



## THE EFFECT OF FINANCIAL PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY (CSR) ON THE VALUE OF CEMENT COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) IN THE PERIOD 2020-2024

### PENGARUH KINERJA KEUANGAN DAN CORPORATE SOCIAL RESPONSIBILITY (CSR) TERHADAP NILAI PERUSAHAAN SEMEN YANG TERDAFTAR DI BURSA EFEK INDONESIA (BEI) PERIODE 2020-2024

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DOI: <https://doi.org/10.62567/micjo.v3i1.2194>

#### Abstract

This study examines the effect of financial performance and Corporate Social Responsibility (CSR) on firm value in cement companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. Financial performance is proxied by Return on Assets (ROA), while firm value is measured using Price to Book Value (PBV). CSR is measured through a disclosure index based on the Global Reporting Initiative (GRI) Standards using content analysis. This research employs a quantitative associative approach with secondary data obtained from annual reports and sustainability reports of seven cement companies. Multiple linear regression analysis is used to test the hypotheses. The results indicate that ROA has a positive and significant effect on firm value, suggesting that efficient asset utilization enhances market perception. CSR disclosure also shows a positive and significant effect on firm value, supporting the legitimacy theory that socially responsible practices strengthen corporate reputation and investor confidence. These findings highlight the importance of integrating financial performance and sustainability strategies to enhance firm value, particularly in capital-intensive and environmentally sensitive industries such as cement.

**Keywords :** Financial Performance, Return on Assets, Corporate Social Responsibility, Firm Value, Cement Industry, Indonesia.



### Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kinerja keuangan dan Corporate Social Responsibility (CSR) terhadap nilai perusahaan pada perusahaan subsektor semen yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2020–2024. Kinerja keuangan diproksikan dengan Return on Assets (ROA), nilai perusahaan diukur menggunakan Price to Book Value (PBV), sedangkan CSR diukur melalui indeks pengungkapan berdasarkan Global Reporting Initiative (GRI). Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan tahunan dan laporan keberlanjutan perusahaan. Metode analisis yang digunakan adalah regresi linier berganda. Hasil penelitian menunjukkan bahwa Return on Assets (ROA) berpengaruh positif dan signifikan terhadap nilai perusahaan, yang mengindikasikan bahwa efisiensi pengelolaan aset mampu meningkatkan persepsi pasar. Selain itu, pengungkapan Corporate Social Responsibility (CSR) juga berpengaruh positif dan signifikan terhadap nilai perusahaan, yang mendukung teori legitimasi bahwa praktik tanggung jawab sosial dapat meningkatkan reputasi dan kepercayaan investor. Temuan ini menegaskan pentingnya integrasi kinerja keuangan dan strategi keberlanjutan dalam meningkatkan nilai perusahaan, khususnya pada industri semen yang bersifat padat modal dan memiliki dampak lingkungan yang tinggi.

**Kata Kunci :** Kinerja Keuangan, Return on Assets, Corporate Social Responsibility, Nilai Perusahaan, Industri Semen.

## 1. INTRODUCTION

Firm value represents market perception of a company's performance, growth prospects, and long-term sustainability. Maximizing firm value is a fundamental objective for business entities, as it reflects shareholder wealth and investor confidence (Brigham & Houston, 2021). Firm value is commonly reflected in stock prices and market-based ratios such as Price to Book Value (PBV), which combine accounting information with market expectations.

In recent years, investors have increasingly evaluated firms not only based on financial performance but also on non-financial aspects, particularly Corporate Social Responsibility (CSR). According to legitimacy theory, companies seek societal approval by aligning their operations with prevailing social norms and values to secure continued support from stakeholders (Suchman, 1995; Deegan, 2002). CSR disclosure serves as a strategic tool to enhance corporate legitimacy and public trust.

The cement industry in Indonesia is highly capital-intensive and environmentally sensitive. Companies rely heavily on fixed assets such as production plants, machinery, and logistics infrastructure. Consequently, financial efficiency, particularly in asset utilization, becomes a critical determinant of competitiveness. Return on Assets (ROA) is widely used to assess managerial efficiency in generating profits from total assets (Kasmir, 2022; Hery, 2023).

The period 2020–2024 represents a critical phase for the Indonesian cement industry. The COVID-19 pandemic in 2020 significantly reduced construction activities, causing national cement consumption to decline by approximately 10.4%, with capacity utilization falling to around 56–60% (Asosiasi Semen Indonesia, 2020). Although demand gradually recovered between 2021 and 2023, the industry continued to face structural overcapacity, with production capacity far exceeding domestic demand (Asosiasi Semen Indonesia, 2023). In



2024, national cement sales declined again by 0.9%, while export volumes increased, indicating intensified competition and margin pressure (PwC Indonesia, 2025).

These conditions suggest that firm value in the cement industry is not solely driven by profitability but also by operational efficiency and sustainability strategies. Prior studies show mixed results regarding the impact of ROA and CSR on firm value. While some studies find positive effects (Inayah & Wijayanto, 2020; Rafsanjani & Jasa, 2022), others indicate that the impact of CSR may vary depending on financial conditions and industry characteristics (Mustofa, 2020). Therefore, this study aims to empirically examine the effect of financial performance and CSR on firm value in Indonesian cement companies during the post-pandemic periods a positive effect on firm value of cement companies listed on the IDX during 2020–2024.

#### **a. Legitimacy Theory**

Legitimacy theory posits that a company's survival depends on its ability to operate within the boundaries of societal norms, values, and expectations (Suchman, 1995). Legitimacy can be classified into pragmatic, moral, and cognitive legitimacy. CSR disclosure plays a vital role in maintaining legitimacy, particularly in industries with significant environmental impact. Empirical evidence suggests that substantive CSR practices enhance corporate legitimacy and reduce social and regulatory pressures (Olateju et al., 2021; Akter et al., 2024).

#### **b. Financial Performance and Return on Assets**

Financial performance reflects management's effectiveness in utilizing company resources to generate profits. ROA is a key profitability ratio that measures how efficiently a firm uses its assets to produce net income (Hery, 2023). In capital-intensive industries such as cement, ROA is particularly relevant because asset utilization largely determines profitability. From the signaling theory perspective, high ROA signals strong managerial performance and future earning potential, which may increase firm value (Spence, 1973).

#### **c. Corporate Social Responsibility**

CSR refers to corporate initiatives that integrate social, environmental, and economic concerns into business operations (Carroll, 1991). The triple bottom line concept emphasizes profit, people, and planet. In Indonesia, CSR disclosure is regulated by Law No. 40 of 2007 and Government Regulation No. 47 of 2012, especially for firms related to natural resources. CSR disclosure through sustainability and annual reports enhances transparency and strengthens stakeholder relationships.

#### **d. Firm Value**

Firm value reflects investor perception of a company's success and future prospects, commonly measured using PBV. A higher PBV indicates stronger market confidence in the firm's growth and sustainability (Brigham & Houston, 2021). Both financial and non-financial information contribute to firm valuation, making ROA and CSR critical explanatory variables.

#### **e. Hypothesis Development**

H1: Return on Assets (ROA) has a significant effect on firm value (PBV) of cement companies listed on the IDX during 2020–2024.



H2: Corporate Social Responsibility (CSR) disclosure has a positive effect on firm value of cement companies listed on the IDX during 2020–2024.

## 2. RESEARCH METHOD

This study adopts a quantitative explanatory research design to examine the effect of financial performance and Corporate Social Responsibility (CSR) on firm value in cement sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The quantitative approach is employed to test hypothesized causal relationships between variables using numerical data and statistical analysis (Nugraha, 2025). The study utilizes balanced panel data, enabling the analysis of both cross-sectional and time-series variations.

The population of this research comprises all cement sub-sector firms listed on the IDX throughout the observation period. Sample selection is conducted using purposive sampling to ensure data consistency and relevance. The sampling criteria include: (1) firms consistently listed on the IDX from 2020 to 2024; (2) firms that publish complete audited annual financial statements and sustainability reports during the study period; and (3) firms with complete data on Return on Assets (ROA), Corporate Social Responsibility disclosure, and firm value. Based on these criteria, seven firms are selected, resulting in 35 firm-year observations. Social Responsibility disclosure, and firm value. Based on these criteria, seven firms are selected, resulting in 35 firm-year observations.

This study employs secondary data obtained from publicly available sources, including annual reports, sustainability reports, the official IDX website, and the official websites of the sampled firms. Firm value is measured using Price to Book Value (PBV), which reflects market valuation relative to book equity. Financial performance is proxied by Return on Assets (ROA), capturing management efficiency in generating net income from total assets. Corporate Social Responsibility is measured using a CSR Disclosure Index (CSRDI) constructed through content analysis based on the Global Reporting Initiative (GRI) Standards, where each disclosure item is assigned a binary score (1 if disclosed, 0 otherwise) and aggregated into an index.

Prior to hypothesis testing, descriptive statistical analysis is conducted to summarize the distributional characteristics of the data, including minimum, maximum, mean, and standard deviation. To ensure the validity of the regression estimates, classical assumption tests are performed, encompassing tests for normality, multicollinearity, heteroskedasticity, and autocorrelation. These diagnostic tests are essential to confirm that the regression model satisfies the underlying assumptions of the ordinary least squares (OLS) estimation.

Hypothesis testing is conducted using t-statistics to assess the significance of individual regression coefficients at conventional significance levels. The overall explanatory power of the model is evaluated using the adjusted coefficient of determination (Adjusted R<sup>2</sup>), which accounts for the number of explanatory variables included in the model. All statistical analyses are conducted using statistical software to ensure accuracy and replicability.



### 3. RESULT AND DISCUSSION

#### a. Descriptive Statistics

Descriptive statistics are presented to provide an overview of the distribution and variability of the research variables. The sample consists of 35 firm-year observations derived from seven cement sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Firm value, measured by Price to Book Value (PBV), exhibits moderate variation, reflecting differences in market valuation across firms and over time. Financial performance, proxied by Return on Assets (ROA), shows both positive and negative values, indicating heterogeneity in profitability levels among cement companies during the post-pandemic period. The CSR disclosure index demonstrates relatively high average values, suggesting that most sampled firms have engaged in consistent CSR reporting aligned with the Global Reporting Initiative (GRI) Standards. Overall, the descriptive statistics indicate sufficient variation across variables to support subsequent regression analysis.

#### b. Classical Assumption Test Results

Prior to estimating the regression model, a series of classical assumption tests were conducted to ensure the reliability and validity of the regression estimates. The normality test indicates that the residuals are approximately normally distributed, suggesting that the model satisfies the normality assumption. Multicollinearity diagnostics show that the variance inflation factor (VIF) values for all independent variables are below the commonly accepted threshold, indicating the absence of multicollinearity. The heteroskedasticity test reveals no significant heteroskedasticity, implying constant variance of the error terms. Additionally, the autocorrelation test indicates no serial correlation in the residuals. These results confirm that the regression model meets the classical assumptions of ordinary least squares (OLS), allowing for unbiased and efficient parameter estimation.

#### c. Regression Analysis Results

The multiple linear regression analysis examines the effect of financial performance (ROA) and Corporate Social Responsibility (CSR) on firm value (PBV). The regression results indicate that the model is statistically significant, as evidenced by a significant F-statistic, confirming the joint explanatory power of the independent variables. The adjusted coefficient of determination (Adjusted  $R^2$ ) suggests that a substantial proportion of the variation in firm value is explained by ROA and CSR disclosure, highlighting the relevance of both financial and non-financial factors in determining market valuation within the cement industry.

Individually, ROA exhibits a positive and statistically significant coefficient, indicating that higher profitability derived from efficient asset utilization leads to an increase in firm value. This finding implies that investors place considerable emphasis on a firm's ability to generate earnings from its asset base, particularly in capital-intensive industries such as cement manufacturing. CSR disclosure also demonstrates a positive and significant relationship with firm value, suggesting that enhanced transparency and commitment to social and environmental responsibilities contribute positively to market perception.



#### **d. Discussion of Financial Performance and Firm Value**

The positive relationship between ROA and firm value supports the signaling theory, which posits that financial performance serves as a credible signal of a firm's future prospects. A higher ROA reflects effective managerial decision-making and efficient asset management, which reduce operational inefficiencies and enhance profitability. In the context of the cement industry, where firms operate under conditions of overcapacity and intense competition, efficient asset utilization becomes a critical determinant of financial sustainability. Investors interpret strong ROA performance as an indicator of resilience and growth potential, thereby increasing demand for the firm's shares and elevating firm value determinant of financial sustainability. Investors interpret strong ROA performance as an indicator of resilience and growth potential, thereby increasing demand for the firm's shares and elevating firm value. This result is consistent with prior empirical findings that document a positive association between profitability and firm value (Inayah & Wijayanto, 2020; Aminah & Dinata, 2023).

#### **e. Discussion of Corporate Social Responsibility and Firm Value**

The positive and significant effect of CSR disclosure on firm value aligns with legitimacy theory, which emphasizes the importance of social acceptance and stakeholder approval for corporate survival. Cement companies operate in environmentally sensitive contexts, where production activities generate externalities such as emissions, resource extraction, and community impacts. Comprehensive CSR disclosure serves as a mechanism for firms to demonstrate accountability, mitigate legitimacy risks, and strengthen relationships with stakeholders, including local communities, regulators, and investors. From an investor perspective, CSR disclosure reduces information asymmetry and signals long-term commitment to sustainable operations, which enhances corporate reputation and market valuation. This finding corroborates previous studies that highlight the value relevance of CSR in emerging markets (Rafsanjani & Jasa, 2022; Cristofel & Kurniawati, 2021).

#### **f. Integrated Discussion and Implications**

The combined significance of ROA and CSR indicates that firm value is shaped by both economic performance and sustainability practices. While profitability remains a primary driver of market valuation, CSR acts as a complementary factor that enhances corporate legitimacy and mitigates non-financial risks. This integrated effect suggests that firms focusing solely on short-term financial performance without addressing social and environmental responsibilities may face valuation constraints in the long run. For cement companies, the alignment of financial efficiency and responsible business practices is particularly crucial given regulatory pressures and heightened public scrutiny.

From a managerial perspective, the findings underscore the importance of optimizing asset utilization while simultaneously strengthening CSR strategies. For investors, the results provide empirical evidence that incorporating both financial indicators and CSR information can improve investment decision-making. From a policy standpoint, the study supports the continued enforcement of CSR reporting standards to enhance transparency and market discipline.



#### 4. CONCLUSION

This study investigates the effect of financial performance and Corporate Social Responsibility (CSR) on firm value in cement sub-sector companies listed on the Indonesia Stock Exchange during the period 2020–2024. Using a quantitative panel-data approach and multiple linear regression analysis, the findings provide robust empirical evidence that both financial and non-financial factors play a significant role in shaping firm value.

The results demonstrate that financial performance, proxied by Return on Assets (ROA), has a positive and significant effect on firm value. This indicates that efficient asset utilization and profitability are key signals of managerial effectiveness and future growth prospects, particularly in capital-intensive industries such as cement manufacturing. The findings support signaling theory, suggesting that higher profitability enhances investor confidence and leads to higher market valuation.

Furthermore, the study finds that Corporate Social Responsibility (CSR) disclosure positively and significantly influences firm value. This result confirms the relevance of legitimacy theory, as firms that actively disclose social and environmental responsibilities are perceived as more credible, transparent, and sustainable by market participants. In the context of the cement industry, where environmental and social impacts are substantial, CSR disclosure serves as an important mechanism for reducing legitimacy risk, strengthening stakeholder trust, and improving corporate reputation, which in turn contributes to higher firm value.

The joint significance of ROA and CSR underscores the importance of integrating financial performance with sustainability strategies. Firms that are able to achieve operational efficiency while maintaining strong commitments to social and environmental responsibility are more likely to sustain competitive advantage and enhance long-term firm value. These findings imply that firm value is not solely determined by short-term financial outcomes but is also influenced by how well firms manage non-financial risks and stakeholder relationships.

From a practical perspective, the results provide important implications for corporate management, investors, and policymakers. Management is encouraged to optimize asset utilization and profitability while strengthening CSR programs and disclosure practices. Investors may benefit from incorporating both financial indicators and CSR information into their investment evaluations. For regulators and policymakers, the findings support the continued development and enforcement of sustainability reporting standards to improve transparency and market efficiency.

Despite its contributions, this study has several limitations. The analysis is limited to cement sub-sector firms and a relatively short observation period, which may constrain the generalizability of the findings. Additionally, the study employs a limited set of explanatory variables, focusing only on ROA and CSR. Future research may extend this study by incorporating additional financial and governance variables, applying alternative firm value measures, or employing more advanced panel data techniques to enhance robustness.



Overall, this study contributes to the literature by providing empirical evidence on the combined role of financial performance and Corporate Social Responsibility in determining firm value within an emerging market context, particularly in environmentally sensitive industries.

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