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The Influence of Corporate Social Responsibility, Accounting Conservatism, Audit Committee, Capital Structure, and Dividend Policy on Firm Value

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Abstract. *The behind of this study motivated from the importance of company value in sustaining the company's operation and enhancing its competitiveness. The purpose of this research was to identify and analyze the partially impact of corporate social responsibility (CSR), accounting conservatism, audit committee, capital structure, and dividend policy on firm value, as measured by Tobin's Q, in manufacturing companies within the consumer goods industry sector listed on the Indonesia Stock Exchange from 2021 to 2023. The technique of data sampling using purposive sampling method. Resulting in data from 20 companies, comprising 60 financial statements and annual reports that met the representative criteria. The research employed descriptive statistical analysis, panel data regression analysis, estimation technique selection for panel data regression, classical assumption tests, and hypothesis testing. The findings revealed that the CSR variable did not have a significant positive effect on firm value, the accounting conservatism variable had a significant positive effect, the audit committee variable exhibited a significant negative effect, the capital structure variable demonstrated a significant positive effect, while the dividend policy variable did not have a significant positive effect on firm value.*

Keywords *Corporate Social Responsibility, Accounting Conservatism, Audit Committee, Capital Structure, Dividend Policy*

1. INTRODUCTION

Indonesia, particularly in the business sector, has witnessed significant growth, with numerous companies expanding across various industries. This development encompasses both private and government sectors, driven by rapid economic progress. Generally, companies aim to grow and sustain their business over the long term, with the primary objective of optimizing firm value. To meet the demands of business growth and technological advancements, companies are compelled to continuously innovate, enhance performance, and expand their operations to remain competitive and sustainable (Gunawan et al., 2019).

Firm value is a crucial factor in maintaining a company's sustainability and competitiveness. To enhance firm value, companies must focus on maximizing shareholder wealth. Over time, society has become increasingly aware of the significant and often uncontrollable social impacts of corporate operations aimed at maximizing profits. Consequently, there is growing public demand for companies to acknowledge and mitigate these social impacts (Darmawan and Ikbal, 2019).

Firm value can be interpreted as market value, which represents investors', creditors', and other stakeholders' perceptions of a company's condition. In the current

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global landscape, PT Indofood Sukses Makmur recorded a 12% increase in consolidated net sales in 2022, reaching IDR 110.83 trillion compared to IDR 99.35 trillion in the previous year. Despite global economic challenges, PT Indofood Sukses Makmur maintained positive performance throughout 2022.

Based on the phenomenon described above, the development of manufacturing companies in Indonesia is accelerating. However, a company's success is not solely measured by financial performance but also by its commitment to corporate responsibility. To meet societal expectations and enhance corporate awareness in business operations, companies implement Corporate Social Responsibility (CSR) as a principle that can influence firm value.

A well-executed CSR strategy can enhance firm value, attract investment, and contribute to economic growth. In addition to fulfilling social responsibilities, companies must provide financial reports detailing their profitability and performance over specific periods. Financial statements serve as the primary source of corporate information. However, there are concerns that accounting practices have not kept pace with rapid economic and technological changes, which may affect the relevance of accounting information (Ugwunta & Ugwuanyi, 2019). International accounting frameworks help facilitate economic decision-making by enabling users to predict past, present, and future transaction outcomes. Accounting conservatism has long been recognized as a fundamental principle in financial reporting, supported by both theory and practice (Felix & Rebecca, 2015).

The audit committee holds a vital function in supervising internal controls, managing external audit processes, and evaluating financial reports to reduce the risk of managerial opportunism (Lisna et al., 2019). As an independent body, the audit committee is expected to maintain effective communication with the board of commissioners to ensure sound governance practices, directors, and both internal and external auditors through internal meetings (Wijayanti et al., 2019). A larger audit committee can enhance financial reporting oversight and minimize the risk of financial statement manipulation, thereby increasing investor confidence and firm value.

To help managers identify underperforming projects and assess investment efficiency, companies must analyze financial reports and balance risk against potential returns in financial decision-making. Investors consider debt utilization as a means of generating profits. Capital structure, defined as the ratio of debt to equity as reflected in financial statements, can be measured using the Debt-to-Equity Ratio (DER). A higher

DER typically increases firm value, provided it remains within an optimal threshold according to the trade-off theory. This theory suggests that increasing debt levels can enhance profitability if managed effectively (Hirdinis, 2019).

A sound capital structure is essential for financial reporting, and companies must implement various corporate policies, including dividend policies. Dividend policy refers to corporate decisions regarding the distribution of earnings to shareholders in the form of dividends or retained earnings (Herawati, 2013).

Dividend policy plays a critical role in corporate financing, determining the proportion of earnings distributed to shareholders versus retained for reinvestment. Higher dividend payouts often lead to higher stock values, thereby enhancing firm value. Investors seek profitable returns on their investments, and dividend policy decisions significantly impact their expectations. Musthafa (2017) states that dividend policy determines whether corporate profits are distributed as dividends or retained to finance future investments.

This study expands on the research conducted by Gunawan et al. (2019) but differs in several key aspects. First, it incorporates additional independent variables, namely Corporate Social Responsibility, Accounting Conservatism, and Audit Committees. Secondly, this study focuses on a different timeframe, specifically the 2021–2023 period, in contrast to the 2016 period examined in previous research. The primary objective is to evaluate and analyze the potential positive effects of Corporate Social Responsibility, Accounting Conservatism, Audit Committees, Capital Structure, and Dividend Policy on firm value.

2. LITERATURE REVIEW

CSR disclosure and firm value reflect ethical practices that shape company valuation. By improving firm value, CSR disclosure provides protection and demonstrates a company's greater focus on "socialization" over "individualization." Accounting conservatism influenced the investment opportunities in determining firm value (Ismanto and Zulfiara, 2020). Accounting conservatism enhances earnings quality by preventing companies from overstating profits and assisting financial statement users by presenting earnings and assets that are not exaggerated (Tjhen, Saleh, & Stinjak, 2012, as cited in Ismanto & Zulfiara, 2020). Conservatism within a company reduces information asymmetry and financial statement manipulation by limiting the recognition of unverifiable profits and acknowledging losses in financial reports (Ismanto & Zulfiara, 2020.

The audit committee plays a vital role in enhancing a company's position and increasing its value. By function of as an internal control and oversight mechanism, it ensures the company's business direction aligns with its objectives, thereby boosting investor confidence and firm value. Capital structure refers to the proportion of corporate financing through debt, also known as a company's leverage ratio. Debt plays a critical role in a company's capital structure, serving as a key factor in enhancing productivity and corporate performance. A well-structured capital policy aims to increase firm value. Companies that offer high dividend payouts gain greater trust from stakeholders, as they provide certainty regarding investment returns and reduce concerns about bankruptcy risk. High dividend payouts attract investors, increasing stock demand, which in turn positively impacts firm value.

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3. METHODS

The quantitative study in this research used secondary data annual financial reports which obtained from obtained from the Indonesia Stock Exchange (IDX) website (www.idx.co.id). Population of this research were consumer goods sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2021 until 2023 and used purposive sampling method to select the representative sample. The dependent variable (Y) and independent variable (X) explained into this table below:

Table 1. Variable Conceptual and Operation Definition

Research Variable	Variable Operation Definition
Firm Value (Y)	$Tobin's\ Q = \frac{Market\ Value\ of\ Equity + \text{Liabilities}}{\text{Total Asset}}$ • **Tobin's Q**: Firm Value • **Market Value of Equity**: Market price × number of outstanding shares • **Liabilities**: Total Debt • **Total Assets**: Total Assets
Corporate Social Responsibility (X1)	$CSRI_i = \frac{\sum Xyi}{n_i}$ • **CSRI$_i$**: The index of the extent of social and environmental responsibility disclosure for company i • **∑Xyi**: The value is 1 if item y is disclosed; 0 if item y is not disclosed • **n$_i$**: The total number of items for company i, where ni ≤ 91

Accounting Conservatism (X2)	$CONNAC = \frac{(NIO + DEP - CFO)\ X\ (-1)}{\text{TA}}$ • **CONNAC**: The level of accounting conservatism for company i in year t • **NIO**: Net income in year t plus depreciation for company i in year t • **CFO**: Cash flow from operating activities for company i in year t • **TA**: The book value of total assets for company i in year t
Audit Committee (X3)	KA =The total number of audit committee members in the company.
Capital Structure (X4)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \text{X } 100\%$
Dividend Policy (X5)	$\text{DPR} = \frac{\text{DPS}}{\text{EPS}}$ DPR: *Devidend payoout ratio* DPS: *Devidend per share* EPS: *Earning Per Share* (Net Income after Tax / Number of Shares)

The panel data regression models that used for data analysis technique:

Yit = β0 + β1X1it + β2X2it + β3X3it + β4X4it + β5X5it + eit

The data analysis process is conducted through the following steps: first of all Descriptive Statistical Analysis, then Panel Data Regression Analysis (Common Effect Model, Fixed Effect Model, Random Effect Model), Selection of Panel Data Regression Estimation Techniques (Significance Test for the Fixed Effect Model, Significance Test for Fixed or Random Effects / Hausman Test, Significance Test for Random Effect), Classical Assumption Tests (Normality Test, Multicollinearity Test, Heteroscedasticity Test, Autocorrelation Test), and the final Hypothesis Testing (Coefficient of Determination/R-Squared Test, F Test, and t Test).

4. RESULTS

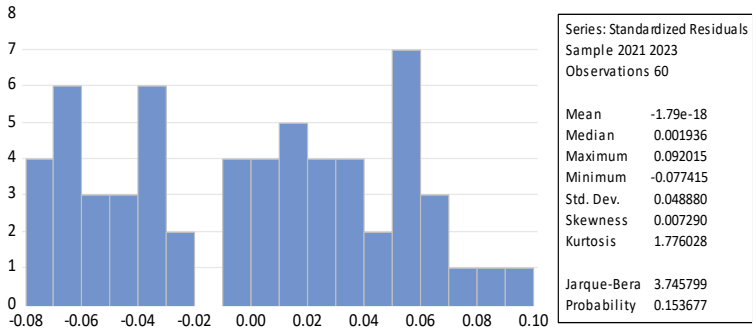
The object of this research consist of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023 period, totaling 61 companies. Of these, 41 companies did not have complete financial statements and sustainability reports in accordance with the variables required for this study. Therefore, the sample size for this study consists of 20 companies. The selected

technique for panel data estimation is the fixed effect model. The following is the regression equation:

Tobin's Q = 0,228331 + 0,573509*CSR + 0,067440*CONNAC – 1,400177*KA + 0,3118181*DER – 0,038342*DPR.

The results of the Classical Assumption Test show the following results:

Normality test



Source : Data processed by author, Eviews (2024)

Figure 1. Normality Test Graph

Based on Figure 1, the normality test graph, it can be observed that the Jarque-Bera value is 3.745799 with a probability value of 0.153677. This indicates that the variables are normally distributed, since the probability value exceeds the alpha threshold of 0,05.

Multicollinearity Test

Table 1. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0,121964	351,9858	NA
CSR	0,175998	324,8741	1,453634
CONNAC	0,000590	3,141991	1,097262
KA	0,200272	66,35539	1,065789
DER	0,016078	15,73739	1,278358
DPR	0,010100	22,98614	1,120531

Source : Data processed by author, Eviews (2024)

Based on Table 2, all coefficient variance values are below 0,8. This proves that the multicollinearity test has been passed.

Heteroscedasticity Test

Table 2. The Heteroscedasticity Test

Heteroskedasticity Test: Glejser

Null hypothesis : Homoskedasticity

F-statictic	2,052682	Prob. F(5,54)	0,0858
Obs*R-squared	9,582505	Prob. Chi-Square(5)	0,0880
Scaled explained SS	9,472876	Prob. Chi-Square(5)	0,0916

Source : Data processed by author, Eviews (2024)

Based on Table 3, the Prob. Chi-Square value for Obs * R-Squared is 0.0880, which is greater than the alpha threshold of 0.05. This proves the Heteroscedasticity test has been passed.

Autocorrelation Test

Table 3. The Autocorrelation Test

Bruesch-Godfrey Serial Correlation LM Test:

R-Squared	0.329339	Mean dependent var	-7.96E-17
Adjusted R-Squared	0.239058	S.D. dependent var	0.137949
S.E. of regression	0.120335	Akaike info criterion	-1.273503
Sum squared resid	0.752991	Schwarz criterion	-0.994257
Log likelihood	46.20510	Hannan-Quinn criter.	-1.164275
F-statistic	3.647920	Durbin-Watson stat	1.981556
Prob (F-statistic)	0.002833		

Source : Data processed by author, Eviews (2024)

Based on Table 4, the Durbin-Watson value is 1.981556. This value falls within the range of -2 and +2, indicating the absence of autocorrelation in the regression model.

Coefficient of Determination Test

Table 5. Coefficient of Determination Test (R^2)

Weighted Statistics			
R-squared	0,991685	*Mean dependent var*	1,447709
Adjusted R-squared	**0,985983**	*S.D. dependent var*	1,620164
S.E.of regression	0,063463	*Sum squared res id*	0,140965
F-statistic	173,9268	*Durbin-Watson stat*	2,166065
Prob(F-statistic)	0,000000		

Source : Data processed by author, Eviews (2024)

Based on the results by the Adjusted R Square value is 0.985983 (98.59%). This value indicates that corporate social responsibility (CSR), accounting conservatism (CONNAC), audit committee (KA), capital structure (DER), and dividend policy (DPR) in the regression equation can explain 98.59% of the variation in the firm value variable

(Tobin's Q). The remaining 1.41% is attributed to other independent variables exclude in the regression model.

F Test

Table 6. F Test

Weighted Statistics			
R-squared	0.991685	*Mean dependent var*	1.447709
Adjusted R-squared	0.985983	*S.D. dependent var*	1.620164
S.E.of regression	0.063463	*Sum squared res id*	0.140965
F-statistic	173.9268	*Durbin-Watson stat*	2.166065
Prob(F-statistic)	**0.000000**		

Source : Data processed by author, Eviews (2024)

Based on the results of the F-test, the significance value of 0.00000 is smaller than 0.05, indicating the corporate social responsibility, accounting conservatism, audit committee, capital structure, and dividend policy simultaneously have a significant impact on firm value.

t Test

Table 7. t Test

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	**0,228331**	0,529125	0,431526	**0,6687**
CSR	**0,573509**	0,597418	0,959979	**0,3437**
CONNAC	**0,067440**	0,024361	2,768369	**0,0089**
KA	**-1,400177**	0,575244	-2,434058	**0,0202**
DER	**0,311881**	0,074461	4,188500	**0,0002**
DPR	**-0,038342**	0,032001	-1,198127	**0,2389**

Source : Data processed by author, Eviews (2024)

5. DISCUSSION

Corporate Social Responsibility (CSR) has no significant positive effect on Firm Value (Tobin's Q)

The calculated t-value for CSR is 0.959979 with a probability value of 0.3437. This indicates that the calculated t-value is less than the critical t-value of 2.004045, the probability exceeds the alpha threshold of 0.05, suggesting that the effect is not statistically significant. Therefore, H1 is rejected, indicating that CSR does not have a significant positive impact on firm value. This may be due to the low quality of CSR disclosures, where there is a lack of support from companies and some stakeholders who may view CSR as an additional cost that does not provide direct benefits. Corporate social responsibility is disclosed in sustainability reports, and the main goal of a company is to increase firm value, which can be sustainably achieved by addressing economic, social, and

environmental dimensions. These dimensions are reflected in CSR activities, showing the company's responsibility and concern for its surrounding environment.

Accounting Conservatism (CONNAC) has a significant positive effect on Firm Value (Tobin's Q)

The calculated t-value for CONNAC is 2.768369 with a probability value of 0.0089. This indicates that the t-value exceeds the critical t-value of 2.004045, and the probability is below the alpha threshold of 0.05. Therefore, H2 is accepted, indicating that accounting conservatism has a significant positive impact on firm value. Accounting conservatism plays a critical role in overseeing investment policies by facilitating the timely recognition of potential losses, enabling managers to identify underperforming projects early. This aligns with signaling theory, as companies that adopt accounting conservatism signal to investors their commitment to preventing earnings manipulation. Consequently, this practice enhances the company's perceived value among investors

Audit Committee (KA) has a significant negative effect on Firm Value (Tobin's Q)

The calculated t-value for KA is -2.434058 with a probability value of 0.0202. This indicates that the calculated t-value is less than the critical t-value of 2.004045, and the probability is less than the alpha value of 0.05. Therefore, H3 is rejected, indicating that the audit committee has a significant negative impact on firm value. The audit committee is responsible for overseeing internal controls, external audits, and financial reporting, which may reduce opportunistic management behaviour. However, a large audit committee does not necessarily improve firm performance, as the increased expectations for financial reporting do not always translate into better governance or performance, which may negatively affect firm value.

Capital Structure (DER) has a significant positive effect on Firm Value (Tobin's Q)

The calculated t-value for DER is 4.188500 with a probability value of 0.0002. This indicates that the t-value exceeds the critical t-value of 2.004045, and the probability is below the alpha threshold of 0.05. Therefore, H4 is accepted, it indicates that capital structure has a significant positive impact on firm value. Capital structure signals management's belief in the company's good prospects, and higher debt levels may indicate confidence in the company's future, potentially increasing firm value. However, if the debt level exceeds reasonable limits, it can lead to higher interest burdens and decreased investor interest, which could reduce the firm's value and potentially result in bankruptcy.

Dividend Policy (DPR) has no significant positive effect on Firm Value (Tobin's Q)

The calculated t-value for DPR is -1.198127, with a probability value of 0.2389. This indicates that the calculated t-value is less than the critical t-value of 2.004045, and the probability exceeds the alpha threshold of 0.05, suggesting that the effect is not statistically significant. Therefore, H5 is rejected, and it indicates that dividend policy does not have a significant positive effect on firm value. This may be due to the company's plan to use cash for other purposes, such as paying off dividends, which is recorded as a liability when the dividend is announced. This does not align with agency theory, as dividend payments are expected to signal to investors that funds will be used to generate returns, contributing to firm value.

6. CONCLUSION

Based on the findings and discussion concerning firm value, the following conclusions can be formulated CSR variable did not have a significant positive effect on firm value, the accounting conservatism variable had a significant positive effect, the audit committee variable exhibited a significant negative effect, the capital structure variable demonstrated a significant positive effect, while the dividend policy variable did not have a significant positive effect on firm value.

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