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Review Article

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Investigation of the Influence of Financial Performance and Dividend Policy on Company Value with Corporate Social Responsibility as a Moderating Variable

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ABSTRACT: This study uses corporate social responsibility (CSR) as a moderating variable to ascertain how financial performance and dividend policy affect company value. While dividend policy is evaluated based on the consistency and proportion of dividend distribution, financial performance is measured by the profitability ratio, which is determined by the Return on Assets (ROA) ratio. Price to Book Value (PBV) is used to calculate a company's worth. Companies included in the 2021–2023 Jakarta Islamic Index (JII) were the subject of this study. To test the suggested hypotheses, this study employs multiple linear regression analysis techniques. Company value is positively and significantly impacted by financial performance and dividend policy, according to the study's findings. Furthermore, CSR enhances the correlation between dividend policy and company value and between financial performance and company value by acting as a moderator. These results give managers valuable information to help them develop strategies that address social responsibility and boost profitability, which can boost investor confidence and the value of the business as a whole.

KEYWORDS: Financial Performance, JII, Dividend Policy, ROA, Company Value, PBV, Corporate Social Responsibility (CSR).

INTRODUCTION

Increasing revenue is generally the aim of every business. They take part in the voluntary corporate social responsibility (CSR) programme to engage in community service and spread knowledge about environmental and social concerns brought on by their operations. A company's commitment to promoting sustainable economic growth through cooperation with stakeholders, including local communities and employees' families, is known as corporate social responsibility (CSR). Businesses must consider the economic, social, and environmental facets of CSR. The company's value is a crucial component of the economy that they should also concentrate on. According to Sunaryo and Mahfud (2016), businesses are therefore accountable for establishing comprehensive social and economic welfare in addition to pursuing financial gains. If the value of the sale of the company's shares increases, the value of the company will increase as the share price rises. A company's value can serve as an effective indicator to forecast its performance. The stock price is crucial in determining this value, as it reflects the market's perception of the company's growth potential and profitability. The

Indonesia Stock Exchange functions as an indicator of a company's value, because the increase in stock prices is directly related to the increase in profits for shareholders as well as the value of the shareholders themselves. Companies seek to increase their value by attracting investors to invest (Pramana & Mustanda, 2016). It is important for investors to consider the value of the company when they decide to invest (Budiharjo, 2019). Performance According to the market perspective, the value of the company will increase if it performs well, and the return on assets can increase. This can have a positive impact on the welfare of interested parties, especially shareholders (Mardiana & Wuryani, 2019).

One method to assess the financial performance of a company is by analyzing financial ratios. The profitability applied in this study to assess the company's capacity to make a profit is the return on assets, or ROA. By comparing this ratio with other businesses in the same industry, the company's success is evaluated. The purpose of this analysis It assist investors in identifying highly profitable businesses and assessing the current status of the business in a particular industry category. If businesses can achieve their profit targets, they will be able to operate more efficiently. Profits are essential to maintain profitability, drive growth, and pay dividends to shareholders.

The background of this research focuses on how dividend policy and financial performance have a significant impact on company value, which can be moderated by CSR. CSR functions as a strategic element that affects the interaction between these variables. Prena (2020) found that CSR can reduce the impact of financial performance and company value, with CSR disclosure strengthening these relationships and increasing the company's value.

LITERATURE REVIEW

Signal theory explains why a business tries to explain its financial statements to a third party. Organisations that reduce information symmetry can improve their worth. One way to lessen information symmetry is to send signals to external parties, like credible financial data (Susilawati, 2019). Financial performance measures a company's capacity to turn a profit, which is one way to evaluate and gauge its financial health (Pang *et al*., 2020). Maintaining a steady financial performance should therefore be one of the company's objectives. The financial statements provide information on financial performance. The company's disclosures in financial statements are the result of management's accountability to the business owner and demonstrate the company's accomplishment of its objectives. The information can also be used as a source of additional information.

A company's capacity to generate profits and how well it manages its resources are both reflected in its profitability. According to research by Hirdinis (2019), the issue of profitability is more important than the issue of profit for companies in general because large profits alone are not enough to function as a measure that the company has worked effectively. When a company's profit increases, so does its capacity to pay dividends (Lusiana, 2017). For investors, a company's ability to generate profits is reflected in its profitability, and the more money it makes, the more dividends it can pay, which in turn raises the stock price (Monoarfa, 2018).

Dividends are defined as cash given by a company to shareholders. Shareholders view dividends as direct receipts from their investment in the company. According to Mulyawan (2017), dividend policy is an action that must be taken by a company because it is related to the amount of profit for shareholders. This policy allows the company to distribute profits to shareholders in the form of dividends or to retain the profits to be reused as investments in the future. The company's ability to handle its assets is influenced by the extent to which its assets are financed by debt, the larger the company's debt when the company's debt is greater than its equity, it is said to have a high level of leverage (Rahmadani, 2017). Debt financing sends a message to investors that the business has confidence in its ability to meet future financial commitments and thus encourages a favorable reaction from the capital markets.

CSR is a voluntary initiative, engaging with the community and spreading knowledge about environmental and social concerns brought on by their operations. A company's commitment to promoting sustainable economic growth through cooperation with local communities, employee families, and other stakeholders is referred to as corporate social responsibility (CSR) (Andriana, 2024). In the age of globalisation and instantaneous information, customers are becoming more conscious of corporate responsibility and ethics. Additionally, CSR is an integral part of a successful business strategy. The implementation of CSR not only has a positive impact on society and the environment, but also brings benefits to the company itself. Companies that are active in CSR tend to enjoy a better reputation. In addition, CSR can help companies manage risks and comply with increasingly stringent regulations related to sustainability.

METHODOLOGY

Researchers first determine the traits or values of the people, things, organisations, or specific activities to be examined to arrive at findings as research variables (Sugiyono, 2016). The three primary components of this study are independent variables, dependent variables (bound variables), and moderating variables. Return on assets (ROA) represents several independent variables, including financial performance. The dividend distribution policy, also known as dividend policy, is determined by calculating the dividend payout ratio (DPR) of future investments or dividends paid to shareholders (Rahmadhani 2023). Price to book value (PBV), which is the sum that investors must pay to make the company public, is used to calculate the value of a company. PBV is based on the stock price that is currently trading in the market (Agustin & Annisa, 2021). According to Rusmana (2019), corporate social responsibility (CSR) is a business's pledge to its stakeholders to lessen the adverse effects of its operations on the environment and community. Stocks that were listed on the Jakarta Islamic Index (JII) between 2021 and 2023 made up the population under study. This demographic was chosen due to its applicability to the goals of the study, which looks at various facets of Indonesia's Islamic capital market. Samples that could accurately represent the population were chosen using the purposive sampling technique. Descriptive statistical testing, traditional assumption testing, determination coefficient testing (R2), hypothesis testing, and moderation testing were all employed in this study.

RESULTS AND DISCUSSION

The study's findings indicate that a company's value is positively and significantly impacted by its financial performance. Efficient debt management is frequently a component of strong financial performance. Businesses with sound debt ratios are generally seen as more stable, which raises their worth. Businesses with strong financial results are better equipped to make investments in growth and innovation. This boosts the company's competitiveness in addition to future revenue. The company's profitability is demonstrated by its increased nett profit. Investors are drawn in by this, and it may raise the stock price, which has an immediate effect on the company's worth. The value of the company is positively and significantly impacted by the dividend policy. A strong dividend policy shows that a business is dedicated to giving shareholders their money back. Investor loyalty and support may rise as a result, supporting the stability and expansion of the company's value. Paying dividends can affect a company's investment choices because the company may be pickier about new ventures. Better decision-making and greater long-term value may result from this. All things considered, by boosting investor confidence and financial stability, a sound dividend policy can raise a company's value.

Additionally, company value and financial performance have a relationship that can be moderated by CSR. Effective CSR improves a business's standing and increases its appeal to investors. Having a good reputation can raise a company's worth, particularly if its financial performance is strong. Businesses that use CSR can frequently control reputational risks and lower operating expenses (for instance, by using energy more efficiently). By lowering expenses, financial performance can be strengthened and profitability raised. CSR can draw in investors who are more concerned with environmental and social issues. As a result, corporate social responsibility (CSR) strengthens the link between financial performance and firm value in addition to providing value.

Furthermore, the association between dividend policy and company value can be moderated by CSR. Businesses with robust CSR initiatives are frequently regarded as more sustainable and accountable. As a result, the company's value may rise, and investors may be more open to a steady dividend policy. A sustainable dividend policy, which can raise the company's worth, is supported by steady income. CSR helps businesses control operational and reputational risks. The company's value will increase if it can maintain a more stable dividend policy with less risk.

CONCLUSION

The following conclusions can be drawn from the research findings and discussion that he value of the company is positively and significantly impacted by its financial performance. Additionally, the company's profitability is demonstrated by its increased net profit. Investors are drawn in by this, and it may raise the stock price, which has an immediate effect on the company's worth. Furthermore, the value of the company is positively and significantly impacted by the dividend policy. Paying dividends can affect a company's investment choices because the company may be pickier about new ventures. Better decision-making and greater long-term value may result from this. Company value variables can be more strongly influenced by financial performance variables when corporate social responsibility is implemented. Investors who are more concerned with environmental and social issues may be drawn to CSR. This surge in investor interest may raise stock demand and, consequently, the company's worth. Dividend policy variables can have a stronger impact on the company's value variables when corporate social responsibility is implemented. Consistent revenue helps maintain a sustainable dividend policy, which can raise the company's worth. CSR aids businesses in controlling operational and reputational risks.

The findings of this study provide recommendations relevant to businesses, researchers, and policymakers. It is advised that businesses take a more proactive approach to putting into practice CSR initiatives that are pertinent to the environment and the community. This can draw investors and enhance the company's reputation. For Upcoming Researchers, additional factors that might impact the company's worth, like company size and growth, can be taken into account in future studies. Furthermore, for policymakers, it is anticipated that governments and capital market regulators will support businesses that use sustainable business practices by offering incentives and pushing them to be more open in their CSR reports.

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