

## **The Influence of Corporate Social Responsibility Disclosures on Firm Value: Does Firm Maturity Matters?**

Lina<sup>a</sup>, Kimberly Edelweiss<sup>b</sup>

<sup>a</sup>Accounting Department, Faculty of Economics and Business, Universitas Pelita Harapan, Indonesia

<sup>b</sup>Accounting Department, Faculty of Economics and Business, Universitas Pelita Harapan, Indonesia

### **ABSTRACT**

This study aims to provide empirical evidence regarding the influence of corporate social responsibility on firm value. In addition, this study also wants to prove the moderating role of firm maturity on the influence of corporate social responsibility disclosure on firm value. The research sample was all companies except the financial sector which are included in the main board listed on the Indonesia Stock Exchange from 2020 to 2022. The results of the study indicate that corporate social responsibility disclosure has a positive influence on firm value. Firm maturity has not been proven to strengthen the influence of corporate social responsibility disclosure on firm value.

*Keywords:* Firm value, corporate social responsibility, firm value, firm maturity, Indonesia

### **INTRODUCTION**

Every company strives to achieve excellence. The company's excellence is reflected in its ability to grow optimally (Triyani et al., 2021). Along with the growth of the company, there is the potential for greater exploitation of resources which can lead to environmental damage. This can certainly harm the company's image in the eyes of the public (Nurjanah & Mulazid, 2018). In a situation like this, the company will make various efforts to build a good image in the eyes of the public. One way is to run a Corporate Social Responsibility (CSR) program.

The CSR program involves various aspects, including economic, social, and environmental aspects. Through the implementation of the CSR program, the company can build a positive image and provide an overview of the company's concern for the community and the surrounding environment which can ultimately attract the attention of stakeholders, especially investors. The company needs to disclose various CSR programs that have been carried out transparently. This transparency encourages investor trust which can ultimately increase the company's value (Triyonowati & Djawoto, 2019). Company value is one of the indicators for investors to assess the success of a company.

Several studies have proven the positive effect of CSR disclosure on company value. Indriastuti & Chariri (2021) found that companies that carry out CSR gain financial benefits from CSR investments and have a positive impact on company value. This is in line with several other studies, such as Shirasu & Kawakita (2021) and Purbawangsa et al. (2020) who found that with increasing CSR disclosure, the company's stock price also increases, indicating that the company is considered good the market.

The implementation of CSR is inseparable from the stability and maturity of the company. Mature companies can increasingly invest more in CSR activities because these companies have

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achieved adequate financial foundations (Zhao & Xiao, 2019). The maturity stage of a company can be an explanatory factor in the company's management ability to manage existing resources well. Mature companies can run CSR programs well which in the end can be ascertained to have an impact on the company's sustainability in the long term (Park, 2021).

Literature searches have not found any research that links firm maturity in the relationship between CSR disclosure and company value. The current research attempts to fill this gap. Therefore, this study aims to provide empirical evidence on (1) the positive influence of CSR disclosure on firm value and (2) the moderating role of firm maturity in strengthening the positive influence of CSR disclosure on firm value.

## LITERATURE REVIEW

### Signaling Theory

Signaling theory states that information owners can provide signals in the form of information that reflects the condition of the company that is beneficial to the recipient of the information, for example, investors (Spence, 1973). Darmastika and Ratnadi (2019) said that the urge to convey this signal arises because there is a difference in information (information asymmetry) between the company (management) and external parties, where investors have limited access to company information compared to management. Firm value can be increased by reducing this information asymmetry through the presentation of company reports that can be trusted by external parties. The signal given by the company in the form of information regarding reports of all company activities in a transparent manner is important for stakeholders, including investors, in assessing the sustainability of the company. The company can convince investors to invest their capital in the company (Nusaputra & Basana, 2021). In line with signaling theory, management seeks to provide positive signals regarding the company's welfare to stakeholders by providing financial information and non-financial information such as CSR disclosures.

### Corporate Social Responsibility Disclosure and Firm Value

The information differences that arise between management and external parties encourage companies to provide complete information to increase the firm's value according to signal theory. Companies make this disclosure to reduce information imbalance. When a company provides disclosure of CSR practices, the company will provide information on how to handle the impact of its business activities, as well as the problems that arise. CSR disclosure that is appropriate and meets the expectations of stakeholders provides a positive indication. This indicates that the company has the potential to grow the firm's value and has promising prospects (Darmastika & Ratnadi, 2019). CSR is a technique that can be approached by companies to provide good signals to external parties so that external parties can see and assess the continuity of the company that is running well. A study conducted by Teng & Yang (2021) found that the number of reports on Corporate Social Irresponsibility (CSI) related to a company is negatively related to company performance and positively related to the risk of declining stock prices. Therefore, CSR practices implemented by the company can be considered as added value that indicates the long-term sustainability of the company. This is based on the basic concept that good governance is needed to achieve a balance between the economy, society, and the environment.

Indriastuti & Chariri (2021) found that companies that carry out CSR gain financial benefits from their CSR investments. This is in line with several other studies, such as Shirasu & Kawakita (2021) and Purbawangsa et al. (2020) who found that with increasing CSR disclosure, the

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company's stock price also increases, indicating that the company is considered good the market. Based on the explanation above, the hypothesis proposed in this study is:

H<sub>1</sub>: CSR disclosure has a positive effect on firm value.

## **Corporate Social Responsibility Disclosure, Firm Maturity, and Firm Value**

Companies that have been established for a long time have maturity and stability in company activities. A stable company condition will make company management disclose company reports transparently, especially CSR reports. Through signaling theory, this is done to provide a positive signal so it can attract investors to invest in the company. Companies that can maintain stable business operations and use resources well must be able to make corporate investments in CSR (Wu et al., 2021). Zhao and Xiao (2019) show that companies that are at a mature stage in the life cycle have developed well. Companies that are at this stage have achieved a financial basis to meet CSR and actively participate in CSR activities (Zhao & Xiao, 2019). This is in line with Park (2021) who found that CSR is positively related to financial performance at the growth and maturity stages and this relationship is more prominent when the company is mature. The maturity stage of a company can be an explanatory factor of the company's management ability in managing existing resources efficiently and effectively, including CSR decisions taken for the company's long-term sustainability. Based on the explanation above, the hypothesis proposed in this study is:

H<sub>2</sub>: Firm Maturity strengthens the positive influence of CSR disclosure on firm value.

## **METHODOLOGY**

This study uses quantitative data accessed through the Indonesia Stock Exchange website. This study uses a purposive sampling method to determine the research sample. The criteria set are: (1) Non-financial companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period and on the IDX main sector board and (2) Non-financial companies that consistently publish sustainability reports from 2020 to 2022.

This study uses 2 empirical models. The first model is to test H<sub>1</sub>. While the second model is to test H<sub>2</sub>. Hypothesis testing uses multiple regression analysis and moderated regression analysis.

Model 1:

$$FV_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 PROF_{i,t} + \beta_3 LEV_{i,t} + \beta_4 LIQ_{i,t} + \beta_5 SIZE_{i,t} + \varepsilon$$

Model 2:

$$FV_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 FM_{i,t} + \beta_3 CSR_{i,t} * FM_{i,t} + \beta_4 PROF_{i,t} + \beta_5 LEV_{i,t} + \beta_6 LIQ_{i,t} + \beta_7 SIZE_{i,t} + \varepsilon$$

FV = Firm Value

i = Firm

t = Year

$\alpha$  = Constanta

$\beta_1 - \beta_9$  = Coefficient

CSR = CSR

PROF = Profitabilitas

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LEV = *Leverage*  
LIQ = *Liquidity*  
SIZE = *Firm Size*  
FM = *Firm Maturity*  
 $\varepsilon$  = *Error*

The independent variable in this study is corporate social responsibility (CSR). CSR is seen in the company's sustainability report. The proxy used is the corporate social responsibility index (CSRI). This index is a dummy variable that is calculated by providing an assessment. A value of "1" is given when an item is disclosed in the report, while a value of "0" is given when the item is not disclosed. Then, these values will be added up to calculate the total value for each company. As previously explained, the sustainability report disclosure index is calculated based on the GRI Standard. The higher the disclosure produced, the better and more comprehensive the disclosure in the company's sustainability report (Febriyanti, 2021).

$$\text{CSRI} = \frac{n}{k}$$

n = Total items reported  
k = Total items of GRI Standard 2016

In this study, the company value is the dependent variable and Tobin's Q is a proxy used to measure the company value. Tobin's Q provides market value information and reflects management performance (Buchanan et al., 2018). The Tobin's Q formula is (Kesumastuti & Dewi, 2021):

$$Q = \frac{\text{Market Value of Equity} + \text{Total Debt}}{\text{Total Assets}}$$

The moderating variable in this study is firm maturity. The maturity level of the companies is closely related to the company's age. Nurjanah and Arifa (2023) use company age as a proxy for the company's maturity level. Companies that have been established longer are assumed to have strong internal control procedures, more experience, and a better understanding of external expectations, which ultimately makes them disclose more information (Fahad & Nidheesh, 2021). Thus, the proxy for the company's maturity level is the company's age (Nurjanah et al., 2023):

$$\text{Firm Maturity} = \text{Year of observation period} - \text{Year the company was first formed}$$

This study uses 4 control variables, profitability, leverage, liquidity, and company size. Profitability is a measure of a company's net income during a certain period (Susila & Prena, 2019). Susila & Prena (2019) argue that the higher the level of profitability a company achieves, the more attractive it is for investors to invest their capital in the company. Profitability can be measured using Return on Assets/ROA (Iman et al., 2021) with the following formula.

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$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Leverage is an indicator used to assess the extent to which a company is supported by funds from debt or as a tool to compare total debt to total assets (Wahyuningrum & Sunarto, 2023). Leverage can be measured using the following formula.

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Liquidity is the company's capability to pay off its short-term liabilities (Wahyuningrum & Sunarto, 2023). The company's value will increase in proportion to the liquidity value. Liquidity can be measured using the following formula.

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Company size reflects how big a company is. Company size can be measured using the natural logarithm (Ln) of the company's total assets. This is because the company's total assets vary significantly, and can even have quite large differences (Saragih & Sihombing, 2021).

## RESULTS

This study focuses on non-financial companies listed on the main board of the Indonesia Stock Exchange during the period 2020-2022. Table 1 shows the sample selection and total observations used in this study.

TABLE 1

RESEARCH DATA		
No.	Description	Total
1.	Total non-financial companies listed on the main board of the Indonesia Stock Exchange in 2020 – 2022.	273
2.	Companies that did not publish sustainability reports consistently during 2020-2022.	(203)
3.	Research sample	70
4.	Research period	<u>3</u>
5.	Total observation	210

The results of descriptive statistical testing are presented in Table 2.

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TABLE 2

DESCRIPTIVE STATISTICS					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
CSR	210	.1700	5.1619	.496818	.3631110
FV	210	.2664	13.8487	1.338730	1.5318505
FM	210	8.0000	205.0000	45.628571	32.2253599
PROF	210	-.1165	.5991	.058353	.0793995
LEV	210	.000	.7158	.284105	.1978710
LIQ	210	.2342	16.2821	1.990531	1.7623854
SIZE	210	14.1510	19.8397	16.659189	1.2844367

The results of hypothesis 1 testing are presented in Table 3. The test results show that CSR has a positive effect on firm value. The p-value and coefficient are 0.043 and 0.211, respectively. These results support hypothesis 1.

TABLE 3

MODEL 1 TEST RESULTS		
	<b>Coefficient</b>	<b>P-Value</b>
CSR	.211	0.043
PROF	.501	0.000
LEV	.332	0.114
LIQ	-.218	0.112
SIZE	.046	0.211

F = 20.094; Sig. 0.000

R squared 0.314

The results of hypothesis 2 testing are presented in Table 4. The test results show that firm maturity cannot strengthen the positive influence of CSR on company value. The p-value and coefficient are 0.124 and 0.028, respectively. These results cannot provide support for hypothesis 2.

TABLE 4.

MODEL 2 TEST RESULTS

	<b>Coefficient</b>	<b>P-Value</b>
CSR	.302	0.113
FM	.056	0.103
CSR.FM	.028	0.124
PROF	.311	0.000
LEV	.322	0.056

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	<b>Coefficient</b>	<b>P-Value</b>
LIQ	.087	0.122
SIZE	.045	0.213

F = 11.494; Sig. 0.000

R squared 0.311

## **DISCUSSION**

Firm value is influenced by CSR disclosure carried out by the company. The results of this study are consistent with research by Indriastuti & Chariri (2021), Shirasu & Kawakita (2021), and Purbawangsa et al. (2020). CSR disclosure is considered a factor that influences investment decisions by investors and provides added value that is considered beneficial to them. Investors consider CSR-related factors in making investment decisions. In other words, firm value is influenced by the extent to which the company discloses its social responsibility. The more CSR information disclosed, the higher the company's value. This shows that investors are very concerned about non-financial information disclosed by the company. Investors view that the more information disclosed by the company, the more transparent the company is. This condition builds a positive image of the company which ultimately has an impact on increasing the company's value.

The age of a company that has reached a level of maturity does not always guarantee that investors will be confident in the stability of the company's performance when deciding to invest. In an era of dynamic business competition like today, the survival of a company cannot be guaranteed only through the length of the company's existence. This indicates that the company's ability to compete with other competitors may be limited. The impact is that the age of the company does not affect investor interest in buying the company's shares, so it has no consequences for the stock price and company value. In addition, firm maturity does not always guarantee that the company has a healthy financial condition. Companies of all ages can experience unhealthy financial conditions or even go bankrupt. Other factors can affect financial conditions.

## **CONCLUSION**

This study successfully proves the positive influence of CSR disclosure on company value. The more CSR information disclosed, the higher the company value. This condition is caused by investors viewing corporate transparency as a positive aspect. The results of this study have not succeeded in proving the role of firm maturity in strengthening the positive influence of CSR disclosure on company value. Investors do not care about the maturity of the company's age. A mature company does not mean that it can encourage more CSR disclosures.

This study only focuses on one determinant, namely CSR disclosure on firm value. Future research can explore other factors that have the potential to be determinants of firm value. The results of the study show that CSR disclosure has a positive effect on firm value leading to the potential for future research to investigate other variables that can strengthen this influence. This is also considering that this study has not proved the moderating role of firm maturity.

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