth rate, or external economic conditions. In addition, the insignificant results may also be due to the use of the Common Effect model, which does not consider differences in characteristics between companies and over time. Therefore, further analysis using the Fixed Effect or Random Effect model may be considered to obtain more accurate results.

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