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The Influence of Liquidity And Profitability on Firm Value In The Basic Materials Sector With Corporate Social Responsibility (CSR) As A Moderating Variable

Kadek Ary Asta Pramita Sari[1*], Ni Made Suci[2], Fridayana Yudiatmaja[3]
[1] Program Studi Magister Manajemen, Program Pascasarjana, Universitas Pendidikan Ganesha, Bali, Indonesia, aryastapramita27@gmail.com
[2] Program Studi Magister Manajemen, Program Pascasarjana, Universitas Pendidikan Ganesha, Bali, Indonesia, made.suci@undiksha.ac.id
[3] Program Studi Magister Manajemen, Program Pascasarjana, Universitas Pendidikan Ganesha, Bali, Indonesia, fridayana@undiksha.ac.id

[*]Corresponding Author: aryastapramita27@gmail.com

Abstract: This study aims to examine the influence of liquidity and profitability on firm value with Corporate Social Responsibility (CSR) as a moderating variable in the basic materials sub-sector. The research employs a quantitative approach using panel data, which combines cross-sectional and time series data. The data used in this study were obtained from companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The research population includes all companies in the basic materials sector listed on the IDX, with a purposive sampling technique applied, resulting in 46 companies that met the criteria, totaling 138 samples over the research period. Data were collected through the official IDX website and the financial reports published by the companies. The analysis was conducted using multiple regression with the Moderated Regression Analysis (MRA) method, following the classical assumption tests, such as the Normality Test, Multicollinearity Test, and Heteroscedasticity Test, processed using SPSS software. The results show that liquidity has no significant effect on firm value, while profitability has a positive effect on firm value. Furthermore, CSR is proven to moderate the influence of both liquidity and profitability on firm value with significant effects. This study provides insight into the important role of CSR in moderating the relationship between financial variables and firm value in the basic materials sector.

Keyword: Liquidity, Profitability, Firm Value, Basic Materials Sector, Corporate Social Responsibility (CSR)

INTRODUCTION

In the era of globalization, increasingly intense business competition demands that companies operate effectively and efficiently in order to remain competitive and sustainable. In addition to financial performance, the market also considers a company's prospects when assessing its credibility (Rachman & Priyadi, 2022). According to (Kasmir, 2019), the objectives of a company include maximizing firm value and profits, improving stakeholder welfare, building a positive corporate image, and strengthening social responsibility.

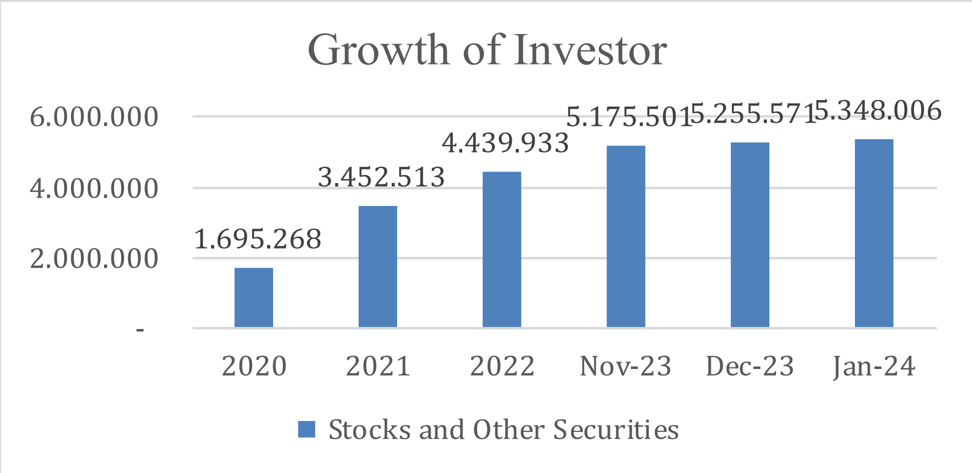

Figure 1. Growth of Investor Interest in Investing
Source:(Kustodian Sentral Efek Indonesia (KSEI), 2024)

Based on data from the (Kustodian Sentral Efek Indonesia (KSEI), 2024) investor interest in investing in the Indonesian stock market has shown an upward trend from 2020 to early 2024. When making investment decisions, investors need to conduct securities analysis, which includes both technical and fundamental analysis. One of the key indicators in fundamental analysis is firm value, which is shaped by stock market indices and plays a significant role in influencing investor decisions. Firm value serves as a benchmark for the market in assessing a company's financial health and growth prospects. There is a positive correlation between stock prices and firm value, where companies with high value tend to increase investor confidence in their performance and future outlook.

Corporate financial management emphasizes that every managerial decision should be oriented toward the primary goal of the company, which is to maximize firm value in order to enhance shareholder returns. Investors are generally more interested in investing in companies that have a positive public image. A good image can increase consumer loyalty and retention, ultimately leading to higher company profits (Maulinda & Hermi, 2022).

Based on the research findings, firm value plays a crucial role for investors in assessing a company's current condition and future prospects. A company can achieve its primary objective maximizing shareholder wealth if it succeeds in increasing its firm value. This aligns with the statement of (Rachman & Priyadi, 2022) who note that the higher the stock price, the higher the firm value. According to Weston and Copelan, as cited in (Ningrum, 2022) firm value can be measured using several indicators such as the Price Earnings Ratio, Price to Book Value, and Tobin's Q. This study employs the Tobin's Q indicator, as it is considered a common and comprehensive tool that encompasses all aspects of debt and equity, and its data is relatively easy to obtain.

An increase in firm value is also closely related to financial performance, which is reflected in financial ratios such as liquidity and profitability. Liquidity refers to a company's ability to provide funds to pay off its maturing obligations in a timely manner (Kasmir, 2019). Liquidity ratios can be measured using indicators such as the Current Ratio and the Acid Test Ratio (Rebin & Suharyono, 2020); however, this study uses the Current Ratio, as it reflects the company's ability to meet its short-term liabilities with current assets. Companies that manage liquidity effectively demonstrate strong managerial performance, which can attract investor interest and contribute to increasing firm value (Yosafat et al., 2023). Similarly (Maulinda &

Hermi, 2022; Rahma & Munfaqiroh, 2021a) found that high liquidity provides a positive perception of the company's condition and enhances its appeal in the eyes of investors. However, differing results were presented by (Ardian & Wahyudi, 2023; Damayanti & Sucipto, 2022) who argued that liquidity does not have a significant effect on firm value, as excessive liquidity may indicate inefficient use of capital and reduce the company's ability to generate profit.

The second financial ratio examined in this study is profitability, which refers to a company's ability to generate profit over a specific period. For investors, profitability is highly important, as it allows them to compare historical earnings and project a company's future income potential. According to (Rebin & Suharyono, 2020) indicators of profitability include Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). This study adopts ROA as it effectively measures overall efficiency in the use of capital. Ardian and Wahyudi (2023) state that ROA reflects how effectively a company's capital is used to generate profit in line with its asset value. High profitability is crucial for sustaining business operations and increasing stock prices, which ultimately enhances shareholder wealth. (Rahma & Munfaqiroh, 2021a) explain that profitability contributes to firm value by demonstrating operational efficiency and strong growth potential. However, differing results were reported by (Tania & Wijaya, 2021; Wulandari & Efendi, 2022) who concluded that profitability has a negative and insignificant effect on firm value.

(Kasmir, 2019) notes that an increase in stock value tends to align with rising profits, which in turn encourages companies to allocate a portion of their profits to society and the environment through Corporate Social Responsibility (CSR) programs. CSR is one of the factors influencing firm value, as it reflects the company's concern for social, environmental, and governance issues. By implementing CSR, companies can enhance their public image, improve financial outcomes, and expand access to funding. CSR-related data is typically sourced from the company's sustainability report. In this study, CSR acts as a moderating variable in the relationship between profitability and liquidity toward firm value. When profitability and liquidity information is disclosed transparently, both investors and external shareholders can develop trust in the company. Companies with high levels of profitability and liquidity are also seen as more capable of contributing to sustainability aspects such as Environmental, Social, and Governance (ESG). To measure CSR, the study uses the Global Reporting Initiative (GRI) Standards 2021, which consist of 117 indicators.

Sustainability reporting has been mandatory in Indonesia since 2019 for financial institutions and public companies, and since 2020 for listed companies. This policy promotes corporate transparency and accountability in environmental, social, and governance (ESG) aspects. According to 2022 data, 88% of listed companies in Indonesia have published sustainability reports, reflecting a strong commitment to sustainable business practices (Andy, 2023). These reports not only demonstrate how companies respond to climate risks and enhance ESG performance, but also show their engagement with stakeholders and alignment with international standards. Thus, sustainability reports play a vital role in building public trust and enhancing a company's overall reputation.

Globalization and growing environmental awareness have driven companies to focus not only on financial performance but also on sustainability aspects. The disclosure of Corporate Social Responsibility (CSR) is considered one of the strategies believed to increase firm value. Research by (Rachman & Priyadi, 2022; Wulandari & Efendi, 2022) indicates that CSR strengthens the influence of profitability and liquidity on firm value. However, contrasting findings were reported by (Pratama et al., 2022; Seth & Mahenthiran, 2022) who concluded that CSR does not have a direct impact on firm value. Instead, CSR acts as a complementary element to dividend signaling, aimed at gaining investor trust and mitigating agency conflicts.

This study focuses on companies operating in the basic materials sector, such as chemical products and construction materials, which play a crucial role in daily life and are utilized by various industrial sectors. This sector offers promising profit prospects due to high demand and makes a significant contribution to the investment landscape, with many companies demonstrating strong financial performance (Oktaviani & Sinarwati, 2024). However, it also faces several challenges, including pollution, waste management, human resource issues, and product quality concerns. In this context, Corporate Social Responsibility (CSR) serves as a crucial moderating variable, as it can improve public perception of companies and enhance overall firm value.

Table 1. Trends in the Average Firm Value (Tobin's Q) in the Basic Materials Sector (2021–2023)

Firm Value (Tobin's Q)	Year
Total	2021
	2022
	2023
Average	2021
	2022
	2023
Change (%)	2022
	2023

Source: processed data, 2024

Table 1 illustrates a decline in the ability of companies to generate returns for investors, with an 18.93% decrease in 2022 compared to 2021, bringing the average Tobin's Q to 1.18. The downward trend continued in 2023, with a further decline of 9.28%, resulting in an average of 1.07. This trend reflects a reduced capacity of firms to deliver value to investors during the 2021–2023 period.

This study is based on signaling theory, which explains how companies provide financial information to external parties to reduce information asymmetry and uncertainty regarding the company's prospects (Brigham & Houston, 2018). Additionally, stakeholder theory emphasizes the importance of sharing information with stakeholders as part of a company's social, economic, and environmental responsibility. Based on this background and the inconsistencies in previous research findings, this study aims to examine the effect of liquidity and profitability on firm value, with CSR as a moderating variable in the basic materials sub-sector.

METHOD

This study is a quantitative research aimed at testing the causal relationship between the variables being studied, namely liquidity, profitability, and Corporate Social Responsibility (CSR). The type of data used in this study is panel data, which is a combination of cross-sectional data and time series data. Time series data includes specific periods such as daily, monthly, quarterly, or annual data, usually related to a single object or individual, such as stock prices, exchange rates, or inflation rates. Meanwhile, cross-sectional data consists of various objects or respondents, such as companies, with different types of data obtained at a specific period, such as profit, advertising costs, or investment levels.

In this study, the data used is taken from companies operating in the basic materials sector listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023. The study population includes all companies in the basic materials sector listed on the IDX during that period. The sampling technique used is purposive sampling, with the criteria of companies listed on the IDX, publishing financial reports for the period 2021-2023, and having data related to Return on Assets (ROA), Current Ratio (CR), Tobin's Q, and CSR. After selection, a final sample of 46 companies from a total of 108 companies meeting the criteria was obtained, which was then multiplied by the three research periods (2021-2023), resulting in a total of 138 samples.

This research will be conducted in the 4th semester of 2025 after obtaining approval from the thesis supervisor, following the thesis proposal exam. Data collection will take approximately one month, using data sources from the official website of the Indonesia Stock Exchange (www.idx.co.id) as well as financial reports published by companies in the basic materials sector for the period 2021-2023. Additionally, a literature study will be conducted to gather relevant theories and literature.

The collected data will be analyzed using multiple regression with the Moderated Regression Analysis (MRA) method. Before hypothesis testing, the collected data must meet the classical assumption tests, including Normality Test, Multicollinearity Test, and Heteroscedasticity Test, which will be processed using the SPSS program.

RESULTS AND DISCUSSION

Normality Test

The normality test is used to ensure whether the disturbance variable or residual in a regression model follows a normal distribution. In this study, the Kolmogorov-Smirnov (K-S) test is used, where if the Asymp. Sig. (2-tailed) value is > 0.05, the data is considered normally distributed. However, if the Asymp. Sig. (2-tailed) value is < 0.05, the data is not normally distributed. The following are the results from the processed data:

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	138
Normal Parametersa,b	Mean
	Std. Deviation
Most Extreme Differences	Absolute
	Positive
	Negative
Test Statistic	0.065
Asymp. Sig. (2-tailed)	0.200c,d

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

The Kolmogorov-Smirnov (K-S) test result in Table 2.1 shows an Asymp. Sig. (2-tailed) value of 0.200, which is greater than 0.05, indicating that the residuals are normally distributed. Therefore, this study meets the normality test requirements.

Multicollinearity Test

The multicollinearity test is used to determine whether there is any correlation among the independent variables in a regression model (Ghozali, 2018). The presence of multicollinearity can be observed through the tolerance value and the variance inflation factor (VIF).

Table 3. Multicollinearity Test

Coefficientsa

Model	**Unstandardized Coefficients**	**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**
	B	Std. Error	Beta		Tolerance

1	(Constant)	-0.016	0.115	-0.139	0.889
	CR	0.023	0.062	0.032	0.375
	ROA	0.141	0.045	0.270	3.147
	CSR	0.178	0.106	0.142	1.688

a. Dependent Variable: Tobin's Q

The results of the multicollinearity test show that the tolerance value is ≤ 0.10 and the VIF is ≥ 10 for all variables. Therefore, it can be concluded that there is no multicollinearity problem in the regression model, as there is no correlation among the independent variables.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether the variance or residuals differ from one observation to the next. The results of the heteroscedasticity test are shown in the following table:

Table 4. Heteroscedasticity Test

Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	0.086	0.051	1.673
	CR	-0.011	0.087	-0.044
	ROA	0.090	0.091	0.494
	CSR	-0.002	0.041	-0.004
	CSR.CR	-0.063	0.086	-0.458
	CSR.ROA	0.076	0.090	0.674

a. Dependent Variable: ABSS_RESIDUAL

The significance values for the variables CR, ROA, and CSR are greater than 0.05, indicating that there is no evidence of heteroscedasticity in the model.

Regression Test Analysis

The multiple regression equation in this study is derived from the unstandardized beta coefficient values as follows:

Table 5. Results of Multiple Linear Regression Test

Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	-0.147	0.086	-1.721
	CR	0.016	0.062	0.022
	ROA	0.129	0.044	0.248

a. Dependent Variable: Tobin's Q

The correlation between the independent variables and the dependent variable from table 5 can be formulated into the following equation:

Tobin's Q = - 0.147 + 0.016 CR + 0.129 ROA + e

1. A 1% increase in CR will result in a 0.016% increase in the company's value, assuming all other variables are constant.
2. ROA has a beta value of 0.129, meaning that a 1% increase in ROA will lead to a 0.129% increase in the company's value, assuming all other variables remain constant.

The positive sign of the standardized coefficients beta indicates that the independent variables have a direct influence on the dependent variable.

Next, the Moderated Regression Analysis (MRA) test is performed, and the results are presented in the following table:

Table 6. Moderated Regression Analysis (MRA) Test

Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	0.668	0.069	9.686
	CR	-0.654	0.117	-0.900
	ROA	0.299	0.123	0.574
	CSR	0.447	0.055	0.356
	CSR.CR	-0.690	0.116	-1.748
	CSR.ROA	0.262	0.121	0.815

a. Dependent Variable: Tobin's Q

From the results of the moderated regression test in the table above, the correlation between the independent variables and the dependent variable, moderated by CSR, can be formulated in the following equation:

Tobin's Q = 0.668 - 0.654 CR + 0.299 ROA - 0.690 (CSR*CR)* + *0.262 (CSR*ROA) + e

1. CSR moderates liquidity with a beta value of -0.690, indicating that if CSR increases by 1%, the company's value will decrease by 0.690%, assuming other variables remain constant.
2. CSR moderates profitability with a beta value of 0.262, meaning that if CSR increases by 1%, the company's value will increase by 0.262%, assuming other variables remain constant.

Model Feasibility Test (F-Test)

The F-test determines whether the independent variables in the model have a simultaneous effect on the dependent variable. If the significance level is less than 0.05, it can be concluded that the model is suitable for use in the research. If the significance level is greater than 0.05, the model is considered unsuitable for the research.

Table 7. F-Test Results

ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.099	5	6.420	98.882
	Residual	8.570	132	0.065	
	Total	40.669	137		

a. Dependent Variable: Tobin's Q

b. Predictors: (Constant), CSR.ROA, CR, CSR, ROA, CSR.CR

Since the significance value is 0.000, which is less than 0.05, the data is considered suitable for use in this study.

Coefficient of Determination (R^2) Test

The coefficient of determination measures the proportion of the model's ability to explain the variation in the dependent variable. Below are the results of the coefficient of determination test:

Table 8. Coefficient of Determination Test Results
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.888a	0.789	0.781	0.25480	1.918

a. Predictors: (Constant), CSR.ROA, CR, CSR, ROA, CSR.CR
b. Dependent Variable: Tobin's Q

The Adjusted R-Square value shows that the independent variables have an influence of 0.781 or 78.1% on the company's value, with the remaining 21.9% being influenced by variables not included in this study.

Hypothesis Testing (t-Test)

The t-test indicates the influence of each independent variable in explaining the variation in the dependent variable. The t-test can be assessed by looking at the significance value of t, and also from the calculated t value; if the calculated t is greater than the t table, then there is a correlation between the independent and dependent variables.

Table 9. t-Test Results
Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	-0.147	0.086	
	CR	0.016	0.062	0.022
	ROA	0.129	0.044	0.248

a. Dependent Variable: Tobin's Q

Using the data analysis results, hypothesis testing is conducted to address the research questions proposed in the study. The hypothesis testing is done according to the research framework, which aims to test the independent and dependent variables with moderation. The Sig. value is used to determine the significance level of the test. The following are the results of the t-test for the influence of liquidity and profitability on company value:

Hypothesis Test: The Effect of Liquidity on Company Value

The effect of liquidity on company value is shown in Table 4.9. The regression coefficient value in this calculation is 0.016, and the significance value is 0.794, which is greater than 5% (0.794 > 0.05). Additionally, the t-test compares the calculated t-value (thitung) with the table t-value (t_tabel). The table t-value is calculated as t(α/2; n - k - 1) = t(0.025; 46-2-1), and the calculated t-value is 0.261. Therefore, 2.017 > 0.261, and the hypothesis is rejected. This calculation shows that Liquidity (X1) has a positive but insignificant effect on company value (Y). The level of liquidity does not determine investor decisions in investing, and therefore, it does not influence the company's value.

Hypothesis Test: The Effect of Profitability on Company Value

The regression coefficient value for the effect of profitability on company value in this calculation is 0.129, and the significance value is 0.004, which is less than 5% (0.004 < 0.05). Additionally, the t-test compares the calculated t-value (thitung) and the table t-value (ttabel). The table t-value is calculated as t(α/2; n - k - 1) = t(0.025; 46-2-1), and the calculated t-value is 0.261. Therefore, 2.017 < 2.901, and the hypothesis is accepted. This calculation shows that Profitability (X2) has a significant positive effect on company value (Y). This indicates that investors are more likely to invest heavily if the company's growth prospects send a positive signal. Next, the results of the t-test for the CSR variable moderating liquidity and CSR moderating profitability on company value are as follows:

Table 10. Results of the t-test

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
1	(Constant)	0.668	0.069	
	CR	-0.654	0.117	-0.900
	ROA	0.299	0.123	0.574
	CSR	0.447	0.055	0.356
	CSR.CR	-0.690	0.116	-1.748
	CSR.ROA	0.262	0.121	0.815

a. Dependent Variable: Tobin's Q

Hypothesis Test: The Effect of Liquidity on Company Value with CSR as a Moderating Variable

The effect of liquidity on company value with CSR as a moderating variable is shown in Table 4.10. The regression coefficient value in this calculation is -0.690, with a significance value of 0.000, which is less than 5% ($0.000 < 0.05$). Additionally, the t-test compares the calculated t-value (thitung) and the table t-value (ttabel). The table t-value is calculated as $t(\alpha/2; n - k - 1) = t(0.025; 46\text{-}2\text{-}1)$, and the calculated t-value is 0.261. Therefore, $2.017 < 5.932$, which indicates that CSR (Z) is capable of moderating the relationship between Liquidity (X1) and company value (Y) in a negative direction. Companies with good liquidity, along with CSR disclosure, can enhance investor trust. However, CSR does not become the main focus for investors when making investment decisions, as they perceive CSR as an additional cost burden.

Hypothesis Test: The Effect of Profitability on Company Value with CSR as a Moderating Variable

The effect of profitability on company value with CSR as a moderating variable is presented in Table 4.10. The regression coefficient value in this calculation is 0.262, with a significance value of 0.032, which is less than 5% ($0.032 < 0.05$). Additionally, the t-test compares the calculated t-value (thitung) and the table t-value (ttabel). The table t-value is calculated as $t(\alpha/2; n - k - 1) = t(0.025; 46\text{-}2\text{-}1)$, and the calculated t-value is 0.261. Therefore, $2.017 < 2.167$, indicating that CSR (Z) is able to moderate the effect of profitability (X2) on company value (Y). Companies with good profitability, along with CSR disclosure, can increase investor trust, which subsequently raises market enthusiasm for the company's value.

Liquidity Has a Positive but Insignificant Effect on Company Value in the Basic Materials Sector Listed on the IDX

Liquidity refers to a company's ability to meet its short-term obligations. According to Kasmir (2019), liquidity is the ability to provide funds to meet obligations on time. In this study, liquidity is proxied by the Current Ratio (CR). According to Andriani & Dewi (2024), in addition to indicating good asset management, a company in a liquid condition has working capital that can be used to support business operations. The results of this study show that liquidity has a positive but insignificant effect on company value. This is inconsistent with the research hypothesis, leading to the rejection of the hypothesis. This finding contradicts research by (Maulinda & Hermi, 2022; Rahma & Munfaqiroh, 2021a) which found that higher liquidity levels would improve the company's image and increase its value in the eyes of investors.

Good liquidity indicates that a company can effectively meet its short-term obligations. Liquidity ratios focus on a company's internal conditions in achieving its short-term goals, while investors are more focused on long-term ratios, which are more significant in terms of return on investment. Therefore, investors are less interested in liquidity ratios. A low liquidity ratio indicates liquidity problems, while a high liquidity ratio indicates that the company has idle capital. Investors care more about the company's ability to generate profits than about whether the liquidity ratio is high or low. According to (Novietta et al., 2022) investors do not focus on liquidity levels because they believe the company can meet its short-term obligations if it achieves the targeted profits. (Pertiwi & Chusnah, 2020) found that external parties do not consider liquidity when assessing a company's stock price.

Profitability has a Positive Effect on the Company Value in the Basic Materials Sector Listed on the IDX

Profitability refers to the profits a company generates over a specific period. Profitability is measured using the Return on Assets (ROA) formula. ROA illustrates how effectively a company uses its assets to generate profits. Since a business must be profitable to survive, profitability is a crucial factor to consider. According to (Andriani & Dewi, 2024) good profitability demonstrates a company's performance, making profitability one of the key considerations for investors. This factor attracts investors and leads to an increase in the trading of the company's stock. Profitability and long-term financial stability are essential indicators of company value, reflecting how well management utilizes the company's resources (Suci, 2022).

The research results show that profitability has a positive effect on company value. The dividend payments made to shareholders increase as the company's profits rise, leading to a higher demand for shares. According to (Darmawan & Susila, 2022) a company's ability to generate profits boosts investor confidence, thus increasing demand for shares and, consequently, the company's value. Investors base their decisions on the expected return on their investments, which increases demand for shares and enhances company value (Hemayani & Dewi, 2021). This finding is supported by (Wijaya & Yasa, 2022), who discovered that profitability positively affects company value. When a company is profitable, its stock price increases, signaling good prospects for the company's future, which attracts more investors and boosts the company's value.

This study is supported by signaling theory, which explains the importance of the information provided by the company in external investment decisions. When a company reports its profits in its financial statements, investors interpret the information as an indication that the company is efficiently managing its assets to generate profits. Additionally, profitability in financial reports is linked to legitimacy theory because it provides stakeholders with confidence that the company is conducting its business transparently.

CSR Can Moderate the Effect of Liquidity on Company Value in the Basic Materials Sector Listed on the IDX

Corporate Social Responsibility (CSR) is the company's responsibility to its environment, employees, society, stakeholders, government, and other parties. The disclosure of sustainability reports is expected to provide relevant information to stakeholders, helping the company meet its sustainable development goals. Liquidity is crucial to avoid the risk of the company's debts going unpaid. Liquidity is one way to measure a company's safety or margin of safety. When CSR disclosure is included, it can reassure investors that the company is paying attention to social and environmental aspects in its management of the investments made by investors (Dewi & Diatmika, 2021). Nowadays, consumers are more inclined to choose businesses that are ethical and environmentally conscious, as these businesses indirectly contribute to preserving or maintaining the environment.

The study finds that CSR weakens the effect of liquidity on company value. This finding contrasts with the research by (Rahma & Munfaqiroh, 2021b), which concluded that CSR strengthens the effect of liquidity on company value. A low current ratio indicates liquidity problems, but a high current ratio is also viewed negatively because it may indicate excessive idle cash, which could negatively affect the company's ability to generate profits (Ardian & Wahyudi, 2023). CSR activities build investor trust in the company's social responsibility. However, this comes at the cost of the company's ability to maximize shareholder profits and fully utilize its assets, making CSR implementation lead to an increase in the company's burden.

CSR Can Moderate the Effect of Profitability on Company Value in the Basic Materials Sector Listed on the IDX

Sustainability reports provide information about a company's activities in the social, environmental, and economic fields, allowing stakeholders to evaluate the company's performance, which in turn affects their decisions on contributing to the company. Building relationships with the public and other stakeholders through effective communication about how the company incorporates CSR and social environment aspects into all of its operations is the goal of CSR disclosure (Mutia & Wahyuni, 2018).

Profitability, which is measured by ROA, reflects a company's ability to use its assets to generate after-tax profit. The profitability reported in the financial statements assures stakeholders that the company operates transparently and honestly. Furthermore, profitability provides a benchmark for investors to evaluate whether a company is worth investing in. A company with good profitability and comprehensive CSR reporting enhances its image and increases investor confidence.

The study found that CSR strengthens the effect of profitability on company value. Companies must comply with laws and regulations that require them to engage in CSR activities. Additionally, investors can use CSR disclosure to help determine which companies have strong long-term prospects and performance in terms of economics, social impact, and environmental responsibility (Mutia & Wahyuni, 2018). CSR efforts are seen as investments rather than burdens, enhancing the impact of profitability on company value. Continuous CSR implementation over the long term fosters trust in the company, and firms with a socially responsible mindset leverage CSR data as a competitive advantage (Dewi & Suarmanayasa, 2022). In his study, (Ramadhani, 2022) indicates that properly disclosed CSR efforts can improve a company's reputation and reduce costs related to potential lawsuits or protests. CSR disclosure demonstrates that the company complies with relevant laws and regulations. This finding is also supported by research from (Hastuti & Tertia, 2023; Maulinda & Hermi, 2022).

According to stakeholder theory, company value cannot be sustainably improved by merely increasing profitability. When a company prioritizes profit over the interests of its stakeholders, it may overlook social and environmental risks that could jeopardize the company's long-term survival. This study also aligns with legitimacy theory, which suggests that companies must be able to manage their operations while focusing on stakeholders' interests. Companies can enhance their reputation among stakeholders by implementing CSR in line with prevailing social values. Public perception of a company's operations significantly impacts its sustainability and reputation. Successful CSR initiatives, combined with high profitability, will attract investors and ultimately increase the company's value.

CONCLUSION

Based on the research findings regarding the influence of liquidity and profitability on the value of companies in the basic materials sector with Corporate Social Responsibility (CSR) as a moderating variable, the following conclusions can be drawn, First, liquidity does not have an effect on the company's value, as reflected by the regression coefficient of 0.016 and a significance level of 0.0794. Second, profitability has a positive effect on the company's value, with a regression coefficient of 0.129 and a significance level of 0.004. Third, CSR can moderate the effect of liquidity on the company's value, as indicated by the regression coefficient of -0.690 and a significance level of 0.000. Fourth, CSR can also moderate the effect of profitability on the company's value, with a regression coefficient of 0.262 and a significance level of 0.032.

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