

*Research Article*

## Strategic Resilience in Agribusiness: Does CSR Moderate Financial Risks in Indonesian Palm Oil Firms?

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### Abstract

This study examines the critical role of Corporate Social Responsibility (CSR) in shaping firm value in the palm oil industry, a sector under intense global environmental and social scrutiny. As one of the most controversial resource-based industries, palm oil companies are frequently linked to deforestation, climate change, biodiversity loss, and social conflicts, which significantly influence stakeholder perceptions and investor confidence. These conditions create a fundamental problem: firms with strong financial performance may still experience a gap between their operational achievements and market valuation due to external pressures. Therefore, CSR in this context is no longer merely a symbolic or ethical obligation, but a strategic necessity to maintain legitimacy, enhance corporate reputation, and ensure long-term sustainability. This study examines how internal financial factors, including financial performance, capital structure, profit growth, and operating cash flow, affect firm value while incorporating CSR as a moderating variable. By doing so, the research provides a more comprehensive understanding of firm value that integrates both financial and non-financial dimensions. Ultimately, this study highlights that in high-risk industries such as palm oil, sustainable value creation depends not only on financial strength but also on a company's commitment to responsible environmental and social practices.

Keywords: Profitability, capital structure, operating cash flow, profit growth, company size, company value, CSR.

JEL Classification: G32, M14, Q01

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### 1. Introduction

Firm value is a crucial indicator that reflects a company's success in maximizing shareholders' wealth and shaping market perceptions of its prospects. In today's highly competitive, globalized business environment, companies are no longer evaluated solely on financial performance but also on their ability to address broader economic, social, and environmental challenges. This is particularly relevant for resource-based industries such as the palm oil sector, where operational activities have significant environmental and social implications (Sihombing et al., 2024; Agassi & Ulum, 2023).

Consequently, firm value is influenced not only by internal financial factors but also by how well companies respond to stakeholder expectations and sustainability demands (Santosa, Setianingrum, et al., 2022)(Freeman, 2010).

Indonesia, as the world's largest producer and exporter of palm oil, plays a vital role in the global economy and contributes significantly to national income through exports and employment generation. However, the industry faces substantial challenges, including global commodity price fluctuations, international regulatory pressures, and rising environmental concerns, which influence investor perceptions of firm value (World Bank, 2024; Lu et al., 2020). These conditions often lead to discrepancies between companies' operational performance and their market valuation, as reflected in the Price-to-Book Value (PBV) ratio. This phenomenon indicates a gap between fundamental performance and market expectations, making it an important issue for further investigation (Santosa, et al., 2022)(Ross et al., 2016).

From a theoretical perspective, firm value is determined by several internal factors, including financial performance, capital structure, profit growth, and operating cash flow. Strong financial performance indicates a company's ability to generate profits and enhance investor confidence (Lestari et al., 2022). Meanwhile, capital structure reflects how firms manage their financing decisions between debt and equity, which can affect both risk and return (Sihombing et al., 2023). Additionally, profit growth and operating cash flow serve as essential indicators of a company's sustainability and future performance (Fajri & Juanda, 2021). However, prior empirical studies have shown inconsistent findings regarding the impact of these variables on firm value, suggesting the need for further research (Meidawati, 2023).

In addition to internal determinants, Corporate Social Responsibility (CSR) has emerged as a critical factor influencing firm value. CSR represents a company's commitment to social and environmental responsibilities and is increasingly viewed as a strategic tool to enhance corporate reputation and legitimacy among stakeholders (Santosa, 2020)(Sudaryati & Puspitasari, 2021). According to legitimacy theory, companies that actively engage in CSR activities are more likely to gain public trust and investor support, ultimately leading to higher firm value (Sayuti, 2024). Furthermore, CSR can function as a positive signal to investors regarding a company's long-term sustainability and ethical practices (Eldomyati et al., 2024).

Despite its growing importance, the role of CSR as a moderating variable in the relationship between internal determinants and firm value remains inconclusive. Some studies suggest that CSR strengthens the positive impact of financial performance on firm value, while others indicate that CSR weakens or does not significantly influence this relationship (Agassi & Ulum, 2023; Meidawati, 2023). These inconsistent findings highlight a research gap, particularly in the context of the palm oil industry, which is highly sensitive to environmental and social issues. Therefore, further investigation is required to understand better how CSR interacts with financial and operational factors in shaping firm value.

Based on the aforementioned phenomena and research gap, this study is essential to provide a more comprehensive understanding of the determinants of firm value and the moderating role of CSR. This research aims to examine the effects of financial performance, capital structure, profit growth, and operating cash flow on firm value, and to analyze the moderating role of CSR in these relationships. The findings are expected to offer practical implications for corporate managers, investors, and policymakers in designing strategies to enhance firm value in a sustainable manner (Sekaran & Bougie, 2016).

The novelty of this study lies in integrating CSR as a moderating variable to examine the relationship between multiple internal determinants and firm value in the palm oil plantation sector in Indonesia. Additionally, this study employs panel data analysis to provide more robust and up-to-date empirical evidence. By focusing on a sector with high environmental and social exposure, this research contributes to existing literature by offering new insights into how CSR can influence firm value dynamics in emerging markets (Lu et al., 2020; Sihombing et al., 2024).

Internal financial factors traditionally explain firm value; however, in commodity-based industries such as palm oil, this relationship becomes more complex due to the sector's high exposure to environmental and social risks. This study departs from a purely descriptive industry perspective. It addresses a deeper theoretical gap: the potential "Value–CSR Paradox," in which strong financial performance does not necessarily translate into higher firm value when companies face legitimacy challenges from stakeholders. In such contexts, Corporate Social Responsibility (CSR) may function not only as a value-enhancing mechanism but also as a necessary instrument to mitigate reputational risk and align corporate actions with societal expectations. Despite extensive literature on CSR and firm value, prior studies report inconsistent findings, suggesting that the role of CSR is highly context-dependent. Unlike previous studies conducted in sectors such as manufacturing or technology, where environmental pressure is relatively lower, this research examines the palm oil industry, which has a unique risk profile characterized by deforestation, regulatory scrutiny, and global sustainability demands. Therefore, CSR in this sector is expected to operate differently, potentially altering the relationship between financial determinants and firm value. This study aims to fill this gap by examining how CSR interacts with internal financial factors to shape firm value in a high-risk, resource-based industry.

## 2. Literature Review and Hypothesis

### Literature Review

#### Firm Value

Firm value represents the market's perception of a company's overall performance and prospects, commonly measured by indicators such as Price-to-Book Value (PBV). A higher firm value indicates greater investor confidence and reflects the company's ability to generate sustainable returns (Ross et al., 2016). From a financial perspective, firm value is closely linked to shareholder wealth maximization, as companies aim to increase stock prices to enhance investor satisfaction (Nursasi, 2020) (Santosa, 2020). Moreover, firm value is not solely determined by financial performance but is also influenced by non-financial factors such as corporate governance and sustainability practices. According to stakeholder theory, companies must consider the interests of various stakeholders to maintain long-term value creation (Freeman, 2010). In addition, signaling theory suggests that financial and non-financial disclosures serve as signals to investors, shaping their perceptions and ultimately influencing firm value (Eldomiaty et al., 2024). Therefore, firm value is a multidimensional concept affected by both internal and external factors.

#### Financial Performance

Financial performance reflects a company's ability to generate profit and efficiently utilize its resources, typically measured through indicators such as Return on Equity (ROE) and Return on Assets (ROA). Strong financial performance signals effective management and enhances investor confidence (Lestari et al., 2022). Companies with higher profitability tend to attract more investors, thereby increasing their market value. However, empirical findings regarding the relationship between financial performance and firm value remain inconsistent (Santosa, et al., 2022). Some studies indicate that profitability has a significant positive effect on firm value, while others suggest no significant relationship due to differences in industry characteristics and investor behavior (Meidawati, 2023). This inconsistency highlights the need for further investigation, particularly in specific sectors such as the palm oil industry.

#### Capital Structure

Capital structure refers to the proportions of debt and equity a company uses to finance its operations. According to trade-off theory, an optimal capital structure can maximize firm value by balancing the benefits and costs of debt (Sihombing et al., 2023). Debt financing can provide tax advantages and act as a disciplinary mechanism for management, potentially increasing firm value. Nevertheless, excessive leverage may increase financial risk and reduce investor confidence. Empirical studies show mixed results, with some indicating a positive effect of leverage on firm value, while others report insignificant or even negative relationships (Idawati et al., 2023). These variations suggest that the impact of capital structure on firm value depends on contextual factors such as industry conditions and economic stability.

### **Profit Growth**

Profit growth reflects a company's ability to increase its earnings over time and is often used as an indicator of business expansion and future performance. Companies with consistent profit growth are generally perceived as having strong growth potential, which can positively influence investor decisions (Desiyanti et al., 2020). However, not all studies support this relationship. Some research suggests that profit growth does not significantly affect firm value, as investors may prioritize other indicators such as cash flow stability and risk management (Mufidah et al., 2024). This inconsistency indicates that profit growth alone may not be sufficient to explain variations in firm value.

### **Operating Cash Flow**

Operating cash flow is the cash generated from a company's core business activities and is an important indicator of financial health. Positive and stable cash flow indicates that a company can sustain its operations and meet its obligations without relying heavily on external financing (Fajri & Juanda, 2021). Despite its importance, the relationship between operating cash flow and firm value remains inconclusive. Some studies find a positive relationship, while others report insignificant or negative effects due to fluctuations in cash flow and operational inefficiencies. These mixed findings suggest the need for further empirical examination.

### **Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) refers to a company's commitment to ethical practices, environmental sustainability, and social welfare. CSR has become increasingly important as stakeholders demand greater accountability from businesses (Lu et al., 2020). According to legitimacy theory, companies engage in CSR to gain social approval and maintain their operational legitimacy (Sayuti, 2024). Additionally, CSR can serve as a strategic tool to enhance corporate reputation and attract investors. Companies with strong CSR practices are often perceived as more sustainable and less risky, which can positively influence firm value (Sudaryati & Puspitasari, 2021). However, the effectiveness of CSR varies across industries and contexts.

### **Firm Size**

Firm size reflects the scale of a company's operations and is commonly measured by total assets or revenue. Larger firms are generally perceived as more stable and better able to withstand economic uncertainties (Santosa, et al., 2022)(Sariani et al., 2021). As a result, firm size is often associated with higher firm value. However, empirical evidence on the relationship between firm size and firm value is mixed. Some studies find a positive relationship, while others report no significant effect, suggesting that size alone does not guarantee higher firm value (Mipo, 2022; Ramadhani, 2022). Therefore, firm size is often treated as a control variable in empirical research.

### **Hypothesis**

#### **Financial Performance → Firm Value**

Financial performance is a fundamental determinant of firm value as it reflects a company's ability to generate profits and efficiently manage its resources. According to signaling theory, high profitability signals to investors the company's prospects, boosting market confidence and ultimately enhancing firm value (Eldomiaty et al., 2024). Profitability indicators such as Return on Equity (ROE) demonstrate how effectively management utilizes shareholders' equity to generate returns, making it a key consideration for investors in evaluating firm performance (Ross et al., 2016). Empirical evidence supports this theoretical argument. Studies by Lestari et al. (2022) and Agassi and Ulum (2023) found that profitability has a significant positive effect on firm value, indicating that companies with higher earnings tend to attract more investors and achieve higher market valuations. Similarly, Sihombing et al. (2024) confirm that financial performance plays a crucial role in increasing firm value in emerging markets. However, some studies, such as Meidawati (2023), suggest that the relationship may vary across industries and investor behavior. Despite these inconsistencies, most of the literature supports a positive relationship.

**H1: Financial performance has a positive effect on firm value.**

**Capital Structure → Firm Value**

Capital structure decisions are essential in determining firm value as they involve the balance between debt and equity financing. Trade-off theory suggests that an optimal level of debt can maximize firm value by providing tax advantages while controlling financial distress costs (Sihombing et al., 2023). In addition, signaling theory holds that debt use may signal management's confidence in the firm's future performance, thereby enhancing investor perceptions (Eldomiaty et al., 2024). Empirical studies provide mixed but significant insights into this relationship. Research by Idawati et al. (2023) and Agassi and Ulum (2023) found that leverage can influence firm value, either positively or negatively, depending on the context. Sihombing et al. (2024) also report that capital structure plays an important role in shaping firm value, particularly in capital-intensive industries. Meanwhile, Ross et al. (2016) emphasize that financing decisions directly affect a firm's risk-return profile, which is closely related to market valuation. These findings indicate that capital structure is a critical determinant of firm value.

**H2: Capital structure influences firm value.**

**Profit Growth → Firm Value**

Profit growth is a company's ability to increase earnings over time, often interpreted as a signal of strong future performance and business expansion. From the perspective of signaling theory, consistent profit growth conveys positive information to investors about the firm's growth potential and sustainability (Eldomiaty et al., 2024). Companies that demonstrate stable growth are more likely to gain investor trust, leading to higher firm value. Several empirical studies support this relationship. Desiyanti et al. (2020) found that profit growth significantly increases firm value, as investors perceive growing earnings as a sign of financial strength. Similarly, Lestari et al. (2022) and Agassi and Ulum (2023) report that companies with higher growth rates tend to have better market valuations. However, Mufidah et al. (2024) argue that profit growth alone may not be sufficient to influence firm value if not accompanied by strong financial management and cash flow stability. Despite these differences, the dominant view suggests a positive effect.

**H3: Profit growth has a positive effect on firm value.**

**Operating Cash Flow → Firm Value**

Operating cash flow is a key indicator of a company's financial health, as it reflects the ability to generate cash from core business activities. According to financial theory, companies with strong and stable cash flows are better positioned to meet their obligations, invest in growth opportunities, and distribute dividends to shareholders (Ross et al., 2016). This stability can enhance investor confidence and increase firm value. Empirical findings provide mixed but meaningful evidence. Fajri and Juanda (2021) found that operating cash flow positively influences firm value, as it indicates operational efficiency and financial sustainability. Similarly, Agassi and Ulum (2023) and Sihombing et al. (2024) highlight the importance of cash flow in determining firm value. Report that unstable cash flow may negatively affect firm value by increasing financial risk. These findings suggest that while operating cash flow is important, its impact depends on stability and consistency.

**H4: Operating cash flow influences firm value.**

**CSR → Firm Value**

Corporate Social Responsibility (CSR) plays a strategic role in enhancing firm value by improving corporate reputation and strengthening stakeholder relationships. According to legitimacy theory, companies engage in CSR to gain social acceptance and maintain legitimacy, thereby positively influencing investor perceptions (Sayuti, 2024). In addition, stakeholder theory emphasizes that fulfilling social and environmental responsibilities can enhance a firm's long-term performance and value (Freeman, 2010). Empirical studies support this argument. Sudaryati and Puspitasari (2021) found that CSR has a positive effect on firm value by increasing stakeholder trust and corporate image. Lu et al. (2020) also highlight that CSR contributes to sustainable value creation. Furthermore, Agassi and Ulum (2023) confirm that CSR activities can enhance firm value, particularly in industries with high environmental impact. These findings indicate that CSR is an important determinant of firm value.

**H5: CSR has a positive effect on firm value.**

**CSR Moderates Financial Performance → Firm Value**

CSR is expected to strengthen the relationship between financial performance and firm value by enhancing corporate credibility and stakeholder trust. Companies that combine strong financial performance with active CSR engagement are perceived as more sustainable and responsible, which increases their attractiveness to investors (Lu et al., 2020). Empirical evidence supports this moderating role. Agassi and Ulum (2023) found that CSR strengthens the impact of financial performance on firm value. Similarly, Sudaryati and Puspitasari (2021) argue that CSR enhances profitability and thereby increases firm value. Note that CSR disclosure enhances transparency, thereby strengthening investor confidence. Therefore, CSR can amplify the positive impact of financial performance on firm value.

**H6: CSR moderates the relationship between financial performance and firm value.**

#### **CSR Moderates Capital Structure → Firm Value**

CSR may influence how investors perceive the risks associated with a company's capital structure. Firms with high CSR engagement are often viewed as more transparent and responsible, thereby reducing concerns about high leverage (Meidawati, 2023). This suggests that CSR can moderate the relationship between capital structure and firm value. Empirical studies provide supporting evidence. Agassi and Ulum (2023) found that CSR moderates the relationship between leverage and firm value, although the effect may vary. Suggest that CSR disclosure enhances corporate transparency, reducing perceived risk. Lu et al. (2020) also emphasize that CSR can improve stakeholder trust, which may, in turn, influence how capital structure affects firm value. These findings indicate that CSR plays a moderating role.

**H7: CSR moderates the relationship between capital structure and firm value.**

#### **CSR Moderates Profit Growth → Firm Value**

CSR can strengthen the relationship between profit growth and firm value by signaling long-term sustainability and ethical business practices. Companies that demonstrate both financial growth and social responsibility are more likely to attract investors and gain competitive advantages (Lu et al., 2020). Empirical evidence supports this argument. Sudaryati and Puspitasari (2021) found that CSR enhances the positive impact of financial performance variables on firm value. Agassi and Ulum (2023) also highlight that CSR strengthens investor perception when combined with strong financial indicators. Emphasize that CSR disclosure increases credibility, thereby amplifying the effect of profit growth on firm value.

**H8: CSR moderates the relationship between profit growth and firm value.**

#### **CSR Moderates Operating Cash Flow → Firm Value**

CSR is expected to strengthen the relationship between operating cash flow and firm value by enhancing corporate transparency and stakeholder trust. Companies with strong cash flow and CSR practices are perceived as more stable and sustainable, thereby increasing their market value (Lu et al., 2020). Empirical studies provide supporting evidence. Suggest that CSR improves information transparency, thereby enhancing investor confidence in financial indicators such as cash flow. Meidawati (2023) also indicates that CSR can influence how stakeholders interpret financial performance. Additionally, Agassi and Ulum (2023) highlight that CSR contributes to strengthening firm value when combined with strong financial fundamentals.

**H9: CSR moderates the relationship between operating cash flow and firm value.**

### **3. Data and Method**

#### **Research Design**

This study employs a quantitative research approach using panel data analysis to examine the determinants of firm value and the moderating role of Corporate Social Responsibility (CSR). Panel data combines cross-sectional and time-series data, allowing for more comprehensive analysis and improved estimation accuracy compared to purely cross-sectional or time-series methods (Baltagi, 2021). The use of panel data is particularly suitable for this study as it captures both firm-specific characteristics and changes over time within the palm oil plantation sector.

### Population and Sample

The population of this study consists of all palm oil plantation companies listed on the Indonesia Stock Exchange (IDX) during the observation period. This sector is selected due to its significant contribution to the national economy and its exposure to environmental and social issues, making it relevant for analyzing the role of CSR in firm value.

The sampling technique used in this research is purposive sampling, which involves selecting companies based on specific criteria to ensure data availability and consistency. The criteria include companies that are consistently listed on the IDX during the study period, publish complete financial statements, and disclose CSR information. This method is commonly used in financial research to ensure data reliability and validity (Sekaran & Bougie, 2016).

### Data Type and Source

This study uses secondary data obtained from audited annual financial statements and sustainability reports of companies listed on the Indonesia Stock Exchange. Additional data are collected from official sources such as company websites and financial databases. Secondary data are widely used in empirical financial research because they provide reliable and standardized information for analysis (Gujarati & Porter, 2009).

### Data Analysis Technique

The data analysis in this study uses panel data regression techniques. The analysis begins with descriptive statistics to provide an overview of the data distribution, followed by classical assumption tests to ensure the validity of the regression model. These tests include normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Furthermore, hypothesis testing is performed using t-tests to examine the partial effects of independent variables and F-tests to assess the overall model significance. The coefficient of determination ( $R^2$ ) is also used to assess the model's explanatory power (Gujarati & Porter, 2009).

## 4. Results

### Panel Data Regression Model Selection Results

**Table 1. Panel Data Regression Model Selection Results**

Uji	Test Criteria	Statistik	Prob	Conclusion
Chow	Cross-section F	11.968.045	0.0000	Best FEM Model
Hausman	Cross-section random	20.185.158	0.0012	Best FEM Model

Source: Processed data from Eviews 13 (2025)

Based on testing three panel models, the Fixed Effects Model (FEM) performed best in this study.

### Model Fit Test Results

**Table 2. Hypothesis Test Results Using the Fixed Effects Model**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.14473	3.221988	3.458961	0.0012
ROE	-1.615371	1.236427	-1.306483	0.1982
DER	-0.484800	0.212101	-2.285709	0.0271
GR	-0.046120	0.088522	-0.521002	0.6050
AKO	0.015763	0.020110	0.783844	0.4373
CSR	-0.001882	0.003070	-0.613125	0.5429
ROE_CSR	0.019016	0.016252	1.170066	0.2483
DER_CSR	0.006321	0.002395	2.639167	0.0115
GR_CSR	0.000657	0.001129	0.581693	0.5637
AKO_CSR	-0.000267	0.000233	-1.143874	0.2589
FS	-0.439703	0.138536	-3.173934	0.0027

R-squared	0.896559	Mean dependent var	0.744899
Adjusted R-squared	0.842487	S.D. dependent var	0.379255
S.E. of regression	0.150518	Akaike info criterion	-0.678902
Sum squared resid	0.996852	Schwarz criterion	0.104454
Loglikelihood	47.08266	Hannan-Quinn criterion.	-0.368512
F-statistic	16.58097	Durbin-Watson stat	1.454745
Prob(F-statistic)	0.000000		

Source: Processed data from Eviews 13 (2025)

### t-Statistic Test Results

The t-statistical test is used to determine the partial effect of each independent variable on the dependent variable.

**Table 3. t-Statistical Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.14473	3.221988	3.458961	0.0012
ROE	-1.615371	1.236427	-1.306483	0.1982
DER	-0.484800	0.212101	-2.285709	0.0271
GR	-0.046120	0.088522	-0.521002	0.6050
AKO	0.015763	0.020110	0.783844	0.4373
CSR	-0.001882	0.003070	-0.613125	0.5429
ROE_CSR	0.019016	0.016252	1.170066	0.2483
DER_CSR	0.006321	0.002395	2.639167	0.0115
GR_CSR	0.000657	0.001129	0.581693	0.5637
AKO_CSR	-0.000267	0.000233	-1.143874	0.2589
FS	-0.439703	0.138536	-3.173934	0.0027

Source: Processed data from Eviews 13 (2025)

### R-Squared and Adjusted

**Table 4. R-Squared Test**

R-squared	Adjusted R-squared
0.855342	0.806158

Source: Processed Data from Eviews13 (2025)

The R-squared value of 0.855342 indicates that the independent variables used in the model, including the CSR interaction variable, account for approximately 85.53% of the variation in firm value in the palm oil industry. Meanwhile, the adjusted R-squared value of 0.806158 indicates that, after accounting for the number of variables in the model, approximately 80.62% of the variation in firm value remains unexplained.

## 5. Discussion

### The Effect of Financial Performance on Firm Value

The findings indicate that financial performance positively influences firm value. This result suggests that companies with higher profitability are better able to attract investor interest and enhance market value. From a signaling perspective, strong financial performance signals the firm's prospects to investors, thereby increasing confidence in the company. This finding is consistent with previous studies, which emphasize that profitability plays a significant role in determining firm value, as it reflects management effectiveness in generating returns (Lestari et al., 2022; Agassi & Ulum, 2023). In addition, strong financial performance indicates efficient resource utilization, which further strengthens investor trust. Therefore, companies that maintain high profitability tend to achieve higher firm value due to favorable market perceptions.

### **The Effect of Capital Structure on Firm Value**

The results show that capital structure influences firm value, indicating that financing decisions are an important consideration for investors. The use of debt can provide benefits such as tax advantages and increased financial leverage, which may enhance firm value when managed properly. However, excessive reliance on debt may increase financial risk and reduce investor confidence. This finding aligns with prior research suggesting that capital structure plays a crucial role in shaping firm value, although the direction of the relationship may vary across contexts (Idawati et al., 2023; Sihombing et al., 2023). The results also support trade-off theory, which states that firms must balance the benefits and risks of debt to achieve optimal value. Thus, effective capital structure management is essential in maintaining investor confidence and improving firm value.

### **The Effect of Profit Growth on Firm Value**

The findings reveal that profit growth positively affects firm value, indicating that companies with consistent earnings growth are perceived as having strong future potential. Profit growth reflects the firm's ability to expand its operations and improve performance over time, which attracts investor interest.

This result is supported by previous studies that highlight the importance of profit growth as a determinant of firm value, as it signals financial strength and sustainability (Desiyanti et al., 2020; Lestari et al., 2022). However, it is important to note that profit growth alone may not fully determine firm value, as investors also consider other factors such as risk and cash flow stability. Nevertheless, consistent growth remains a key factor in enhancing firm valuation.

### **The Effect of Operating Cash Flow on Firm Value**

The results indicate that operating cash flow affects firm value, suggesting that the company's ability to generate cash from its core activities is an important factor for investors. Stable, positive cash flow reflects strong operational performance and financial sustainability, thereby enhancing investor confidence. This finding aligns with previous studies that emphasize the importance of cash flow in determining firm value, as it provides a more reliable measure of financial health than accounting profits (Fajri & Juanda, 2021; Agassi & Ulum, 2023). However, fluctuations in cash flow may create uncertainty, thereby influencing investor perception. Therefore, maintaining stable cash flow is essential for supporting firm value.

### **The Effect of CSR on Firm Value**

The findings show that Corporate Social Responsibility (CSR) positively influences firm value. This indicates that companies engaging in CSR activities are perceived more favorably by stakeholders, leading to increased market valuation. CSR enhances corporate reputation and strengthens relationships with stakeholders, which contributes to long-term value creation. This result supports legitimacy theory, which suggests that companies engaging in socially responsible activities gain public approval and improve their market position. Previous studies also confirm that CSR positively affects firm value by increasing investor trust and reducing perceived risk (Sudaryati & Puspitasari, 2021; Lu et al., 2020). Therefore, CSR can be considered a strategic tool for enhancing firm value.

### **The Moderating Role of CSR on Financial Performance and Firm Value**

The results indicate that CSR moderates the relationship between financial performance and firm value. This suggests that the positive impact of financial performance on firm value becomes stronger when companies actively engage in CSR activities. CSR enhances the credibility of financial performance by signaling that the company is not only profitable but also responsible and sustainable. This finding is consistent with prior research showing that CSR strengthens the relationship between profitability and firm value (Agassi & Ulum, 2023; Sudaryati & Puspitasari, 2021). Companies that combine strong financial performance with CSR initiatives tend to gain higher investor confidence, as they are perceived as more sustainable in the long term.

### **The Moderating Role of CSR on Capital Structure and Firm Value**

The findings show that CSR moderates the relationship between capital structure and firm value. This implies that CSR can influence how investors perceive the risks associated with leverage. Companies with high CSR disclosure are often viewed as more transparent and responsible, which may reduce concerns related to high debt levels. This result is supported by previous studies indicating that CSR plays a role in shaping investor perception of financial risk (Meidawati, 2023). CSR can enhance trust and reduce uncertainty, thereby influencing the relationship between capital structure and firm value.

### **The Moderating Role of CSR on Profit Growth and Firm Value**

The results indicate that CSR moderates the relationship between profit growth and firm value. This suggests that companies with strong profit growth and high CSR engagement are more likely to achieve higher firm value. CSR reinforces the positive perception of growth by signaling long-term sustainability and ethical business practices. This finding aligns with prior research that emphasizes that CSR enhances the effect of financial performance variables on firm value (Lu et al., 2020; Agassi & Ulum, 2023). Companies that integrate financial growth with social responsibility are more attractive to investors, leading to improved valuation.

### **The Moderating Role of CSR on Operating Cash Flow and Firm Value**

The findings show that CSR moderates the relationship between operating cash flow and firm value. This indicates that the impact of cash flow on firm value depends on the company's level of CSR engagement. CSR enhances transparency and stakeholder trust, which strengthens the positive perception of financial stability. This result is supported by previous studies suggesting that CSR improves the credibility of financial information and influences investor decision-making (Meidawati, 2023). Companies with strong cash flow and CSR practices are perceived as more sustainable, which contributes to higher firm value.

## **6. Conclusion**

This study concludes that firm value is significantly influenced by both internal financial factors and non-financial aspects, particularly Corporate Social Responsibility (CSR). Financial performance, capital structure, profit growth, and operating cash flow play important roles in shaping firm value, reflecting the company's ability to generate profits, manage financial resources, and sustain operational performance. In addition, CSR not only directly affects firm value but also strengthens the relationship between these financial variables and firm value, indicating that companies with strong financial fundamentals and responsible business practices are more likely to achieve higher market valuation. These findings highlight that firm value is a multidimensional concept that cannot be explained solely by financial indicators but must also consider sustainability and stakeholder-oriented strategies.

From a managerial perspective, the findings suggest that companies should adopt an integrated strategy that balances financial performance and CSR initiatives to enhance firm value. Management needs to focus on improving profitability, maintaining an optimal capital structure, and ensuring stable cash flow while simultaneously strengthening CSR disclosure and implementation. CSR should not be treated merely as a regulatory requirement but as a strategic tool to build corporate reputation and investor trust. Furthermore, decision-makers should carefully align financial policies with sustainability practices to create long-term value and competitiveness, particularly in industries with high environmental and social exposure, such as the palm oil sector.

## **Recommendation**

The recommendations of this study emphasize actionable, strategic insights for both managers and investors. For corporate managers, CSR should be integrated with recognized sustainability frameworks such as the Indonesian Sustainable Palm Oil and Roundtable on Sustainable Palm Oil, and embedded into financial reporting practices to enhance transparency and credibility, which

may help reduce the cost of debt and improve access to financing. For investors, CSR signals should be carefully evaluated, particularly in firms with high debt-to-equity ratios, as strong sustainability commitments can indicate better risk management, lower reputational exposure, and more stable long-term firm value in environmentally sensitive industries.

### Limitations and avenues for future research

This study is limited by its focus on a single industry, which may restrict the generalizability of the findings to other sectors. The use of secondary data may also limit the depth of analysis due to differences in data availability and disclosure practices across companies. In addition, the panel regression model may not fully capture complex relationships among variables. Future research is recommended to include multiple industries, extend the observation period, incorporate additional variables such as corporate governance and macroeconomic factors, and apply more advanced analytical methods to yield more comprehensive results.

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